

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED AUGUST 31, 2011

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
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AUGUST 31, 2011**

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December 16, 2011

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, 2011, 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 2010 financial statements and, in our report dated January 7, 2011, 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, 2011, 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, LLP
SANFORD, BAUMEISTER & FRAZIER, LLP



GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2011
WITH COMPARATIVE TOTALS FOR 2010

ASSETS

	2011	2010
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 115,450	\$ 237,365
Grants receivable	24,083	47,068
Unconditional promises to give	6,290	6,269
Resale inventory	39,404	40,315
Prepaid expenses	44,440	36,934
Other current assets	14,002	10,969
	243,669	378,920
<u>PROPERTY AND EQUIPMENT - At Cost</u>		
Buildings	1,318,389	1,314,234
Leasehold improvements	348,070	344,433
Furniture and fixtures	32,022	32,022
Equipment	266,253	251,295
Vehicles	88,383	82,383
	2,053,117	2,024,367
Less: Accumulated depreciation	(902,589)	(807,298)
	1,150,528	1,217,069
<u>OTHER ASSETS</u>		
Restricted investments	212,993	217,224
	212,993	217,224
<u>TOTAL ASSETS</u>	\$ 1,607,190	\$ 1,813,213

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 47,657	\$ 30,533
Accrued wages	35,674	32,314
Accrued payroll liabilities	52,542	51,127
Deferred revenue	98,700	92,250
Current portion of notes payable	21,011	16,797
	<hr/>	<hr/>
Total Current Liabilities	255,584	223,021
	<hr/>	<hr/>
<u>LONG-TERM LIABILITIES</u>		
Notes payable	256,818	323,922
Less: Current portion of notes payable	(21,011)	(16,797)
	<hr/>	<hr/>
Total Long-Term Liabilities	235,807	307,125
	<hr/>	<hr/>
Total Liabilities	491,391	530,146
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Unrestricted	685,050	836,880
Temporarily restricted	230,749	246,187
Permanently restricted	200,000	200,000
	<hr/>	<hr/>
Total Net Assets	1,115,799	1,283,067
	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,607,190</u>	<u>\$ 1,813,213</u>

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, 2011
WITH COMPARATIVE TOTALS FOR 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Combined Total</u>	
				<u>2011</u>	<u>2010</u>
<u>REVENUES AND OTHER SUPPORT</u>					
Contributions	\$ 866,060	\$ -	\$ -	\$ 866,060	\$ 878,756
Grants	514,972	-	-	514,972	394,836
Special events, net of direct costs of \$249,723	268,393	-	-	268,393	372,100
Donated goods and materials	1,176,484	-	-	1,176,484	1,083,889
Client fees	9,294	-	-	9,294	11,314
Realized, unrealized and investment income on investments	-	6,904	-	6,904	23,058
Donated use of facilities	116,884	-	-	116,884	120,331
Sales, resale stores	1,136,800	-	-	1,136,800	1,151,949
Less cost of resale operations	(1,108,633)	-	-	(1,108,633)	(1,130,447)
Net assets released from restrictions	22,342	(22,342)	-	-	-
Total Revenues and Other Support	3,002,596	(15,438)	-	2,987,158	2,905,786
<u>EXPENSES</u>					
Program services	2,621,224	-	-	2,621,224	2,457,928
Management and general	247,359	-	-	247,359	245,401
Development and fund raising	285,843	-	-	285,843	307,239
Total Expenses	3,154,426	-	-	3,154,426	3,010,568
<u>CHANGE IN NET ASSETS</u>	(151,830)	(15,438)	-	(167,268)	(104,782)
<u>NET ASSETS</u> - Beginning of Year	836,880	246,187	200,000	1,283,067	1,387,849
<u>NET ASSETS</u> - End of Year	\$ 685,050	\$ 230,749	\$ 200,000	\$ 1,115,799	\$ 1,283,067

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, 2011
WITH COMPARATIVE TOTALS FOR 2010**

	2011						Total Program Service
	Clothing	Emergency Assistance	Housing	Medical Clinic	Pantry	Seasonal Program	
Payroll and related expenses	\$ 47,299	\$ 229,067	\$ 115,042	\$ 171,990	\$ 97,956	\$ 31,250	\$ 692,604
Direct program costs	261,009	224,512	162,667	280,946	451,899	261,876	1,642,909
Total Direct Costs	308,308	453,579	277,709	452,936	549,855	293,126	2,335,513
Professional fees	392	1,570	706	785	471	-	3,924
Advertising	-	108	190	-	50	-	348
Bank charges	-	138	28	-	28	-	194
Contract labor	-	-	120	-	1,875	-	1,995
Dues and subscriptions	25	359	319	184	26	10	923
Staff development	283	420	265	409	501	268	2,146
Employee recognition	2	473	88	297	133	9	1,002
Insurance	398	6,874	1,080	2,877	2,304	43	13,576
Marketing	562	1,142	2,427	1,195	4,910	388	10,624
Miscellaneous	-	200	46	63	-	25	334
Meetings and travel	7	518	208	727	13	324	1,797
Occupancy	22,765	19,023	13,014	3,272	3,059	25,935	87,068
Postage	175	958	56	78	80	34	1,381
Printing	33	69	31	48	58	31	270
Repairs and maintenance	2,312	2,627	4,767	3,735	5,117	474	19,032
Office supplies	458	3,644	1,206	3,022	3,383	2,301	14,014
Telephone	1,115	6,048	2,869	3,540	6,275	549	20,396
Technology	626	4,793	1,941	3,150	1,699	89	12,298
Utilities	3,509	4,611	1,307	5,980	11,260	3,694	30,361
Vehicle maintenance	-	-	207	-	1,478	10	1,695
Depreciation	4,866	5,593	15,222	17,254	19,398	-	62,333
Total Indirect Costs	37,528	59,168	46,097	46,616	62,118	34,184	285,711
Less costs included with revenues in the statement of activities	-	-	-	-	-	-	-
Total Expenses	\$ 345,836	\$ 512,747	\$ 323,806	\$ 499,552	\$ 611,973	\$ 327,310	\$ 2,621,224

2011				2010				
Total Resale	Management and General	Fund Raising	Total	Total Program Service	Total Resale	Management and General	Fund Raising	Total
\$ 741,275	\$ 157,346	\$ 167,971	\$ 1,759,196	\$ 640,915	\$ 739,402	\$ 159,804	\$ 161,172	\$ 1,701,293
1,955	665	370	1,645,899	1,539,376	7,323	10,190	4,757	1,561,646
743,230	158,011	168,341	3,405,095	2,180,291	746,725	169,994	165,929	3,262,939
3,656	3,056	1,413	12,049	3,140	5,116	2,098	1,047	11,401
21,117	248	756	22,469	777	14,120	93	1,361	16,351
18,321	384	13,387	32,286	55	17,580	244	13,558	31,437
50,711	-	-	52,706	13,475	64,704	25	500	78,704
323	2,520	2,663	6,429	267	460	3,061	1,505	5,293
2,257	672	568	5,643	8,731	5,480	408	695	15,314
1,861	3,128	421	6,412	816	1,641	2,673	279	5,409
8,774	3,159	605	26,114	9,122	7,014	4,476	742	21,354
2,918	1,583	5,599	20,724	187	2,153	1,167	9,613	13,120
75	170	-	579	161	42	211	40	454
469	20,340	993	23,599	2,607	687	11,931	2,526	17,751
113,329	25,064	7,965	233,426	53,086	139,067	23,013	6,443	221,609
196	1,348	17,232	20,157	1,146	91	579	28,755	30,571
1,238	98	36,405	38,011	1,862	924	867	52,700	56,353
22,530	11,174	7,600	60,336	32,420	15,770	458	6,615	55,263
22,290	3,049	5,708	45,061	23,011	15,187	2,372	1,172	41,742
10,125	1,558	2,761	34,840	15,338	8,442	1,945	1,289	27,014
8,345	3,997	7,785	32,425	14,369	8,986	6,664	3,908	33,927
46,979	1,798	2,210	81,348	34,074	47,222	7,163	5,126	93,585
5,632	723	9	8,059	2,906	4,867	586	23	8,382
24,257	5,279	3,422	95,291	60,087	24,169	5,373	3,413	93,042
365,403	89,348	117,502	857,964	277,637	383,722	75,407	141,310	878,076
(1,108,633)	-	-	(1,108,633)	-	(1,130,447)	-	-	(1,130,447)
\$ -	\$ 247,359	\$ 285,843	\$ 3,154,426	\$ 2,457,928	\$ -	\$ 245,401	\$ 307,239	\$ 3,010,568

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, 2011
WITH COMPARATIVE TOTALS FOR 2010**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (167,268)	\$ (104,782)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,291	93,042
Net unrealized and realized income on investments	4,231	(12,008)
(Increase) decrease in operating assets:		
Grants receivable	22,985	(18,880)
Unconditional promises to give	(21)	38,313
Resale inventory	911	3,596
Prepaid expenses	(7,506)	3,742
Other current assets	(3,033)	-
Increase (decrease) in operating liabilities:		
Accounts payable	17,124	(2,425)
Accrued wages	3,360	(1,792)
Accrued payroll liabilities	1,415	7,717
Deferred revenue	6,450	(48,200)
	<u>(26,061)</u>	<u>(41,677)</u>
Net Cash Used in Operating Activities		
	<u>(26,061)</u>	<u>(41,677)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	-	26,473
Purchase of investments	-	(10,563)
Purchases of property and equipment	(28,750)	(13,785)
	<u>(28,750)</u>	<u>(13,785)</u>
Net Cash Provided by (Used in) Investing Activities		
	<u>(28,750)</u>	<u>2,125</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on notes payable	(67,104)	(17,224)
	<u>(67,104)</u>	<u>(17,224)</u>
Net Cash Used in Financing Activities		
	<u>(67,104)</u>	<u>(17,224)</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(121,915)	(56,776)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	237,365	294,141
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 115,450</u>	<u>\$ 237,365</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest paid	<u>\$ 18,861</u>	<u>\$ 23,521</u>

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

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011

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 presents the financial statements in accordance with generally accepted accounting principles. 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.

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, 2011

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, 2011, the majority of the balance is anticipated to be received in less than one year. As of August 31, 2011, no allowance for doubtful accounts was deemed necessary based on historical collection rates. Bad debt expense was \$-0- for the years ended August 31, 2011 and 2010.

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 \$3,000 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 2011 and 2010 amounted to \$95,291 and \$93,042, respectively, and is shown on the accompanying Statement of Functional Expenses.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. Such reclassifications had no effect on the change in total net assets as previously reported.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2011 and 2010. GRACE adopted the income tax standard for uncertain tax positions on September 1, 2009. As a result of the implementation, GRACE recognized no liability for uncertain tax positions.

GRACE files as a tax-exempt organization. Their tax returns are subject to review and examination by federal and state authorities. Tax returns are open for audit by these authorities for three years from the due date of the return of the date actually filed. As of August 31, 2011, the tax return years open for audit include tax years ended August 31, 2008 through August 31, 2010.

RESTRICTED INVESTMENTS

GRACE follows FASB ASC 958-320. 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.

FASB ASC 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.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011

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.

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 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, 2010, 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, 2011 consists of the fair market value of rent on the Organization's facilities of \$116,884. In addition, other donated services were not recognized in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles.

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011**

NOTE 4 -RESTRICTED INVESTMENTS

Restricted investments as of August 31, 2011 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Appreciation (Depreciation)</u>
Money market mutual funds	\$ 5,394	\$ 5,394	\$ -
Corporate bonds	<u>207,599</u>	<u>198,252</u>	<u>9,347</u>
Total Investments	<u>\$ 212,993</u>	<u>\$ 203,646</u>	<u>\$ 9,347</u>

FASB ASC 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market mutual funds	\$ 5,394	\$ -	\$ -	\$ 5,394
Corporate bonds	<u>-</u>	<u>207,599</u>	<u>-</u>	<u>207,599</u>
Total Investments	<u>\$ 5,394</u>	<u>\$ 207,599</u>	<u>\$ -</u>	<u>\$ 212,993</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 \$2,341 per month. This amount is reported as income under donated services and as expense in occupancy expenses.

GRACE also leases space for the resale store and office equipment having remaining terms in excess of one year. At August, 31, 2011, the minimum lease commitments are as follows:

2012	\$ 112,542
2013	115,391
2014	120,239
2015	123,088
2016	<u>61,162</u>
Total	<u>\$ 532,422</u>

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011**

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.

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 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 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of August 31, 2011:

Restricted Purpose	Amount
Hogan-Boyd Transitional Housing Building	\$ 6,001 224,748
Total	\$ 230,749

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE 9 – NOTES PAYABLE

GRACE had the following notes payable as of August 31, 2011:

Description	Amount
Note payable to a bank, payable in monthly installments of \$2,834 including interest at 5.95% until maturity in August, 2014. The note is secured by certain GRACE land and buildings with a net book value of \$446,935 at August 31, 2011.	\$ 245,376
Note payable to a bank, payable in monthly installments of \$613 including interest at 5.95% until maturity in August, 2014. The note is secured by certain GRACE land and buildings with a net book value of \$446,935 at August 31, 2011.	11,442
Total Notes Payable	\$ 256,818

Principal payments due on the notes payable as of August 31, 2011 for the succeeding fiscal years and in aggregate are as follows:

2012	\$ 21,011
2013	19,651
2014	216,156
Total	\$ 256,818

Interest expense for the year ended August 31, 2011 was approximately \$18,861.

NOTE 10 – 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 \$16,722 during the year ended August 31, 2011.

NOTE 11 – 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, 2011 are expected to be received in the next year.

No allowance for uncollectible contributions is considered necessary as of August 31, 2011. Bad debt expense was \$-0- for the year ended August 31, 2011.

NOTE 12 – SUBSEQUENT EVENTS

The date to which events occurring after August 31, 2011, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosures is December 16, 2011, which is the date on which the financial statements were available to be issued. No additional adjustments or disclosures were deemed necessary.