

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED AUGUST 31, 2016 AND 2015

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grapevine Relief and Community Exchange
Grapevine, Texas

We have audited the accompanying financial statements of Grapevine Relief and Community Exchange (GRACE), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

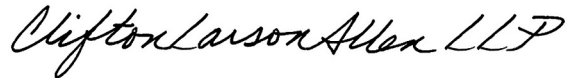
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grapevine Relief and Community Exchange as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the GRACE's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which is has been derived.



CliftonLarsonAllen LLP

Fort Worth, Texas
February 28, 2017

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 130,935	\$ 222,660
Grants Receivable	-	6,005
Unconditional Promises to Give	276,867	50,329
Accrued Interest Receivable	1,750	1,204
Resale Inventory	62,301	56,084
Prepaid Expenses	100,624	105,447
Deferred Rent Asset	-	6,224
Other Current Assets	20,127	20,127
Total Current Assets	592,604	468,080
PROPERTY AND EQUIPMENT – At Cost, Net	1,406,564	1,430,611
OTHER ASSETS		
Restricted Investments	375,965	298,939
Unconditional Promises to Give	307,029	-
Total Other Assets	682,994	298,939
Total Assets	\$ 2,682,162	\$ 2,197,630
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 43,567	\$ 29,350
Sales Tax Payable	10,892	9,281
Accrued Wages	41,085	43,185
Accrued Payroll Liabilities	76,503	67,571
Deferred Revenue	114,760	235,175
Deferred Rent Liability	20,726	-
Total Current Liabilities	307,533	384,562
LONG-TERM LIABILITIES		
Note Payable	419,415	419,415
Total Liabilities	726,948	803,977
NET ASSETS		
Unrestricted	1,042,057	910,143
Unrestricted – Board-Designated	53,096	49,155
Total Unrestricted	1,095,153	959,298
Temporarily Restricted	649,310	223,604
Permanently Restricted	210,751	210,751
Total Net Assets	1,955,214	1,393,653
Total Liabilities and Net Assets	\$ 2,682,162	\$ 2,197,630

See accompanying Notes to Financial Statements.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2016 AND 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
REVENUES AND OTHER SUPPORT					
Contributions	\$ 1,103,774	\$ 641,908	\$ -	\$ 1,745,682	\$ 1,257,055
Grants	81,265	-	-	81,265	79,628
Special Events, Net of Direct Costs of \$271,930	560,758	-	-	560,758	497,664
Donated Goods and Materials	1,981,991	-	-	1,981,991	1,796,897
Client Fees	14,808	-	-	14,808	16,092
Realized, Unrealized, and Investment Income on Investments	11,908	18,236	-	30,144	(10,140)
Donated Use of Facilities	118,600	-	-	118,600	118,600
Sales, Resale Stores	1,866,508	-	-	1,866,508	1,550,772
Less: Cost of Resale Operations	(1,662,428)	-	-	(1,662,428)	(1,254,337)
Other Income	25,300	-	-	25,300	84,381
Net Assets Released from Restrictions	234,438	(234,438)	-	-	-
Total Revenues and Other Support	4,336,922	425,706	-	4,762,628	4,136,612
EXPENSES					
Program Services	3,461,130	-	-	3,461,130	3,248,176
Management and General	129,529	-	-	129,529	328,177
Development and Fund Raising	610,408	-	-	610,408	398,518
Total Expenses	4,201,067	-	-	4,201,067	3,974,871
CHANGE IN NET ASSETS	135,855	425,706	-	561,561	161,741
Net Assets - Beginning of Year	959,298	223,604	210,751	1,393,653	1,231,912
NET ASSETS - END OF YEAR	\$ 1,095,153	\$ 649,310	\$ 210,751	\$ 1,955,214	\$ 1,393,653

See accompanying Notes to Financial Statements.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016						Total Program Service
	Clothing	Emergency Assistance	Housing	Medical Clinic	Pantry	Seasonal Program	
Payroll and Related Expenses	\$ 124,230	\$ 284,972	\$ 122,079	\$ 194,247	\$ 149,946	\$ 42,832	\$ 918,306
Direct Program Costs	294,109	196,879	189,274	452,717	719,222	365,186	2,217,387
Total Direct Costs	418,339	481,851	311,353	646,964	869,168	408,018	3,135,693
Accounting and Professional Fees	789	1,522	577	883	646	193	4,610
Advertising	139	1,162	504	780	72	36	2,693
Bank Charges	375	635	280	506	657	342	2,795
Contract Labor	2,118	-	-	-	-	-	2,118
Dues and Subscriptions	140	208	912	543	260	129	2,192
Staff Development	119	386	233	121	153	75	1,087
Employee Recognition	820	1,156	788	1,281	1,314	638	5,997
Insurance	3,220	1,369	6,253	4,436	9,295	1,289	25,862
Marketing	231	325	173	260	328	161	1,478
Miscellaneous	164	3,759	118	3,128	475	186	7,830
Meetings and Travel	994	2,240	3,014	1,743	1,728	771	10,490
Occupancy	29,981	19,544	12,989	1,525	1,982	25,291	91,312
Postage	169	192	135	233	304	152	1,185
Printing	388	1,691	282	1,330	666	333	4,690
Professional Fees	-	-	-	-	-	-	-
Repairs and Maintenance	4,402	2,674	1,582	4,154	4,617	985	18,414
Supplies	2,740	2,569	1,271	2,233	4,214	1,599	14,626
Telephone	2,697	8,579	6,238	6,861	3,638	711	28,724
Technology	1,807	5,438	1,692	4,880	3,042	360	17,219
Utilities	6,489	3,633	2,023	5,289	9,758	650	27,842
Vehicle Maintenance	991	916	45	82	2,595	53	4,682
Depreciation	8,414	4,591	18,513	8,879	8,978	216	49,591
Total Indirect Costs	67,187	62,589	57,622	49,147	54,722	34,170	325,437
Less: Costs Included with Revenues in the Statement of Activities	-	-	-	-	-	-	-
Total Expenses	<u>\$ 485,526</u>	<u>\$ 544,440</u>	<u>\$ 368,975</u>	<u>\$ 696,111</u>	<u>\$ 923,890</u>	<u>\$ 442,188</u>	<u>\$ 3,461,130</u>

See accompanying Notes to Financial Statements.

2016				2015				
Total Resale	Management and General	Fund Raising	Total	Total Program Service	Total Resale	Management and General	Fund Raising	Total
\$ 1,078,035	\$ 100,610	\$ 270,511	\$ 2,367,462	\$ 804,848	\$ 806,334	\$ 226,157	\$ 265,333	\$ 2,102,672
8,236	199	74,126	2,299,948	2,145,392	3,607	807	1,341	2,151,147
1,086,271	100,809	344,637	4,667,410	2,950,240	809,941	226,964	266,674	4,253,819
8,413	281	1,195	14,499	3,796	4,576	3,401	1,127	12,900
17,632	121	1,594	22,040	1,305	18,625	217	1,014	21,161
34,034	602	18,026	55,457	210	31,098	3,718	15,961	50,987
28,595	-	-	30,713	6,806	58,818	-	-	65,624
1,441	1,003	1,703	6,339	1,950	640	2,384	2,924	7,898
1,523	425	2,123	5,158	2,752	75	1,071	759	4,657
8,818	2,669	2,199	19,683	2,583	3,488	4,963	846	11,880
20,201	1,608	1,288	48,959	19,803	11,896	3,571	390	35,660
6,375	595	10,311	18,759	850	3,493	3,135	3,001	10,479
1,396	966	2,851	13,043	-	-	775	-	775
9,505	5,860	5,401	31,256	4,999	1,031	18,921	2,956	27,907
242,483	5,773	34,324	373,892	79,010	155,567	23,384	9,263	267,224
5,502	313	7,969	14,969	251	9	1,315	9,013	10,588
2,660	309	20,096	27,755	878	1,895	632	34,412	37,817
-	-	129,907	129,907	-	-	1,340	26,000	27,340
20,651	808	1,482	41,355	45,179	42,549	8,064	4,183	99,975
25,177	1,027	3,397	44,227	10,684	16,165	2,803	2,809	32,461
17,978	1,375	5,118	53,195	14,289	11,146	3,511	2,359	31,305
17,066	1,755	5,559	41,599	14,980	12,145	8,045	9,882	45,052
51,218	981	2,011	82,052	26,255	39,164	4,062	1,984	71,465
11,123	484	353	16,642	5,972	6,663	381	88	13,104
44,366	1,765	8,864	104,586	55,384	25,353	5,520	2,873	89,130
576,157	28,720	265,771	1,196,085	297,936	444,396	101,213	131,844	975,389
(1,662,428)	-	-	(1,662,428)	-	(1,254,337)	-	-	(1,254,337)
-	\$ 129,529	\$ 610,408	\$ 4,201,067	\$ 3,248,176	\$ -	\$ 328,177	\$ 398,518	\$ 3,974,871

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 561,561	\$ 161,741
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	104,586	89,130
In-Kind Donations of Securities Received	(5,931)	(9,100)
Promises to Give Non-Cash Contributions	(125,000)	-
Net Unrealized and Realized Income on Investments	(18,105)	17,057
Accretion of Fixed Income Investments	-	-
(Increase) Decrease in Operating Assets:		
Grants Receivable	6,005	5,484
Accrued Interest Receivable	(546)	(1,204)
Unconditional Promises to Give	(408,567)	(22,375)
Resale Inventory	(6,217)	(6,119)
Prepaid Expenses	4,823	(51,263)
Other Current Assets	-	(6,125)
Deferred Rent Asset/Liability	26,950	(6,224)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	14,217	13,801
Sales Tax Payable	1,611	1,672
Accrued Wages	(2,100)	8,711
Accrued Payroll Liabilities	8,932	7,319
Deferred Revenue	(120,415)	(12,451)
Net Cash Provided by Operating Activities	41,804	190,054
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	29,931	128,603
Purchases of Investments	(82,920)	(142,500)
Purchases of Property and Equipment	(80,540)	(100,573)
Net Cash Used by Investing Activities	(133,529)	(114,470)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(91,725)	75,584
Cash and Cash Equivalents - Beginning of Year	222,660	147,076
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 130,935	\$ 222,660
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Proceeds of Financing Used for the Purchase of Property and Buildings	\$ -	\$ 419,415
Interest Paid	16,163	9,262

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 ORGANIZATION AND OPERATIONS

Grapevine Relief and Community Exchange (GRACE) was organized in Texas in 1987 as a nonprofit corporation for the purpose of centralizing resources and providing food, clothing, referral, and available financial assistance to the needy of the Grapevine-Southlake-Colleyville area, and others as referred by its members. GRACE receives most of its support from civic organizations, local government agencies, churches, and individuals in the Northeast Tarrant County area.

GRACE is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. This section exempts the organization from taxes on income. Accordingly, no provision for income taxes has been made in the financial statements. The Internal Revenue Service has classified GRACE as a public charity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding GRACE's financial statements. The financial statements and notes are representations of GRACE's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

GRACE presents the financial statements in accordance with U.S. GAAP. As such, GRACE is required to report information regarding its financial position and activities according to three classes of net assets: 1) unrestricted net assets, 2) temporarily restricted net assets, and 3) permanently restricted net assets. The fund groups are reported in the three classes of net assets as follows:

Unrestricted Net Assets

These funds have no external restrictions and can be used for any purpose designated by the board.

Unrestricted Relating to Board Designations

These funds have no external restrictions but are internally designated for a specific purpose by the board.

Temporarily Restricted Net Assets

These funds generally represent funds for which the donor has limited the use of the funds by stipulating how or when the funds are to be used. The restrictions are satisfied either by passage of time or by actions of GRACE.

Permanently Restricted Net Assets

These are funds that have been restricted by the donor and cannot be satisfied by the passage of time or by actions of GRACE.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

GRACE considers only cash in banks and on hand as cash and cash equivalents. These cash equivalents are financial instruments that potentially subject GRACE to concentrations of credit risk. GRACE places its cash with high-credit-quality financial institutions and periodically maintains deposits in amounts that exceed Federal Deposit Insurance Corporation insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

Grant Receivables and Unconditional Promises to Give

GRACE's grant receivable consists principally of amounts expended under cost reimbursement grant agreements, which have not yet been reimbursed by the granting agency. GRACE utilizes the allowance method for recognition of bad debts.

Unconditional promises to give received by GRACE represent amounts pledged by individuals and other organizations, and are anticipated to be collected in the near future. GRACE recognizes unconditional promises to give as support in the period the promise to give is made and reports them as contributions in the statement of activities. Promises to give at August 31, 2016 are expected to be received as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 276,867
2018	219,101
2019	87,928
Total	<u>\$ 583,896</u>

As of August 31, 2016 and 2015, no allowance for doubtful accounts was deemed necessary based on historical collection rates. Bad debt expense was \$-0- for the years ended August 31, 2016 and 2015.

Contributions Received and Contributions Made

Contributions are recognized when unconditional commitments are received and recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Expenditures for property and equipment in excess of \$3,000 and having a useful life of two years or more are capitalized and recorded on GRACE's books at cost. Donations of significant property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset 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, GRACE reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GRACE reclassifies temporarily restricted net assets to unrestricted net assets at that time. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in income.

Depreciation of buildings and equipment is computed on the straight-line basis over their estimated useful lives. The estimated useful lives range from 2 to 30 years. Depreciation expense for 2016 and 2015 amounted to \$104,586 and \$89,130, respectively, and is shown on the accompanying statement of functional expenses.

Federal Income Tax

GRACE is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for federal income taxes has been included in the financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the years ended August 31, 2016 and 2015.

GRACE follows FASB ASC No. 740, *Income Taxes*, in recognizing and disclosing uncertain tax positions. There was no liability for uncertain tax positions as of August 31, 2016 and 2015. Penalties and interest, if any, are recorded in management and general, miscellaneous expense.

Restricted Investments

GRACE follows FASB ASC No. 958-320, *Investments – Debt and Equity Securities*. Under this section, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income includes interest and dividends, net of investment expenses, and is included in the statement of activities as increases in unrestricted net assets, unless the donor or law restricts the income or loss. Unrealized gains and losses are included in the change in net assets.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Investments (Continued)

FASB ASC No. 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. GRACE uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The three levels of fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to GRACE's needs.

Inventory

Inventory consists of donated clothing and furniture. Due to lack of market information, variety of donated items, and difficulty of valuation on an individual basis, inventory is valued using the gross profit method. Items which are not sold within a certain amount of time are sold in bulk and removed from inventory.

Donated Materials and Services

GRACE records the value of donated services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated goods which have no objective basis for valuation and are merely held for distribution to clients. Donated services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services (Continued)

Donated goods consist of food donated for support of GRACE's food pantry and clothing and household items for emergency assistance. Amounts contributed for the years ended August 31, 2016 and 2015 were \$1,422,764 and \$1,296,892, respectively.

Donated services consist of medical services donated to the Clinic. Amounts contributed for the years ended August 31, 2016 and 2015 were \$559,227 and \$490,905, respectively.

Donated securities consist of donation of equity securities which were made to GRACE by direct transfer to its brokerage account. Securities valued in the amounts of \$5,931 and \$9,100 were donated during the years ended August 31, 2016 and 2015, respectively.

In addition, other donated services were not recognized in the financial statements because they did not meet the criteria for recognition under U.S. GAAP.

Donated Use of Facilities

The value of donated use of facilities included in the financial statements and its corresponding expenses for the years ended August 31, 2016 and 2015 consists of the fair market value of rent on the organization's facilities of \$118,600 and \$118,600, respectively.

Restricted Contributions and Temporarily Restricted Net Assets

GRACE reports contributions with donor-imposed restrictions as restricted support; however, donor-imposed restrictions whose restrictions are met in the same year are reported as unrestricted support. When a donor 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 statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, GRACE reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses

The costs of providing program, fund-raising, and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, supporting services, and fund-raising activities benefited.

Comparative Data

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with GRACE's financial statements for the year ended August 31, 2015, from which the summarized information was derived.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment as of August 31 consisted of the following:

	2016	2015
Buildings and Land	\$ 1,815,997	\$ 1,809,050
Leasehold Improvements	487,092	387,666
Furniture and Fixtures	32,022	32,022
Equipment	239,634	239,634
Vehicles	101,284	103,284
Construction in Process	23,000	52,834
Total Property and Equipment	<u>2,699,029</u>	<u>2,624,490</u>
Less: Accumulated Depreciation	1,292,465	1,193,879
Net Property and Equipment	<u>\$ 1,406,564</u>	<u>\$ 1,430,611</u>

NOTE 4 RESTRICTED INVESTMENTS

Restricted investments as of August 31, 2016 consisted of the following:

	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Money Market Mutual Funds	\$ 8,445	\$ 8,445	\$ -
Fixed Income	134,728	109,730	24,998
Corporate Bonds	135,548	134,275	1,273
Equity Funds	97,244	93,763	3,481
Total Investments	<u>\$ 375,965</u>	<u>\$ 346,213</u>	<u>\$ 29,752</u>

Restricted investments as of August 31, 2015 consisted of the following:

	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Money Market Mutual Funds	\$ 11,270	\$ 11,270	\$ -
Fixed Income	148,623	134,700	13,923
Corporate Bonds	66,706	67,500	(794)
Equity Funds	72,340	75,000	(2,660)
Total Investments	<u>\$ 298,939</u>	<u>\$ 288,470</u>	<u>\$ 10,469</u>

Restricted investments are carried at fair value and realized and unrealized gains and losses are reflected in the statement of activities.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
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NOTE 4 RESTRICTED INVESTMENTS (CONTINUED)

FASB ASC No. 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consists of other investments, and Level 3 inputs have the lowest priority. GRACE uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, GRACE measures fair value using Level 1 and Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are not used by GRACE.

The fair value of restricted investments by level as of August 31, 2016 was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Funds	\$ 8,445	\$ -	\$ -	\$ 8,445
Equities	97,244	-	-	97,244
Fixed Income	-	134,728	-	134,728
Corporate Bonds	-	135,548	-	135,548
Total Investments	<u>\$ 105,689</u>	<u>\$ 270,276</u>	<u>\$ -</u>	<u>\$ 375,965</u>

The fair value of restricted investments by level as of August 31, 2015 was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Funds	\$ 11,270	\$ -	\$ -	\$ 11,270
Equities	72,340	-	-	72,340
Fixed Income	-	148,623	-	148,623
Corporate Bonds	-	66,706	-	66,706
Total Investments	<u>\$ 83,610</u>	<u>\$ 215,329</u>	<u>\$ -</u>	<u>\$ 298,939</u>

NOTE 5 LEASES

GRACE has entered into a conditional lease with the city of Grapevine to lease 5,400 square feet of office and warehouse space. The terms of the lease call for one-360th of the cost of improvements on the property to be applied as base rent each month. If GRACE cancels the lease, the landlord will reimburse the organization for all unamortized leasehold improvements from the date of cancellation to the original expiration date of the lease. The lease commenced on the date the improvements were completed, which was approximately April 1, 1995. The lease is conditional upon the continued use as offices and warehouse to distribute goods to needy citizens of the immediate and surrounding communities. The lease also gives GRACE the right of first refusal to purchase the property at fair market value. The fair market value of the lease facilities, net of leasehold improvements paid for by the tenant, has been estimated at \$5,833 per month. GRACE also receives donated space for its donation station, for which the fair market value has been estimated at \$3,907. These amounts are reported as income under donated use of facilities and as expense in occupancy expenses.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 LEASES (CONTINUED)

GRACE also leases space for the resale store and office equipment having remaining terms in excess of one year. At August, 31, 2016, the minimum lease commitments are as follows:

<u>Year Ending August 31.</u>	<u>Amount</u>
2017	\$ 176,141
2018	161,277
2019	157,625
2020	157,833
2021	123,167
Thereafter	478,000
Total	<u><u>\$ 1,254,043</u></u>

GRACE also entered into an agreement during 2015 with the former owner of a building which was recently purchased by GRACE. This agreement allows the former owner to lease back the building from GRACE until January 31, 2016 at a rental amount of \$2,100 per month. As of August 31, 2016 the former owner continues to lease the building at \$2,100 per month through a verbal extension of the lease agreement. This agreement will continue until GRACE is ready to begin construction or the lessee decides to leave, whichever comes first.

NOTE 6 PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND

The board of directors of GRACE has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GRACE classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument as the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GRACE in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, GRACE considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of GRACE and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of GRACE.
- 7) The investment policies of GRACE.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
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NOTE 6 PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND (CONTINUED)

GRACE's investment policy, as approved by the Board of Directors, requires that the endowment assets are invested in mutual fund, equity, and bond accounts assuming a moderate level of investment risk. GRACE expects its endowment fund, over time, to provide an average rate of return of approximately five percent annually. Actual returns in any given year may vary from this amount.

During the year ended August 31, 1998, GRACE received a grant in the amount of \$200,000 from the Nannie Hogan Boyd Trust, the income from which is to be used to create an endowment fund for emergency assistance, case management, and transitional housing for homeless and needy people who are mentally ill or mentally retarded. As a condition of receiving this grant, GRACE has agreed to restrict the use of the money to the purposes mentioned above and submit certain reports to the grantor indicating the uses of grant monies. The grant further stipulates that if any of the monies are not utilized for the designated purposes, the entire unused portion of the grant must be returned to the trustee.

During the year ended August 31, 2014, GRACE received a grant in the amount of \$50,000 from Exxon Mobil Corporation. The board has designated these funds and formed the GRACE Endowment. All corpus and earnings on endowment funds are to be used by GRACE to achieve or further its charitable purposes. These funds are shown with unrestricted net assets in the accompanying statement of financial position.

Endowment corpus is restricted to investments in perpetuity, and is composed of the following restricted and board-designated amounts at August 31, 2016 and 2015:

<u>2016</u>	Unrestricted (Board- Designated)	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowments with Principal to be Held in Perpetuity	\$ -	\$ -	\$ 210,751	\$ 210,751
Income on Restricted Endowment which may be Distributed for Specified Purposes		34,938		34,938
Board-Restricted Endowments in which Principal may be Distributed for Specified Purposes	53,096	-	-	53,096
Total	<u>\$ 53,096</u>	<u>\$ 34,938</u>	<u>\$ 210,751</u>	<u>\$ 298,785</u>

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND (CONTINUED)

The changes in endowment net assets for the years ended August 31, 2016 and 2015 are as follows:

	Unrestricted (Board- Designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - August 31, 2014	\$ 50,881	\$ 24,688	\$ 200,751	\$ 276,320
Investment Income, Net of Expenses	1,177	5,448	-	6,625
Realized and Unrealized Gains and Losses Net	(2,903)	(13,434)	-	(16,337)
Total Investment Return	49,155	16,702	200,751	266,608
Contributions	-	-	10,000	10,000
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets - August 31, 2015	49,155	16,702	210,751	276,608
Investment Income, Net of Expenses	1,472	6,810	-	8,282
Realized and Unrealized Gains and Losses, Net	2,469	11,426	-	13,895
Total Investment Return	53,096	34,938	210,751	298,785
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets - August 31, 2016	<u>\$ 53,096</u>	<u>\$ 34,938</u>	<u>\$ 210,751</u>	<u>\$ 298,785</u>

NOTE 7 GRACE TRANSITIONAL HOUSING GRANT

On June 1, 1999, GRACE received a grant from the Tarrant County Community Development Office of the United States Department of Housing and Urban Development for the purpose of purchasing a 10-unit transitional housing facility to serve the homeless population of Northeast Tarrant County. In return for receipt of the grant, GRACE has committed to operating the facility consistent with the mission stated above and to provide monthly reports of activities undertaken in the performance of this contract and monthly statements of expenditures and income which relate to the above described supportive housing program. In addition, GRACE has agreed to own and operate the facility as transitional housing for 20 years. The original gift is being accounted for within temporarily restricted net assets ("Transitional Housing Building" – see Note 9) and is being amortized over the period of time that GRACE retains the responsibility to maintain the facility.

NOTE 8 EMPLOYEE BENEFIT PLAN

GRACE sponsors a 401(k) plan for all qualified employees. GRACE matches employee contributions at a rate of \$1.00 for each employee dollar up to 3% of the employee's salary. Employer contributions to the plan amounted to \$24,435 and \$26,013 during the years ended August 31, 2016 and 2015.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
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NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of August 31 consisted of the following:

<u>Restricted Purpose</u>	<u>2016</u>	<u>2015</u>
Hogan-Boyd Earnings – Assistance for Mentally Ill	\$ 34,938	\$ 16,702
Transitional Housing Building	57,248	173,861
Pantry	5,558	-
Emergency Assistance	53,475	23,041
Capital Campaign	498,091	10,000
Total	<u>\$ 649,310</u>	<u>\$ 223,604</u>

NOTE 10 NOTE PAYABLE

During 2015, GRACE entered into a financing arrangement with a bank to fund the purchase of a new facility. The note payable is an interest-only arrangement with the entire balance maturing in lump sum on February 6, 2017. The note bears interest at 3.75% and is collateralized by certain land and buildings with a net book value of \$431,406. As of February 28, 2017, GRACE had been given several options by the bank to refinance this note into a long-term arrangement, and has the intent and ability to execute one of such as soon as evaluation of the options is completed.

NOTE 11 LINE OF CREDIT

GRACE has a \$100,000 revolving line of credit with a bank. The line of credit matures April 17, 2017 and bears interest at the prime rate with a floor of 4.0%. The line of credit is secured by the land and buildings of GRACE, exclusive of the land and buildings included in Note 10. There was no balance outstanding on the line of credit as of August 31, 2016 and 2015.

NOTE 12 CONCENTRATIONS

Donors with total gifts exceeding 5% of the value of total contributions during the year are considered concentrated donors to the Shelter. Four donors comprised 35% of the total balance of contribution revenue for the year ended August 31, 2016.

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2017, the date on which the financial statements were available to be issued.