

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED AUGUST 31, 2013

**GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
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AUGUST 31, 2013**

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December 19, 2013

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, 2013, 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.

Auditor's 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 auditor's 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, 2013, 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

We have previously audited the 2012 financial statements of Grapevine Relief and Community Exchange, and our report dated January 31, 2013 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sanford, Baumeister & Frazier, LLP

SANFORD, BAUMEISTER & FRAZIER, LLP
Fort Worth, Texas



GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013
WITH COMPARATIVE TOTALS FOR 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 227,782	\$ 190,531
Grants receivable	22,453	15,790
Unconditional promises to give	6,482	11,011
Resale inventory	49,173	46,004
Prepaid expenses	54,564	47,255
Other current assets	14,002	14,002
Total Current Assets	374,456	324,593
<u>PROPERTY AND EQUIPMENT</u> - At Cost, net	1,069,375	1,116,062
<u>OTHER ASSETS</u> - Restricted investments	230,513	236,984
<u>TOTAL ASSETS</u>	<u>\$ 1,674,344</u>	<u>\$ 1,677,639</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 29,578	\$ 37,529
Sales tax payable	8,897	7,672
Accrued wages	37,148	38,941
Accrued payroll liabilities	55,956	48,664
Deferred revenue	217,897	149,455
Current portion of note payable	23,540	15,069
Total Current Liabilities	373,016	297,330
<u>LONG-TERM LIABILITIES</u>		
Note payable, net of current portion	99,635	216,104
Total Liabilities	472,651	513,434
<u>NET ASSETS</u>		
Unrestricted	770,318	707,137
Temporarily restricted	231,375	257,068
Permanently restricted	200,000	200,000
Total Net Assets	1,201,693	1,164,205
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,674,344</u>	<u>\$ 1,677,639</u>

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

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2013
WITH COMPARATIVE TOTALS FOR 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2013</u>	<u>2012</u>
<u>REVENUES AND OTHER SUPPORT</u>					
Contributions	\$ 942,192	\$ 12,500	\$ -	\$ 954,692	\$ 974,815
Grants	380,023	-	-	380,023	437,264
Special events, net of direct costs of \$183,944	435,954	-	-	435,954	378,658
Donated goods and materials	1,514,338	-	-	1,514,338	1,430,446
Client fees	4,542	-	-	4,542	7,547
Realized, unrealized and investment income on investments	598	2,244	-	2,842	24,678
Donated use of facilities	118,028	-	-	118,028	116,884
Lease bonus income	-	-	-	-	8,122
Sales, resale stores	1,469,248	-	-	1,469,248	1,341,802
Less cost of resale operations	(1,235,168)	-	-	(1,235,168)	(1,192,885)
Net assets released from restrictions	40,437	(40,437)	-	-	-
Total Revenues and Other Support	3,670,192	(25,693)	-	3,644,499	3,527,331
<u>EXPENSES</u>					
Program services	2,996,808	-	-	2,996,808	2,877,494
Management and general	277,304	-	-	277,304	266,200
Development and fund raising	332,899	-	-	332,899	335,231
Total Expenses	3,607,011	-	-	3,607,011	3,478,925
<u>CHANGE IN NET ASSETS</u>	63,181	(25,693)	-	37,488	48,406
<u>NET ASSETS</u> - Beginning of Year	707,137	257,068	200,000	1,164,205	1,115,799
<u>NET ASSETS</u> - End of Year	\$ 770,318	\$ 231,375	\$ 200,000	\$ 1,201,693	\$ 1,164,205

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

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2013
WITH COMPARATIVE TOTALS FOR 2012

	2013						
	Clothing	Emergency Assistance	Housing	Medical Clinic	Pantry	Seasonal Program	Total Program Service
Payroll and related expenses	\$ 86,999	\$ 255,226	\$ 105,631	\$ 181,236	\$ 122,789	\$ 30,186	\$ 782,067
Direct program costs	<u>228,754</u>	<u>226,205</u>	<u>113,078</u>	<u>327,311</u>	<u>691,850</u>	<u>312,108</u>	<u>1,899,306</u>
Total Direct Costs	315,753	481,431	218,709	508,547	814,639	342,294	2,681,373
Professional fees	484	1,151	415	574	415	-	3,039
Advertising	18	355	36	95	36	8	548
Bank charges	49	88	-	3	58	-	198
Contract labor	3,158	-	-	-	-	-	3,158
Dues and subscriptions	28	1,223	1,126	591	32	9	3,009
Staff development	51	386	1,428	1,489	116	36	3,506
Employee recognition	318	1,051	288	487	548	217	2,909
Insurance	1,184	1,962	4,426	5,550	4,985	222	18,329
Marketing	5	-	-	-	-	-	5
Miscellaneous	-	-	-	-	-	-	-
Meetings and travel	101	2,231	2,189	2,326	210	1,108	8,165
Occupancy	28,853	19,362	12,528	1,061	2,271	24,824	88,899
Postage	-	15	-	-	24	-	39
Printing	79	429	89	239	234	171	1,241
Repairs and maintenance	2,011	11,068	12,227	5,966	6,463	428	38,163
Office supplies	1,476	5,225	1,881	2,136	4,704	1,173	16,595
Telephone	1,378	5,874	522	2,478	4,259	496	15,007
Technology	1,322	4,939	1,210	4,088	2,694	363	14,616
Utilities	5,466	3,811	800	5,617	10,898	2,203	28,795
Vehicle maintenance	567	-	-	-	4,473	185	5,225
Depreciation	<u>7,631</u>	<u>5,568</u>	<u>16,277</u>	<u>16,886</u>	<u>17,627</u>	<u>-</u>	<u>63,989</u>
Total Indirect Costs	54,179	64,738	55,442	49,586	60,047	31,443	315,435
Less costs included with revenues in the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 369,932</u>	<u>\$ 546,169</u>	<u>\$ 274,151</u>	<u>\$ 558,133</u>	<u>\$ 874,686</u>	<u>\$ 373,737</u>	<u>\$ 2,996,808</u>

2013				2012				
Total Resale	Management and General	Fund Raising	Total	Total Program Service	Total Resale	Management and General	Fund Raising	Total
\$ 815,124	\$ 191,458	\$ 229,342	\$ 2,017,991	\$ 746,187	\$ 787,350	\$ 190,689	\$ 189,344	\$ 1,913,570
2,713	1,322	407	1,903,748	1,815,141	12,031	464	11,608	1,839,244
817,837	192,780	229,749	3,921,739	2,561,328	799,381	191,153	200,952	3,752,814
4,669	3,498	994	12,200	3,356	4,904	2,485	1,106	11,851
21,195	-	348	22,091	747	24,159	-	632	25,538
27,324	947	14,721	43,190	113	22,997	262	17,352	40,724
57,045	-	100	60,303	4,852	56,074	-	-	60,926
178	2,961	1,038	7,186	2,468	280	3,073	1,508	7,329
691	4,070	178	8,445	95	1,490	2,611	1,762	5,958
3,531	5,559	417	12,416	2,038	2,839	2,496	1,088	8,461
8,652	2,680	274	29,935	9,568	8,820	3,998	297	22,683
1,818	2,525	3,189	7,537	13,343	2,806	600	14,584	31,333
-	381	-	381	2,689	748	-	-	3,437
891	11,476	2,017	22,549	1,312	795	11,787	2,057	15,951
145,770	17,611	9,043	261,323	93,300	134,417	21,071	9,043	257,831
-	1,676	6,094	7,809	1,821	172	1,172	6,174	9,339
1,359	266	40,039	42,905	1,114	724	267	52,077	54,182
16,301	11,356	7,439	73,259	29,237	16,945	6,322	8,251	60,755
19,610	3,201	3,736	43,142	13,215	23,550	2,405	5,835	45,005
12,909	1,641	2,535	32,092	16,383	13,317	2,401	2,279	34,380
11,418	5,506	6,049	37,589	19,801	6,479	4,843	5,046	36,169
41,074	1,798	1,869	73,536	31,440	40,597	2,742	1,662	76,441
17,620	1,558	-	24,403	5,032	7,022	844	20	12,918
25,276	5,814	3,070	98,149	64,242	24,369	5,668	3,506	97,785
417,331	84,524	103,150	920,440	316,166	393,504	75,047	134,279	918,996
(1,235,168)	-	-	(1,235,168)	-	(1,192,885)	-	-	(1,192,885)
\$ -	\$ 277,304	\$ 332,899	\$ 3,607,011	\$ 2,877,494	\$ -	\$ 266,200	\$ 335,231	\$ 3,478,925

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

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2013
WITH COMPARATIVE TOTALS FOR 2012

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 37,488	\$ 48,406
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	98,149	97,785
In-kind donations of securities received	(991)	-
Net unrealized and realized income on investments	5,690	(13,842)
Accretion of fixed income investments	1,312	-
(Increase) decrease in operating assets:		
Grants receivable	(6,663)	8,293
Unconditional promises to give	4,529	(4,721)
Resale inventory	(3,169)	(6,600)
Prepaid expenses	(7,309)	(2,815)
Increase (decrease) in operating liabilities:		
Accounts payable	(7,951)	(10,128)
Sales tax payable	1,225	505
Accrued wages	(1,793)	2,762
Accrued payroll liabilities	7,292	3,794
Deferred revenue	68,442	50,755
Net Cash Provided by Operating Activities	196,251	174,194
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	32,920	20,000
Purchase of investments	(7,460)	(30,149)
Purchase of certificates of deposits	(25,000)	-
Purchases of property and equipment	(51,462)	(63,319)
Net Cash Used in Investing Activities	(51,002)	(73,468)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on note payable	(107,998)	(25,645)
Net Cash Used in Financing Activities	(107,998)	(25,645)
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	37,251	75,081
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	190,531	115,450
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 227,782	\$ 190,531
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest paid	\$ 10,610	\$ 14,070

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

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

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.

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. 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.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2013, the majority of the balance is anticipated to be received in less than one year. As of August 31, 2013, no allowance for doubtful accounts was deemed necessary based on historical collection rates. Bad debt expense was \$-0- for the years ended August 31, 2013 and 2012.

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 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.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

PROPERTY AND EQUIPMENT - Continued

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 2013 and 2012 amounted to \$98,149 and \$97,785, respectively, and is shown on the accompanying Statement of Functional Expenses.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. Such reclassifications had no effect on the change in total net assets as previously reported.

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, 2013 and 2012.

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, 2013 and 2012. Penalties and interest, if any, are recorded in Management and General, Miscellaneous Expense. GRACE's tax returns are subject to review and examination by federal and state authorities for three years from the due date of the return or the date actually filed. As of August 31, 2013, the tax return years open for audit include tax years ended August 31, 2010 through August 31, 2012.

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.

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:

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

RESTRICTED INVESTMENTS - Continued

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.

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.

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, 2013 and 2012 were \$1,203,056 and \$1,129,349, respectively.

Donated services consist of medical services donated to the Clinic. Amounts contributed for the year ended August 31, 2013 and 2012 were \$311,282 and \$301,097, 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.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. GAAP. Accordingly, such information should be read in conjunction with GRACE's financial statements for the year ended August 31, 2012, 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 years ended August 31, 2013 and 2012 consists of the fair market value of rent on the Organization's facilities of \$118,028 and \$116,884, respectively.

GRAPEVINE RELIEF AND COMMUNITY EXCHANGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Buildings	\$ 1,354,541	\$ 1,327,553
Leasehold improvements	375,734	358,797
Furniture and fixtures	32,022	32,022
Equipment	225,427	294,781
Vehicles	103,284	103,284
Total Property and Equipment	<u>2,091,008</u>	<u>2,116,437</u>
Less: Accumulated Depreciation	<u>1,021,633</u>	<u>1,000,375</u>
Net Property and Equipment	<u>\$ 1,069,375</u>	<u>\$ 1,116,062</u>

NOTE 5 - RESTRICTED INVESTMENTS

Restricted investments as of August 31, 2013 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Appreciation (Depreciation)</u>
Money market mutual funds	\$ 18,902	\$ 18,902	\$ -
Certificate of deposit	25,043	25,000	43
Corporate bonds	186,568	173,940	12,628
Total Investments	<u>\$ 230,513</u>	<u>\$ 217,842</u>	<u>\$ 12,671</u>

Restricted investments as of August 31, 2012 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Appreciation (Depreciation)</u>
Money market mutual funds	\$ 11,443	\$ 11,443	\$ -
Corporate bonds	225,541	195,514	30,027
Total Investments	<u>\$ 236,984</u>	<u>\$ 206,957</u>	<u>\$ 30,027</u>

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NOTE 5 - RESTRICTED INVESTMENTS – Continued

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

The fair value of restricted investments by level as of August 31, 2013 was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market mutual Funds	\$ 18,902	\$ -	\$ -	\$ 18,902
Certificate of deposit	25,043	-	-	25,043
Corporate bonds	-	186,568	-	186,568
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 43,945</u>	<u>\$ 186,568</u>	<u>\$ -</u>	<u>\$ 230,513</u>

The fair value of restricted investments by level as of August 31, 2012 was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market mutual Funds	\$ 11,443	\$ -	\$ -	\$ 11,443
Corporate bonds	-	225,541	-	225,541
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 11,443</u>	<u>\$ 225,541</u>	<u>\$ -</u>	<u>\$ 236,984</u>

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NOTE 6 – 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.

GRACE also leases space for the resale store and office equipment having remaining terms in excess of one year. At August, 31, 2013, the minimum lease commitments are as follows:

2014	\$ 106,819
2015	109,667
2016	54,510
2017	<u>20,346</u>
 Total	 <u>\$ 291,342</u>

NOTE 7 – 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.

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NOTE 7 – 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 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 8 – 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 9 – 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 \$18,468 and \$17,521 during the years ended August 31, 2013 and 2012.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of August 31, 2013 and 2012:

Restricted Purpose	2013	2012
Hogan-Boyd	\$ 20,786	\$ 28,042
Transitional Housing Building	199,305	212,026
Emergency Assistance	11,284	17,000
Total	<u>\$ 231,375</u>	<u>\$ 257,068</u>

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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, 2013 are expected to be received in the next year. No allowance for uncollectible contributions is considered necessary as of August 31, 2013 and 2012. Bad debt expense was \$-0- for the year ended August 31, 2013 and 2012.

NOTE 12 – NOTE PAYABLE

GRACE had the following note payable as of August 31, 2013 and 2012:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Note payable to a bank, payable in monthly installments of \$2,834 and one balloon payment at the term of the loan, including interest at 4.25% until maturity in November 2017. The note is secured by certain GRACE land and buildings with a net book value of \$412,751 and \$429,843 at August 31, 2013 and 2012, respectively.	\$ 123,175	\$ 231,173
Less: Current portion	<u>23,540</u>	<u>15,069</u>
Note Payable, net of current portion	<u>\$ 99,635</u>	<u>\$ 216,104</u>

Principal payments due on the note payable as of August 31, 2013 for the succeeding fiscal years and in aggregate are as follows:

2014	\$ 23,540
2015	24,799
2016	25,874
2017	26,995
2018	<u>21,967</u>
Total	<u>\$ 123,175</u>

Interest expense for the year ended August 31, 2013 was \$10,610.

NOTE 13 – LINE OF CREDIT

GRACE has a \$100,000 revolving line of credit with a bank. The line of credit matures November 25, 2015, accrues interest at the prime rate with a base rate of 4.0%. The line of credit is secured by the land and buildings securing the note payable described in Note 12. There was no balance outstanding on the line of credit as of August 31, 2013 and 2012.

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NOTE 14 – SUBSEQUENT EVENTS

The date to which events occurring after August 31, 2013, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosures is December 19, 2013, which is the date on which the financial statements were available to be issued.