

**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.

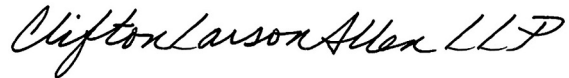
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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**

| <b>ASSETS</b>                                | 2016         | 2015         |
|--|--------------|--------------|
| <b>CURRENT ASSETS</b>                        |              |              |
| 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      |
| <b>PROPERTY AND EQUIPMENT – At Cost, Net</b> | 1,406,564    | 1,430,611    |
| <b>OTHER ASSETS</b>                          |              |              |
| 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 |
| <b>LIABILITIES AND NET ASSETS</b>            |              |              |
| <b>CURRENT LIABILITIES</b>                   |              |              |
| 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      |
| <b>LONG-TERM LIABILITIES</b>                 |              |              |
| Note Payable                                 | 419,415      | 419,415      |
| Total Liabilities                            | 726,948      | 803,977      |
| <b>NET ASSETS</b>                            |              |              |
| 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<br>Restricted | Permanently<br>Restricted | Total               |                     |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|
|   |                     |                           |                           | 2016                | 2015                |
| <b>REVENUES AND OTHER SUPPORT</b>                             |                     |                           |                           |                     |                     |
| 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<br>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<br>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)                 | -                         | -                   | -                   |
| <b>Total Revenues and Other Support</b>                       | <b>4,336,922</b>    | <b>425,706</b>            | <b>-</b>                  | <b>4,762,628</b>    | <b>4,136,612</b>    |
| <b>EXPENSES</b>   |                     |                           |                           |                     |                     |
| 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             |
| <b>Total Expenses</b>   | <b>4,201,067</b>    | <b>-</b>                  | <b>-</b>                  | <b>4,201,067</b>    | <b>3,974,871</b>    |
| <b>CHANGE IN NET ASSETS</b>                                   | <b>135,855</b>      | <b>425,706</b>            | <b>-</b>                  | <b>561,561</b>      | <b>161,741</b>      |
| Net Assets - Beginning of Year                                | 959,298             | 223,604                   | 210,751                   | 1,393,653           | 1,231,912           |
| <b>NET ASSETS - END OF YEAR</b>                               | <b>\$ 1,095,153</b> | <b>\$ 649,310</b>         | <b>\$ 210,751</b>         | <b>\$ 1,955,214</b> | <b>\$ 1,393,653</b> |

See accompanying Notes to Financial Statements.

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

|   | 2016              |                         |                   |                   |                   |                     | Total<br>Program<br>Service |
|---|-------------------|-------------------------|-------------------|-------------------|-------------------|---------------------|-----------------------------|
|   | Clothing          | Emergency<br>Assistance | Housing           | Medical<br>Clinic | Pantry            | Seasonal<br>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<br>Revenues in the Statement<br>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<br>Resale | Management<br>and<br>General | Fund<br>Raising | Total        | Total<br>Program<br>Service | Total<br>Resale | Management<br>and<br>General | Fund<br>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       |
|---|------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |            |            |
| 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    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |            |            |
| 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)  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                 | (91,725)   | 75,584     |
| Cash and Cash Equivalents - Beginning of Year   | 222,660    | 147,076    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | \$ 130,935 | \$ 222,660 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                     |            |            |
| 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<br>Value     | Cost              | Cumulative<br>Unrealized<br>Appreciation<br>(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<br>Value     | Cost              | Cumulative<br>Unrealized<br>Appreciation<br>(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**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**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.



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

**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  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2016 AND 2015**

**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<br>(Board-<br>Designated) | Temporarily<br>Restricted | Permanently<br>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**  
**AUGUST 31, 2016 AND 2015**

**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<br>(Board-<br>Designated) | Temporarily<br>Restricted | Permanently<br>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<br>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<br>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  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2016 AND 2015**

**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.