

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2008**

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE  
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AUGUST 31, 2008**

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January 13, 2009

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

**Independent Auditors' Report**

We have audited the accompanying statement of financial position of Grapevine Relief and Community Exchange ("GRACE") as of August 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from GRACE's 2007 financial statements and, in our report dated July 11, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Sanford, Baumeister & Frazier, PLLC*

SANFORD, BAUMEISTER & FRAZIER, PLLC



**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2008**  
**WITH COMPARATIVE TOTALS FOR 2007**

**ASSETS**

	<b>2008</b>	<b>2007</b>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 150,634	\$ 140,289
Grant receivable	58,110	10,968
Unconditional promises to give	82,500	56,301
Resale inventory	44,421	39,053
Prepaid expenses	30,469	24,120
Other current assets	10,969	10,969
Total Current Assets	377,103	281,700
<b><u>PROPERTY AND EQUIPMENT</u> - At Cost</b>		
Buildings	1,308,734	1,308,734
Leasehold improvements	338,583	338,583
Furniture and fixtures	32,022	32,022
Equipment	243,360	246,139
Vehicles	86,913	91,614
Total Property and Equipment	2,009,612	2,017,092
Less: Accumulated depreciation	(624,241)	(529,015)
Net Property and Equipment	1,385,371	1,488,077
<b><u>OTHER ASSETS</u></b>		
Unconditional promises to give	37,500	-
Restricted investments	208,455	205,360
Total Other Assets	245,955	205,360
<b><u>TOTAL ASSETS</u></b>	<b>\$ 2,008,429</b>	<b>\$ 1,975,137</b>

**LIABILITIES AND NET ASSETS**

	<u>2008</u>	<u>2007</u>
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 41,329	\$ 33,966
Accrued wages	28,848	31,240
Accrued payroll liabilities	43,221	43,505
Line of credit	-	114,795
Deferred revenue	184,975	137,605
Current portion of notes payable	20,233	19,429
	<hr/>	<hr/>
Total Current Liabilities	318,606	380,540
	<hr/>	<hr/>
<b><u>LONG-TERM LIABILITIES</u></b>		
Notes payable	390,040	309,968
Less: Current portion of notes payable	(20,233)	(19,429)
	<hr/>	<hr/>
Total Long-Term Liabilities	369,807	290,539
	<hr/>	<hr/>
<b><u>NET ASSETS</u></b>		
Unrestricted	718,807	699,586
Temporarily restricted	401,209	404,472
Permanently restricted	200,000	200,000
	<hr/>	<hr/>
Total Net Assets	1,320,016	1,304,058
	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 2,008,429</u></b>	<b><u>\$ 1,975,137</u></b>

The accompanying notes to financial statements  
are an integral part of these statements.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2008**  
**WITH COMPARATIVE TOTALS FOR 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Combined Total</u>	
				<u>2008</u>	<u>2007</u>
<b><u>REVENUES AND OTHER SUPPORT</u></b>					
Contributions	\$ 883,471	\$ -	\$ -	\$ 883,471	\$ 547,609
Grants	320,268	88,168	-	408,436	390,497
Special events, net of direct costs of \$232,487	185,222	-	-	185,222	204,042
Donated goods and materials	797,452	-	-	797,452	559,756
Client fees	11,734	-	-	11,734	10,955
Realized, unrealized and investment income on investments	(140)	3,095	-	2,955	13,078
Donated use of facilities	62,994	-	-	62,994	28,092
Sales, resale stores	1,261,643	-	-	1,261,643	1,229,185
Less cost of resale operations	(1,125,358)	-	-	(1,125,358)	(1,006,107)
Net assets released from restrictions	94,526	(94,526)	-	-	-
<b>Total Revenues and Other Support</b>	<b>2,491,812</b>	<b>(3,263)</b>	<b>-</b>	<b>2,488,549</b>	<b>1,977,107</b>
<b><u>EXPENSES</u></b>					
Program services	1,924,755	-	-	1,924,755	1,680,916
Management and general	234,193	-	-	234,193	331,897
Development and fund raising	313,643	-	-	313,643	215,820
<b>Total Expenses</b>	<b>2,472,591</b>	<b>-</b>	<b>-</b>	<b>2,472,591</b>	<b>2,228,633</b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>19,221</b>	<b>(3,263)</b>	<b>-</b>	<b>15,958</b>	<b>(251,526)</b>
<b><u>NET ASSETS</u> - Beginning of Year</b>	<b>699,586</b>	<b>404,472</b>	<b>200,000</b>	<b>1,304,058</b>	<b>1,555,584</b>
<b><u>NET ASSETS</u> - End of Year</b>	<b>\$ 718,807</b>	<b>\$ 401,209</b>	<b>\$ 200,000</b>	<b>\$ 1,320,016</b>	<b>\$ 1,304,058</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2008  
WITH COMPARATIVE TOTALS FOR 2007**

	2008							
	Clothing	Emergency Assistance	Housing	Medical Clinic	Pantry	Tech Center	Seasonal Program	Total Program Service
Payroll and related expenses	\$ 40,873	\$ 246,329	\$ 106,969	\$ 69,066	\$ 105,582	\$ 22,204	\$ 10,130	\$ 601,153
Direct program costs	<u>180,650</u>	<u>140,251</u>	<u>166,368</u>	<u>93,219</u>	<u>263,061</u>	<u>-</u>	<u>178,348</u>	<u>1,021,897</u>
Total Direct Costs	221,523	386,580	273,337	162,285	368,643	22,204	188,478	1,623,050
Professional fees	367	2,178	1,168	918	697	126	32	5,486
Advertising	-	868	-	-	-	-	-	868
Bank charges	-	-	58	-	-	13	-	71
Bad debts	-	-	-	-	-	-	-	-
Contract labor	5,343	-	525	13,068	-	160	-	19,096
Dues and subscriptions	24	21	52	2,551	1	40	11	2,700
Education and training	-	-	-	629	-	-	-	629
Employee recognition	408	489	208	198	73	70	11	1,457
Office equipment	469	3,033	2,904	903	1,159	410	1,778	10,656
Insurance	1,195	2,638	3,487	1,911	5,945	1,281	1,013	17,470
Marketing	-	-	25	-	-	-	-	25
Miscellaneous	71	75	3	2	31	-	17	199
Meetings and travel	47	612	1,337	1,566	78	32	119	3,791
Event expense	22	18	8	26	1	9	10	94
Occupancy	712	5,116	8,603	4,738	5,352	4,267	24,916	53,704
Postage	348	900	107	81	79	190	107	1,812
Printing	1	208	52	3	4	24	2	294
Property taxes	-	-	-	-	-	-	-	-
Repairs and maintenance	3,050	1,626	6,675	2,987	5,342	4,068	1,015	24,763
Storage rent	-	24	-	-	119	-	582	725
Office supplies	542	1,930	1,674	1,235	742	3,939	14,201	24,263
Telephone	1,131	8,146	4,631	2,579	3,292	1,534	24	21,337
Technology	914	7,459	2,100	3,074	2,309	2,047	138	18,041
Utilities	2,891	2,944	731	6,595	12,960	2,303	226	28,650
Vehicle maintenance	-	-	-	-	3,499	225	52	3,776
Depreciation	<u>4,990</u>	<u>4,773</u>	<u>13,006</u>	<u>10,914</u>	<u>27,662</u>	<u>453</u>	<u>-</u>	<u>61,798</u>
Total Indirect Costs	22,525	43,058	47,354	53,978	69,345	21,191	44,254	301,705
Less costs included with revenues in the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 244,048</u>	<u>\$ 429,638</u>	<u>\$ 320,691</u>	<u>\$ 216,263</u>	<u>\$ 437,988</u>	<u>\$ 43,395</u>	<u>\$ 232,732</u>	<u>\$ 1,924,755</u>

2008				2007				
Total Resale	Management and General	Fund Raising	Total	Total Program Service	Total Resale	Management and General	Fund Raising	Total
\$ 709,337	\$ 117,280	\$ 186,980	\$ 1,614,750	\$ 589,980	\$ 622,685	\$ 190,331	\$ 104,256	\$ 1,507,252
130	1,201	182	1,023,410	799,901	249	101	39,830	840,081
709,467	118,481	187,162	2,638,160	1,389,881	622,934	190,432	144,086	2,347,333
6,859	1,268	1,697	15,310	9,401	17,119	3,342	2,141	32,003
21,645	442	669	23,624	563	22,894	1,308	1,032	25,797
20,673	1,171	4,370	26,285	-	17,770	156	9,874	27,800
-	-	12,323	12,323	-	-	-	-	-
58,473	15,212	-	92,781	4,203	77,169	4,194	429	85,995
103	1,141	1,028	4,972	230	208	312	1,473	2,223
-	440	569	1,638	2,911	16	234	90	3,251
1,239	1,256	511	4,463	737	640	594	211	2,182
4,063	6,252	2,843	23,814	9,465	3,715	5,091	3,228	21,499
11,761	4,318	1,677	35,226	17,434	8,078	3,467	2,154	31,133
-	362	13,816	14,203	60	-	90	2,872	3,022
760	1,424	198	2,581	913	1,255	(1,247)	172	1,093
518	6,841	7,070	18,220	3,086	888	1,706	1,204	6,884
37	353	6,897	7,381	-	-	-	-	-
148,807	15,905	7,024	225,440	22,170	127,404	39,025	-	188,599
212	687	14,248	16,959	2,233	587	463	7,134	10,417
1,280	65	34,368	36,007	959	1,260	463	23,606	26,288
-	-	-	-	4,356	-	-	-	4,356
11,446	2,667	983	39,859	30,733	11,067	20,093	1,730	63,623
793	-	1	1,519	1,649	2,168	-	-	3,817
19,275	4,083	1,158	48,779	6,601	17,536	5,676	2,164	31,977
11,816	4,428	4,270	41,851	31,130	8,223	3,677	4,383	47,413
8,337	25,007	5,810	57,195	16,223	8,918	11,103	4,718	40,962
55,746	5,629	2,295	92,320	41,988	47,739	5,373	3,104	98,204
12,160	1,089	336	17,361	3,907	8,519	69	15	12,510
19,888	15,672	2,320	99,678	80,083	-	36,276	-	116,359
415,891	115,712	126,481	959,789	291,035	383,173	141,465	71,734	887,407
(1,125,358)	-	-	(1,125,358)	-	(1,006,107)	-	-	(1,006,107)
\$ -	\$ 234,193	\$ 313,643	\$ 2,472,591	\$ 1,680,916	\$ -	\$ 331,897	\$ 215,820	\$ 2,228,633

The accompanying notes to financial statements are an integral part of these statements.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2008  
WITH COMPARATIVE TOTALS FOR 2007**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<b>2008</b>	<b>2007</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 15,958	\$ (251,526)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	99,678	116,359
Bad debt expense	12,323	-
Net unrealized and realized income on investments	(3,095)	21,237
Donated assets	-	(26,992)
Loss on sale of fixed assets	2,880	31
(Increase) decrease in operating assets:		
Grant receivable	(47,142)	7,246
Unconditional promises to give	(76,022)	51,791
Resale inventory	(5,368)	10,217
Prepaid expenses	(6,349)	(8,120)
Other current assets	-	(4,370)
Increase (decrease) in operating liabilities:		
Accounts payable	7,363	10,643
Accrued wages	(2,392)	6,101
Accrued payroll liabilities	(284)	1,823
Deferred revenue	47,370	137,605
Net Cash Provided by Operating Activities	44,920	72,045
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sale of property and equipment	148	1,106
Purchases of property and equipment	-	(22,008)
Net Cash Provided by (Used in) Investing Activities	148	(20,902)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principal payments on note payable	(34,723)	(18,916)
Change in line of credit	-	(42,542)
Net Cash Used in Financing Activities	(34,723)	(61,458)
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	10,345	(10,315)
<b><u>CASH AND CASH EQUIVALENTS</u></b> - Beginning of Year	140,289	150,604
<b><u>CASH AND CASH EQUIVALENTS</u></b> - End of Year	\$ 150,634	\$ 140,289
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u></b>		
Interest paid	\$ 22,881	\$ 24,032

The accompanying notes to financial statements are an integral part of these statements.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2008**

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**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 U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**FINANCIAL STATEMENT PRESENTATION**

GRACE follows the guidance in Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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.

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.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2008**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

**GRANT RECEIVABLES AND UNCONDITIONAL PROMISES TO GIVE**

GRACE's grant receivable consists principally of amounts expended under 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, 2008, the majority of the balance is anticipated to be received in less than one year. As of August 31, 2008, no allowance for doubtful accounts was deemed necessary based on historical collection rates. Bad debt expense was \$12,323 and \$-0- for the years ended August 31, 2008 and 2007, respectively.

**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.

**PROPERTY AND EQUIPMENT**

Expenditures for property and equipment in excess of \$5,000 and having a useful life of one year 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 five to thirty years. Depreciation expense for 2008 and 2007 amounted to \$99,678 and \$116,359, respectively, and is shown on the accompanying Statement of Functional Expenses.

**RESTRICTED INVESTMENTS**

GRACE follows the guidance in SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS No. 124, 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.

At August 31, 2008, restricted investments consist of \$22,687 in money market funds and \$185,768 in corporate debt securities. See Note 5 for additional details.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2008**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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.

**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 and fund-raising activities benefited.

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

**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. generally accepted accounting principles. Accordingly, such information should be read in conjunction with GRACE's financial statements for the year ended August 31, 2007, from which the summarized information was derived.

**NOTE 3 – DONATED USE OF FACILITIES**

The value of donated use of facilities included in the financial statements and its corresponding expenses for the year ended August 31, 2008 consists of the fair market value of rent on the Organization's facilities of \$62,994. In addition, other donated services were not recognized in the financial statements because they did not meet the criteria for recognition under SFAS No. 116.

**NOTE 4 – LEASES**

GRACE has entered into a conditional lease of the City of Grapevine to lease 5,400 square feet of office and warehouse space. The terms of the lease call for one-360<sup>th</sup> 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 \$2,341 per month. This amount is reported as income under donated services and as expense in occupancy expenses.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008**

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**NOTE 4 – LEASES** - Continued

GRACE also leases office and warehouse spaces having remaining terms in excess of one year. At August, 31, 2008, the minimum lease commitments are as follows:

2009	\$	118,541
2010		85,323
2011		29,666
 Total	 \$	 233,530

**NOTE 5 – PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND**

During the year ended August 31, 1998, GRACE received a grant in the amount of \$200,000 from the Nannie Hogan Boyd Trust 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.

**NOTE 6 – 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 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of August 31, 2008:

Restricted Purpose	Amount
Hogan Boyd	\$ 8,455
Transitional Housing Building	262,914
Medical Clinic	75,000
Pantry	4,700
Emergency Assistance	38,537
Transitional Housing	11,603
 Total	 \$ 401,209

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2008**

**NOTE 8 – NOTES PAYABLE**

GRACE had the following notes payable as of August 31, 2008:

Description	Amount
Note payable to a bank, payable in monthly installments of \$2,663 including interest at 4.00% until maturity in November, 2009. The note is secured by GRACE's land and buildings with a net book value of \$514,072 at August 31, 2008.	\$ 290,245
Note payable to a bank, due in November, 2009 with interest payable monthly at prime plus 1%. The note is secured by GRACE's land and buildings with a net book value of \$514,072 at August 31, 2008.	99,795
Total Notes Payable	\$ 390,040

Principal payments due on the notes payable as of August 31, 2008 for the succeeding fiscal years and in aggregate are as follows:

2009	\$ 20,233
2010	369,807
Total	\$ 390,040

Interest expense for the year ended August 31, 2008 was approximately \$22,881.

**NOTE 9 – EMPLOYEE BENEFIT PLAN**

GRACE sponsors a 401(k) plan for all qualified employees. GRACE matches employee contributions at a rate of \$0.25 for each employee dollar up to 3% of the employee's salary. Employer contributions to the Plan amounted to \$3,610 during the year ended August 31, 2008.

**NOTE 10 – UNCONDITIONAL PROMISES TO GIVE**

GRACE recognizes unconditional pledges as support in the period the pledge is made and reports them as contributions in the statement of activities. Unconditional promises to give at August 31, 2008 are expected to be received as follows:

Year Ending August 31, 2009	\$ 82,500
Year Ending August 31, 2010	37,500
Total	\$ 120,000

No allowance for uncollectible contributions is considered necessary as of August 31, 2008. Bad debt expense was \$12,323 for the year ended August 31, 2008.