
***METROPOLITAN LUTHERAN MINISTRY
AND AFFILIATE***
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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Independent Auditors' Report

Board of Directors
Metropolitan Lutheran Ministry
Kansas City, Missouri

Report On The Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Lutheran Ministry and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metropolitan Lutheran Ministry and Affiliate as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2016 on our consideration of Metropolitan Lutheran Ministry and Affiliate's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Lutheran Ministry and Affiliate's internal control over financial reporting and compliance.

RubinBrown LLP

September 22, 2016

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2016	2015
Current Assets		
Cash and cash equivalents	\$ 158,458	\$ 78,156
Investments	969,704	1,230,680
Contracts and other receivables	51,457	104,497
Promises to give, net	109,962	252,018
Inventory	92,008	86,615
Prepaid expenses and other	100,629	80,333
Total Current Assets	1,482,218	1,832,299
Property And Equipment, Net	809,847	222,163
Total Assets	\$ 2,292,065	\$ 2,054,462

Liabilities And Net Assets

Current Liabilities		
Accounts payable	\$ 34,505	\$ 42,750
Accrued expenses	50,943	37,402
Other current liabilities	3,207	9,685
Total Current Liabilities	88,655	89,837
Net Assets		
Unrestricted	1,636,022	1,039,004
Board designated	75,320	105,909
	1,711,342	1,144,913
Temporarily restricted	492,068	819,712
Total Net Assets	2,203,410	1,964,625
Total Liabilities And Net Assets	\$ 2,292,065	\$ 2,054,462

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains And Other Support			
Contributions and grants:			
Foundations	\$ 865,863	\$ 225,187	\$ 1,091,050
Corporations	321,404	4,754	326,158
Individuals	487,176	108,435	595,611
Member congregations	60,148	21,935	82,083
Other congregations	5,813	2,776	8,589
United Way	164,278	74,563	238,841
Other organizations	15,387	13,936	29,323
Special events	69,053	—	69,053
In-kind contributions	1,744,530	—	1,744,530
Special event revenue	11,349	—	11,349
Government grants and contracts	671,007	—	671,007
Program fees	60,215	—	60,215
Investment loss	(2,317)	—	(2,317)
Net assets released from restrictions	779,230	(779,230)	—
Total Revenues, Gains And Other Support	5,253,136	(327,644)	4,925,492
Expenses			
Program Services:			
Service centers	2,705,114	—	2,705,114
Family empowerment	300,918	—	300,918
Minor home repair	48,654	—	48,654
Christmas store	161,807	—	161,807
Learning to earning	201,367	—	201,367
Supported housing	651,611	—	651,611
Total Program Services	4,069,471	—	4,069,471
Supporting Services:			
Administration	320,230	—	320,230
Fundraising	250,266	—	250,266
Direct benefit to donors	46,740	—	46,740
Total Supporting Services	617,236	—	617,236
Total Expenses	4,686,707	—	4,686,707
Change In Net Assets	566,429	(327,644)	238,785
Net Assets - Beginning Of Year	1,144,913	819,712	1,964,625
Net Assets - End Of Year	\$ 1,711,342	\$ 492,068	\$ 2,203,410

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains And Other Support			
Contributions and grants:			
Foundations	\$ 317,922	\$ 544,178	\$ 862,100
Corporations	154,602	350	154,952
Individuals	451,321	95,373	546,694
Member congregations	93,329	4,125	97,454
Other congregations	10,737	2,102	12,839
United Way	199,075	33,318	232,393
Other organizations	17,775	20,755	38,530
Special events	47,300	—	47,300
In-kind contributions	1,563,113	—	1,563,113
Special event revenue	7,440	—	7,440
Government grants and contracts	573,812	—	573,812
Program fees	51,992	—	51,992
Investment income	42,235	—	42,235
Other income	1,400	—	1,400
Net assets released from restrictions	451,827	(451,827)	—
Total Revenues, Gains And Other Support	3,983,880	248,374	4,232,254
Expenses			
Program Services:			
Service centers	2,630,912	—	2,630,912
Minor home repair	35,713	—	35,713
Christmas store	146,658	—	146,658
Learning to earning	222,169	—	222,169
Supported housing	612,401	—	612,401
Total Program Services	3,647,853	—	3,647,853
Supporting Services:			
Administration	325,443	—	325,443
Fundraising	218,072	—	218,072
Direct benefit to donors	34,377	—	34,377
Total Supporting Services	577,892	—	577,892
Total Expenses	4,225,745	—	4,225,745
Change In Net Assets	(241,865)	248,374	6,509
Net Assets - Beginning Of Year	1,386,778	571,338	1,958,116
Net Assets - End Of Year	\$ 1,144,913	\$ 819,712	\$ 1,964,625

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2016

Functional Expenses	Program Services							Administration	Fundraising	Total
	Community Support Services					Supported Housing	Program Total			
	Service Centers	Family Empowerment	Minor Home Repair	Christmas Store	Learning To Earning					
Salaries and wages	\$ 338,569	\$ 84,562	\$ 7,272	\$ 6,977	\$ 96,810	\$ 170,640	\$ 704,830	\$ 171,030	\$ 99,853	\$ 975,713
Employee benefits	47,785	11,241	186	183	28,633	36,886	124,914	38,622	19,292	182,828
Payroll taxes	28,666	6,957	402	562	8,567	15,805	60,959	17,024	9,160	87,143
Client assistance	2,180,308	180,096	38,388	151,024	41,633	292,868	2,884,317	89	202	2,884,608
Communications	8,602	1,147	58	57	3,041	10,660	23,565	4,085	1,171	28,821
Postage and shipping	858	144	117	34	221	353	1,727	1,563	7,110	10,400
Supplies	7,415	1,377	71	66	1,274	1,211	11,414	3,653	2,434	17,501
Professional fees	9,733	2,165	166	163	2,869	10,656	25,752	6,995	2,703	35,450
Contracted services	3,690	78	6	131	101	64,400	68,406	35,971	55,414	159,791
Equipment rental and maintenance	4,176	614	47	46	1,165	1,334	7,382	3,591	766	11,739
Insurance	11,457	—	500	666	786	3,459	16,868	7,060	—	23,928
Printing and publications	1,686	6	—	—	138	13	1,843	2,342	13,278	17,463
Occupancy	26,940	2,164	166	163	4,622	25,233	59,288	7,950	2,702	69,940
Depreciation	19,692	4,876	373	366	6,359	10,597	42,263	10,755	6,088	59,106
Travel	4,474	4,119	622	197	2,955	4,643	17,010	2,907	2,037	21,954
Special events	—	—	—	220	—	—	220	—	19,360	19,580
Other expenses	11,063	1,372	280	952	2,193	2,853	18,713	6,593	8,696	34,002
Total Functional Expenses	\$ 2,705,114	\$ 300,918	\$ 48,654	\$ 161,807	\$ 201,367	\$ 651,611	\$4,069,471	\$ 320,230	\$ 250,266	4,639,967
Direct benefit to donors										46,740
Total Expenses										\$ 4,686,707

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2015

Functional Expenses	Program Services						Administration	Fundraising	Total
	Community Support Services				Supported Housing	Program Total			
	Service Centers	Minor Home Repair	Christmas Store	Learning To Earning					
Salaries and wages	\$ 293,485	\$ 4,705	\$ 7,977	\$ 101,723	\$ 168,084	\$ 575,974	\$ 172,942	\$ 87,964	\$ 836,880
Employee benefits	38,821	74	134	19,657	33,496	92,182	24,553	17,026	133,761
Payroll taxes	26,507	74	636	8,697	13,537	49,451	15,155	7,588	72,194
Client assistance	2,155,738	29,187	135,178	61,072	308,497	2,689,672	—	—	2,689,672
Telephone	6,444	36	66	1,654	8,578	16,778	4,184	1,041	22,003
Postage and shipping	1,379	10	105	287	467	2,248	1,482	3,447	7,177
Supplies	7,782	20	36	5,469	3,903	17,210	5,066	2,679	24,955
Professional fees	2,460	19	34	511	4,220	7,244	17,248	442	24,934
Contracted services	9,894	25	44	963	17,938	28,864	36,673	50,230	115,767
Equipment rental and maintenance	3,798	34	62	1,128	1,527	6,549	2,731	799	10,079
Insurance	10,125	346	526	342	3,865	15,204	6,469	296	21,969
Printing and publications	1,774	5	8	122	201	2,110	2,556	10,146	14,812
Occupancy	25,077	122	228	5,152	22,500	53,079	8,462	2,870	64,411
Depreciation and amortization	20,921	283	510	7,584	12,543	41,841	12,399	6,564	60,804
Travel	4,819	246	134	2,814	4,378	12,391	2,644	1,285	16,320
Special events	—	—	—	—	—	—	—	17,635	17,635
Other expenses	21,888	527	980	4,994	8,667	37,056	12,879	8,060	57,995
Total Functional Expenses	\$ 2,630,912	\$ 35,713	\$ 146,658	\$ 222,169	\$ 612,401	\$ 3,647,853	\$ 325,443	\$ 218,072	4,191,368
Direct benefit to donors									34,377
Total Expenses									\$ 4,225,745

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ 238,785	\$ 6,509
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	59,105	60,804
In-kind donations of property and equipment	(11,106)	(18,949)
Net unrealized and realized (gains) losses on investments	28,547	(12,225)
Contributions to capital campaign	(443,470)	(177,162)
Changes in assets and liabilities:		
Decrease in contracts and other receivables	53,040	84,036
(Increase) decrease in promises to give	99,556	(39,183)
Increase in inventory	(5,393)	(2,030)
Increase in prepaid expenses and other	(20,296)	(11,525)
Increase (decrease) in accounts payable	(8,245)	8,509
Increase in accrued expenses	13,541	8,360
Decrease in other current liabilities	(6,478)	(562)
Net Cash Used In Operating Activities	(2,414)	(93,418)
Cash Flows From Investing Activities		
Net purchases of property and equipment	(635,683)	(47,404)
Purchase of investments	(83,500)	(303,379)
Proceeds from sale of investments	315,929	83,011
Net Cash Used In Investing Activities	(403,254)	(267,772)
Cash Flows Provided By Financing Activities		
Proceeds of capital campaign	485,970	177,162
Net Increase (Decrease) In Cash And Cash Equivalents	80,302	(184,028)
Cash And Cash Equivalents - Beginning Of Year	78,156	262,184
Cash And Cash Equivalents - End Of Year	\$ 158,458	\$ 78,156

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016 And 2015

1. Nature Of Organization

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of Metropolitan Lutheran Ministry (MLM) and the MLM Foundation (the Foundation) or (collectively, the Organization). All significant intercompany transactions and balances have been eliminated.

Organization

Metropolitan Lutheran Ministry affirms the right of all people to food, clothing and shelter, while promoting self-sufficiency and hope through direct services and advocacy. MLM serves residents in the Kansas City metropolitan area.

The Metropolitan Lutheran Ministry Foundation's exclusive purpose is to aid and assist MLM in carrying out its purpose and functions. The Foundation's assistance is provided through soliciting, accepting and receiving gifts, grants, and legacies on behalf of MLM.

MLM programs holistically address the immediate need for food, clothing, shelter, utilities and transportation. Strengths and outcomes-based counseling and case management services guide clients in stabilizing their life circumstances and developing self-sufficiency. Services are provided at three Community Support Service Centers and at three supported housing locations. MLM is supported primarily through donor contributions, grants, and the United Way.

The following community support services are included in the accompanying consolidated financial statements:

Service Centers

Provide shelf-stable food, fresh produce, hygiene items, diapers, fans, school supplies, financial assistance for birth certificates, identification, rent and utilities to families and individuals in urgent need of assistance from three agency locations. MLM is very responsive to the needs of older adults in the community. In addition to emergency assistance services, MLM Service Centers help seniors with additional food assistance and provide home deliveries, if needed.

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

Family Empowerment

Provides a continuum of care for clients that meets their needs for food, diapers, hygiene items, birth certificates, identification and rent/utility assistance to stabilize the family. In addition to this short term assistance, MLM provides intensive, yearlong case management which includes housing assistance, financial literacy, household skills, and employment support. To ensure that permanent and lasting solutions are in place for our clients, MLM continues to follow up with families for five years.

Minor Home Repair

Provides assistance to low income, elderly and disabled home owners who are in need of repairs or ramps to improve the safety and security of their homes, allowing the seniors to remain in their homes.

Christmas Store

In cooperation with a volunteer base of 500 people, MLM operates a Christmas Store in Kansas City. The store serves approximately 1,000 families annually with food vouchers and a “self-shop” store with gifts for every member of the family.

Learning To Earning

In 2013, MLM opened a center dedicated to assisting individuals with job search and educational opportunities. The center provides access to computers and the internet, support in resume writing and other job search activities and limited financial support to those enrolled in the program. In 2016, a second center was opened in Northland serving Clay and Platte counties in Missouri.

The following other programs are included in the accompanying consolidated financial statements:

Supported Housing

MLM operates three permanent supportive housing projects in the Kansas City metropolitan area, housing thirty-two chronically homeless persons who have disabilities. Residents live in a safe and nurturing setting with a full-time staff member present to coordinate their services and activities.

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

Administration And Fundraising

Provides oversight of programs, business management, record keeping, and budgeting, financing and other administrative and fundraising activities for the entire Organization.

2. Summary Of Significant Accounting Policies

Basis Of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis Of Presentation

Financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America. Under these principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets of the Organization and change therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that neither expire by passage of time nor by actions of the Organization. The Organization did not have any permanently restricted net assets at either June 30, 2016 and 2015.

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

Board Designated Net Assets

During the years ending June 30, 2016 and 2015, the MLM Board of Directors designated a portion of the prior year's unrestricted revenues over expenses as a discretionary fund to be used by staff for additional program expenses. The amount of the discretionary fund is designated by the Board during the annual budgeting process.

Estimates And Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains cash balances at banks in excess of federally insured limits at various times during the year. The Organization has not experienced any losses in such accounts.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment return includes dividends, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

Investment return that is restricted by donor stipulation and for which the restrictions will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

The Organization is the beneficiary of various funds held by the Greater Kansas City Community Foundation (the GKCCF). The GKCCF maintains pooled investments for the Organization's beneficial interest. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the beneficial interests based on the relationship of the fair value of the interest to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Contracts And Other Receivables

Contracts and other receivables are carried at original invoice amounts less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a regular basis. The Organization's management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of account receivable previously written off are recorded when received. At June 30, 2016 and 2015, no allowance on contracts and other receivables was considered necessary.

Promises To Give

Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give are recorded at their net realizable value. Conditional promises to give, which depend upon specified future and uncertain events, are not included as support until such time as the conditions are substantially met.

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

Inventory

The inventory is stated at the lower of cost or estimated fair value and consists of contributed and purchased goods to be used to help clients with basic needs and supplies. The inventory consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Food	\$ 67,230	\$ 57,237
Supplies	24,525	28,631
Other	253	747
	<u>\$ 92,008</u>	<u>\$ 86,615</u>

The goods contributed during the years ended June 30, 2016 and 2015 were valued at approximately \$1,733,424 and \$1,544,163, respectively, and are recorded as in-kind contributions and expenses of direct client assistance. The value was based on the estimated average unit value of such items.

Property And Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Major additions and improvements are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are charged against net assets in the current period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation and total \$0 and \$8,168 in 2016 and 2015, respectively. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

Revenue Recognition

The Organization recognizes contribution and special event revenue in the year in which it is promised by donors or the year in which a special event occurs.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

During the June 30, 2015 fiscal year, the Organization began a capital campaign for a new Northland Service Center. Revenue recognized related to this campaign totaled \$447,160 and \$269,281 during the years ended June 30, 2016 and 2015, respectively.

Grant Revenues

The Organization recognizes grant funds received or receivable as revenue to the extent that related program expenses have been incurred. Grant funds received in excess of expenses incurred are recognized as refundable advances in the consolidated statement of financial position. At June 30, 2016 there were no refundable advances included in other current liabilities on the consolidated statement of financial position. At June 30, 2015, there were \$1,528 refundable advances included in other current liabilities on the consolidated statement of financial position.

Contributed Services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills which are performed by individuals possessing those skills, and (c) would otherwise be purchased by the Organization if not donated. During the years ended June 30, 2016 and 2015, there were construction services of \$11,106 and \$10,781, respectively, which were capitalized in property and equipment, and were recognized as in-kind contributions.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization benefitted from approximately 17,000 and 16,000 volunteer hours during the years ended June 30, 2016 and 2015, respectively.

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

Income Taxes

MLM and the Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as not-for-profit organizations.

MLM and the Foundation's federal tax returns for tax years 2012 and later remain subject to examination by taxing authorities.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Salaries and wages are charged to program expense and support expense on the basis of periodic time studies. Other expenses that are common to several programs are allocated on a pro rata basis, as determined by management, to the programs they benefit.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the current year's presentation. These reclassifications had no impact on net assets as previously reported.

Subsequent Events

Subsequent events have been evaluated through September 22, 2016, the date that the consolidated financial statements were available to be issued, and there were no material events requiring recognition or disclosure.

3. Investments

Investments consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Mutual funds - fixed income	\$ 153,319	\$ 228,182
Mutual funds - equities	162,775	394,478
Interest in assets held at the Greater Kansas City Community Foundation:		
Money market pool	32,074	30,444
Fixed income pools	230,903	214,554
Equity pool	390,633	363,022
	<u>\$ 969,704</u>	<u>\$ 1,230,680</u>

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

Realized and unrealized gains and losses are reflected in the consolidated statement of activities as changes in unrestricted net assets. Investment income (loss) is summarized as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 26,230	\$ 30,010
Realized and unrealized gains (losses)	<u>(28,547)</u>	<u>12,225</u>
	<u>\$ (2,317)</u>	<u>\$ 42,235</u>

Investment expenses of \$9,369 and \$5,528 have been reported net against interest and dividend income for the years ended June 30, 2016 and 2015, respectively.

4. Interest In Assets Held At The Greater Kansas City Community Foundation

The Organization has transferred assets to the Greater Kansas City Community Foundation (GKCCF) and retained a beneficial interest in those assets. The Organization has granted variance power to the GKCCF to distribute the funds as directed by the Organization's Chair of the Board of Directors. The Organization is to receive principal and net earnings as requested for its unrestricted use. The cumulative amount of the retained beneficial interest included in investments on the consolidated statement of financial position was \$653,610 and \$608,020 at June 30, 2016 and 2015, respectively.

5. Fair Value Measurements

The Organization follows an established framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these rules are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

METROPOLITAN LUTHERAN MINISTRY AND AFFILIATE

Notes To Consolidated Financial Statements (*Continued*)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds and the money market funds held by the Organization are open-end investment funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and money market funds held by the Organization are deemed to be actively traded.

Interest In Assets Held At The Greater Kansas City Community Foundation

Valued at the NAV of units of the pooled investment funds held at the GKCCF. The NAV, as provided by the GKCCF, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

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Notes To Consolidated Financial Statements (*Continued*)

Investment funds held by the GKCCF consist of a portfolio of money market, short term fixed income, intermediate fixed income, and equity investment pools. The investment objective of these pools is to seek a competitive return while preserving and growing the portfolio and providing cash flows to meet the needs of the Organization now and in the future. The Organization's interest may be redeemed within three to five business days. There are no outstanding commitments associated with this interest.

During 2016, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's assets.

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 153,319	\$ —	\$ —	\$ 153,319
Equities	162,775	—	—	162,775
Interest in assets held at the Greater Kansas City Community Foundation	—	653,610	—	653,610
Total assets at fair value	\$ 316,094	\$ 653,610	\$ —	\$ 969,704

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 228,182	\$ —	\$ —	\$ 228,182
Equities	394,478	—	—	394,478
Interest in assets held at the Greater Kansas City Community Foundation	—	608,020	—	608,020
Total assets at fair value	\$ 622,660	\$ 608,020	\$ —	\$ 1,230,680

**METROPOLITAN LUTHERAN MINISTRY
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Notes To Consolidated Financial Statements (*Continued*)

6. Promises To Give, Net

Unconditional promises to give (all of which are due within the next year) consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
United Way	\$ 101,256	\$ 118,865
Foundations	1,430	48,750
Individuals	5,151	87,977
Other	6,500	1,075
Allowance for uncollectible promises to give	<u>(4,375)</u>	<u>(4,649)</u>
Total promises to give, net	<u>\$ 109,962</u>	<u>\$ 252,018</u>

7. Property And Equipment

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 5,000	\$ 5,000
Buildings and improvements	516,105	486,058
Equipment	255,609	204,240
Vehicles	35,873	35,873
Software	15,124	15,124
Construction in progress	<u>585,392</u>	<u>20,019</u>
	1,413,103	766,314
Less: Accumulated depreciation and amortization	<u>603,256</u>	<u>544,151</u>
	<u>\$ 809,847</u>	<u>\$ 222,163</u>

During the years ended June 30, 2016 and 2015, depreciation and amortization expense of \$59,105 and \$60,804, respectively, is included in the consolidated statement of activities.

Effective February 1, 2015, the Organization leases property located in the Northland of Kansas City under terms of a 35 year agreement through December 2050, plus three additional options to renew for five years each. In accordance with the agreement and in lieu of rent, the Organization is responsible for all costs associated with renovation of the property. Accordingly, there is no outstanding lease obligation related to this agreement.

**METROPOLITAN LUTHERAN MINISTRY
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Notes To Consolidated Financial Statements (*Continued*)

In 2016, the Organization utilized approximately \$560,000 of proceeds from its 2015 and 2016 fundraising campaign to renovate the property, and those capitalized costs are reported in construction in progress as of June 30, 2016. The leasehold improvements will be amortized over the useful life of the property when placed in service during fiscal year 2017.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
Emergency assistance	\$ 56,921	\$ 282,031
Christmas store	21,215	31,166
Minor home repair	8,740	25,638
Learning to earning	96,367	85,275
Orchard	2,734	8,608
Capital projects	148,511	262,162
General operations - time restricted	80,000	84,879
Supported housing	1,961	39,953
Breakfast programs	10,664	—
Development	192	—
Family empowerment program	64,763	—
	<u>\$ 492,068</u>	<u>\$ 819,712</u>

As of June 30, 2016 and 2015, net assets of \$779,230 and \$451,827, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors, or by the passage of time.

	<u>2016</u>	<u>2015</u>
Emergency assistance	\$ 282,031	\$ 281,004
Professional services	—	16,147
Christmas store	27,162	1,450
Minor home repair	25,638	23,879
General operations - time restricted	48,809	30,230
Capital projects	262,162	6,438
Learning to earning	85,275	68,191
Orchard	8,608	9,434
Supported housing	39,545	13,849
Lecture series	—	1,205
	<u>\$ 779,230</u>	<u>\$ 451,827</u>

**METROPOLITAN LUTHERAN MINISTRY
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Notes To Consolidated Financial Statements (*Continued*)

9. Commitments And Contingencies

As of June 30, 2016, the Organization is operating three supported housing programs. For each of the programs, the Organization has entered into an operating lease agreement with an apartment complex. These original lease terms are generally one or two years, with options for annual renewal, and expire in fiscal year 2017. The Organization also leases certain copiers and other office equipment under noncancellable operating lease agreements expiring in fiscal year 2017. Rental expense was approximately \$275,000 and \$265,000 in 2016 and 2015, respectively. Future minimum lease payments under these operating leases as of June 30, 2016 are as follows:

<u>Year</u>	<u>Amount</u>
<u>2017</u>	<u>\$ 83,076</u>

On August 8, 2016, the Organization entered into an agreement, contingent upon satisfaction of certain requirements, to acquire land located in Wyandotte County, Kansas for approximately \$215,000.

10. Retirement Plan

The Organization sponsors a 403(b) retirement plan under which eligible employees may choose to defer a percentage of their salary on a pre-tax basis, subject to certain IRC limits. The plan covers employees who meet the eligibility requirements as stated in the plan document. The Organization matches an amount equal to 100% of each participant's contribution up to 3% of the participant's respective wages. The Organization contributed \$13,714 and \$8,608 for the years ended June 30, 2016 and 2015, respectively.

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Notes To Consolidated Financial Statements (*Continued*)

11. Major Concentrations

Revenues

The Organization received approximately \$1,156,000 and \$1,107,000 of direct and pass-through funds from the Department of Housing and Urban Development and the U.S. Department of Agriculture for the years ended June 30, 2016 and 2015, respectively. This funding represented approximately 23% and 26% of the Organization's revenues for the years ended June 30, 2016 and 2015, respectively. In addition, the Organization received approximately \$768,000 and \$198,000 of in-kind contributions from Harvester's Food Network, which represents approximately 16% and 5% of the Organization's revenues for the years ended June 30, 2016 and 2015, respectively.

Federal Awards

The Organization has received financial assistance from the U.S. Department of Housing and Urban Development, U.S. Department of Homeland Security and U.S. Department of Agriculture, through direct grants and various pass-through grantors, in the form of contracts, grants and awards to fund its activities. These activities are subject to audit by agents of the granting authority, and by independent public accountants, under the Single Audit Act, the purpose of which is to ensure compliance with the terms and conditions specified in these agreements. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.