

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED AUGUST 31, 2015

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
CONTENTS
AUGUST 31, 2015**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	7
Notes to Financial Statements	8



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March 5, 2016

The Board of Directors
Grapevine Relief and Community Exchange
Grapevine, Texas

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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

Management's 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Grapevine Relief and Community Exchange's 2014 financial statements, were audited by Sanford, Baumeister & Frazier, LLP, who became part of CliftonLarsonAllen, LLP as of September 1, 2015, and whose report dated January 8, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Fort Worth, Texas

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2015
WITH COMPARATIVE TOTALS FOR 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	222,660	147,076
Grants receivable	6,005	11,489
Unconditional promises to give	50,329	27,954
Accrued interest receivable	1,204	-
Resale inventory	56,084	49,965
Prepaid expenses	105,447	54,184
Deferred rent asset	6,224	-
Other current assets	20,127	14,002
Total Current Assets	468,080	304,670
<u>PROPERTY AND EQUIPMENT</u> - At Cost, net	1,430,611	999,753
<u>OTHER ASSETS</u> - Restricted investments	298,939	292,999
<u>TOTAL ASSETS</u>	\$ 2,197,630	\$ 1,597,422
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	29,350	15,549
Sales tax payable	9,281	7,609
Accrued wages	43,185	34,474
Accrued payroll liabilities	67,571	60,252
Deferred revenue	235,175	247,626
Total Current Liabilities	384,562	365,510
<u>LONG-TERM LIABILITIES</u>		
Note payable	419,415	-
Total Liabilities	803,977	365,510
<u>NET ASSETS</u>		
Unrestricted	910,143	749,100
Unrestricted - Board Designated	49,155	50,881
Total Unrestricted	959,298	799,981
Temporarily restricted	223,604	231,180
Permanently restricted	210,751	200,751
Total Net Assets	1,393,653	1,231,912
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 2,197,630	\$ 1,597,422

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015
WITH COMPARATIVE TOTALS FOR 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
<u>REVENUES AND OTHER SUPPORT</u>					
Contributions	1,035,107	\$ 211,948	\$ 10,000	1,257,055	1,024,068
Grants	79,628	-	-	79,628	277,594
Special events, net of direct costs of \$229,833	497,664	-	-	497,664	463,880
Donated goods and materials	1,796,897	-	-	1,796,897	1,692,014
Client fees	16,092	-	-	16,092	8,130
Realized, unrealized and investment income on investments	(2,154)	(7,986)	-	(10,140)	5,161
Donated use of facilities	118,600	-	-	118,600	118,600
Sales, resale stores	1,550,772	-	-	1,550,772	1,398,238
Less cost of resale operations	(1,254,337)	-	-	(1,254,337)	(1,195,313)
Other income	84,381	-	-	84,381	-
Net assets released from restrictions	211,538	(211,538)	-	-	-
Total Revenues and Other Support	4,134,188	(7,576)	10,000	4,136,612	3,792,372
<u>EXPENSES</u>					
Program services	3,248,176	-	-	3,248,176	3,154,899
Management and general	328,177	-	-	328,177	273,344
Development and fund raising	398,518	-	-	398,518	333,910
Total Expenses	3,974,871	-	-	3,974,871	3,762,153
<u>CHANGE IN NET ASSETS</u>	159,317	(7,576)	10,000	161,741	30,219
<u>NET ASSETS</u> - Beginning of Year	799,981	231,180	200,751	1,231,912	1,201,693
<u>NET ASSETS</u> - End of Year	\$ 959,298	\$ 223,604	\$ 210,751	\$1,393,653	\$ 1,231,912

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015
WITH COMPARATIVE TOTALS FOR 2014

	2015						Total Program Service
	Clothing	Emergency Assistance	Housing	Medical Clinic	Pantry	Seasonal Program	
Payroll and related expenses	\$ 102,836	\$ 234,832	\$ 113,110	\$ 188,868	\$ 129,478	\$ 35,724	\$ 804,848
Direct program costs	319,429	214,676	124,273	496,790	623,299	366,925	2,145,392
Total Direct Costs	422,265	449,508	237,383	685,658	752,777	402,649	2,950,240
Accounting and professional fees	544	1,328	540	724	483	177	3,796
Advertising	8	1,297	-	-	-	-	1,305
Bank charges	-	210	-	-	-	-	210
Contract labor	6,703	-	-	-	103	-	6,806
Dues and subscriptions	15	45	1,300	340	250	-	1,950
Staff development	46	1,020	612	642	115	317	2,752
Employee recognition	401	784	438	384	391	185	2,583
Insurance	1,936	1,225	5,102	5,227	5,874	439	19,803
Marketing	89	504	96	81	64	16	850
Miscellaneous	-	-	-	-	-	-	-
Meetings and travel	195	1,387	2,397	456	299	265	4,999
Occupancy	27,387	16,566	12,331	455	1,805	20,466	79,010
Postage	-	233	-	-	18	-	251
Printing	246	231	34	192	83	92	878
Professional Fees	-	-	-	-	-	-	-
Repairs and maintenance	7,687	7,228	8,634	8,604	12,335	691	45,179
Supplies	1,648	2,628	1,413	2,325	2,390	280	10,684
Telephone	1,482	5,764	750	2,260	3,707	326	14,289
Technology	1,503	5,429	1,036	4,147	2,777	88	14,980
Utilities	6,377	3,615	695	5,142	9,841	585	26,255
Vehicle maintenance	571	187	557	-	4,657	-	5,972
Depreciation	8,338	5,369	17,377	12,200	12,100	-	55,384
Total Indirect Costs	65,176	55,050	53,312	43,179	57,292	23,927	297,936
Less costs included with revenues in the statement of activities	-	-	-	-	-	-	-
Total Expenses	\$ 487,441	\$ 504,558	\$ 290,695	\$ 728,837	\$ 810,069	\$ 426,576	\$ 3,248,176

2015				2014				
Total Resale	Management and General	Fund Raising	Total	Total Program Service	Total Resale	Management and General	Fund Raising	Total
\$ 806,334	\$ 226,157	\$ 265,333	\$ 2,102,672	\$ 789,219	\$ 811,792	\$ 197,537	\$ 237,237	\$ 2,035,785
3,607	807	1,341	2,151,147	2,059,485	2,913	1,227	998	2,064,623
809,941	226,964	266,674	4,253,819	2,848,704	814,705	198,764	238,235	4,100,408
4,576	3,401	1,127	12,900	3,686	4,782	3,180	901	12,549
18,625	217	1,014	21,161	1,444	19,401	-	348	21,193
31,098	3,718	15,961	50,987	90	26,891	-	15,745	42,726
58,818	-	-	65,624	9,366	37,429	84	78	46,957
640	2,384	2,924	7,898	2,715	345	2,437	1,089	6,586
75	1,071	759	4,657	4,725	1,701	1,585	1,513	9,524
3,488	4,963	846	11,880	1,567	1,013	5,304	182	8,066
11,896	3,571	390	35,660	20,059	9,449	3,477	376	33,361
3,493	3,135	3,001	10,479	922	2,451	-	1,388	4,761
-	775	-	775	-	25	650	-	675
1,031	18,921	2,956	27,907	6,008	509	12,020	2,303	20,840
155,567	23,384	9,263	267,224	87,605	149,507	15,809	9,263	262,184
9	1,315	9,013	10,588	171	-	1,202	10,453	11,826
1,895	632	34,412	37,817	1,043	1,909	543	31,516	35,011
-	1,340	26,000	27,340	-	-	-	-	-
42,549	8,064	4,183	99,975	32,212	8,511	6,630	4,989	52,342
16,165	2,803	2,809	32,461	14,819	18,727	1,965	4,430	39,941
11,146	3,511	2,359	31,305	12,632	12,432	3,008	2,482	30,554
12,145	8,045	9,882	45,052	23,191	11,947	5,923	3,398	44,459
39,164	4,062	1,984	71,465	29,481	41,784	4,789	2,232	78,286
6,663	381	88	13,104	4,213	7,527	361	-	12,101
25,353	5,520	2,873	89,130	50,246	24,268	5,613	2,989	83,116
444,396	101,213	131,844	975,389	306,195	380,608	74,580	95,675	857,058
(1,254,337)	-	-	(1,254,337)	-	(1,195,313)	-	-	(1,195,313)
-	\$ 328,177	\$ 398,518	\$ 3,974,871	\$ 3,154,899	\$ -	\$ 273,344	\$ 333,910	\$ 3,762,153

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2015
WITH COMPARATIVE TOTALS FOR 2014

	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 161,741	\$ 30,219
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,130	83,116
In-kind donations of securities received	(9,100)	(6,314)
Net unrealized and realized income on investments	17,057	651
Accretion of fixed income investments	-	1,079
(Increase) decrease in operating assets:		
Grants receivable	5,484	10,964
Accrued interest receivable	(1,204)	-
Unconditional promises to give	(22,375)	(21,472)
Resale inventory	(6,119)	(792)
Prepaid expenses	(51,263)	380
Other current assets	(6,125)	
Deferred rent asset	(6,224)	-
Increase (decrease) in operating liabilities:		
Accounts payable	13,801	(14,029)
Sales tax payable	1,672	(1,288)
Accrued wages	8,711	(2,674)
Accrued payroll liabilities	7,319	4,296
Deferred revenue	(12,451)	29,729
Net Cash Provided by Operating Activities	190,054	113,865
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	128,603	120,063
Purchases of investments	(142,500)	(177,965)
Purchases of property and equipment	(100,573)	(13,494)
Net Cash Used in Investing Activities	(114,470)	(71,396)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on note payable	-	(123,175)
Net Cash Used in Financing Activities	-	(123,175)
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	75,584	(80,706)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	147,076	227,782
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 222,660	\$ 147,076
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Proceeds of financing used for the purchase of property and buildings	\$ 419,415	\$ -
Interest paid	\$ 9,262	\$ 1,807

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 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: unrestricted net assets, temporarily restricted net assets, and 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, 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 FDIC 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. As of August 31, 2015, the majority of the balance is anticipated to be received in less than one year. As of August 31, 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, 2015 and 2014.

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, 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 two to thirty years. Depreciation expense for 2015 and 2014 amounted to \$89,130 and \$83,116, 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, 2015 and 2014.

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, 2015 and 2014. 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, 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 Fair Value Measurements – 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 Fair Value Measurements – 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 Fair Value Measurements – 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, 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, 2015 and 2014 were \$1,296,892 and \$1,346,904, respectively.

Donated services consist of medical services donated to the Clinic. Amounts contributed for the years ended August 31, 2015 and 2014 were \$490,905 and \$345,110, 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 \$9,100 and \$6,314 were donated during the years ended August 31, 2015 and 2014, 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, 2015 and 2014 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

FAIR VALUE OF FINANCIAL INSTRUMENTS

GRACE's financial instruments are cash and cash equivalents, receivables, restricted investments, accounts payable and notes payable. The recorded values of cash and cash equivalents, receivables and accounts payable approximate their fair values based on their short-term nature. The recorded value of notes payable approximates its fair value, as interest approximates market rates.

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, 2014, from which the summarized information was derived.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2015 and 2014 consisted of the following:

	2015	2014
Buildings and land	1,809,050	1,359,528
Leasehold improvements	387,666	384,241
Furniture and fixtures	32,022	32,022
Equipment	239,634	225,427
Vehicles	103,284	103,284
Construction in process	52,834	-
Total Property and Equipment	2,624,490	2,104,502
Less: Accumulated Depreciation	1,193,879	1,104,749
Net property and Equipment	1,430,611	999,753

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

NOTE 4 - RESTRICTED INVESTMENTS

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

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Appreciation (Depreciation)</u>
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 as of August 31, 2014 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Appreciation (Depreciation)</u>
Money market mutual funds	\$ 87,368	\$ 87,368	-
Certificate of deposit	50,062	50,000	62
Corporate bonds	155,569	135,761	19,808
Total Investments	<u>\$ 292,999</u>	<u>\$ 217,842</u>	<u>\$ 19,870</u>

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

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.

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

NOTE 4 - RESTRICTED INVESTMENTS – Continued

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

	Level 1	Level 2	Level 3	Level 4
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 72,340</u>	<u>\$ 215,329</u>	<u>\$ -</u>	<u>\$ 298,939</u>

The fair value of restricted investments by level as of August 31, 2014 was as follows:

	Level 1	Level 2	Level 3	Level 4
Money market mutual funds	\$ 87,368	\$ -	\$ -	\$ 87,368
Certificate of deposit	50,062	-	-	50,062
Corporate bonds	-	\$ 155,569	-	155,569
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 137,430</u>	<u>\$ 155,569</u>	<u>\$ -</u>	<u>\$ 292,999</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, 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, 2015, the minimum lease commitments are as follows:

2016	100,001
2017	86,016
2018	67,152
2019	61,500
2020	63,000
Thereafter	<u>21,167</u>
Total	<u>398,836</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. The lease is not renewable, and construction will begin for GRACE's purposes at the expiration of the lease.

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, 2015

NOTE 6 – PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND – Continued

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, 2015 and 2014:

<u>2015</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		16,702		16,702
Board restricted endowments in which principal may be distributed for specified purposes	49,155	-	-	49,155
	<u>\$ 49,155</u>	<u>\$ 16,702</u>	<u>\$ 210,751</u>	<u>\$ 276,608</u>

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

NOTE 6 – PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND – Continued

The changes in endowment net assets for the years ended August 31, 2015 and 2014 are as follows:

	Unrestricted (Board Designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, August 31, 2013	\$ -	\$ 20,786	\$ 200,000	\$ 220,786
Investment income, net of expenses	881	5,210	-	6,091
Realized and unrealized gains and losses, net	-	(1,308)	-	(1,308)
<i>Total investment return</i>	881	24,688	200,000	225,569
Contributions	50,000		751	50,751
Appropriation of endowment assets for expenditure			-	-
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)
<i>Total investment return</i>	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

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

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 ten-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 twenty years.

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 \$26,013 and \$19,427 during the years ended August 31, 2015 and 2014.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

<u>Restricted Purpose</u>	<u>2015</u>	<u>2014</u>
Hogan-Boyd Earnings -Assistance for Mentally Ill Transitional Housing Building	\$ 16,702	\$ 24,688
Pantry	173,861	186,583
Emergency Assistance	-	2,000
Capital campaign	23,041	17,909
	<u>10,000</u>	<u>-</u>
Total	<u>\$ 223,604</u>	<u>\$ 231,180</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 \$437,620.

NOTE 11 – LINE OF CREDIT

GRACE has a \$100,000 revolving line of credit with a bank. The line of credit matures November 25, 2015, 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 11. There was no balance outstanding on the line of credit as of August 31, 2015 and 2014.

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

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 5, 2016, the date on which the financial statements were available to be issued.

The revolving line of credit disclosed in Note 11 was renewed subsequent to year end on the same terms as disclosed.