



**Grapevine Relief and
Community Exchange**

**Financial Statements
August 31, 2017**

Grapevine Relief and Community Exchange

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Independent Auditors' Report

To the Board of Directors of
Grapevine Relief and Community Exchange

We have audited the accompanying financial statements of Grapevine Relief and Community Exchange (a nonprofit Organization) which comprise the statement of financial position as of August 31, 2017 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 U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Sutton Grost Cary

A Limited Liability Partnership

Arlington, Texas
February 26, 2018

Grapevine Relief and Community Exchange
Statement of Financial Position
August 31, 2017

Assets

Current assets:

Cash	\$	245,243
Investments		71,596
Resale inventory		66,718
Other assets		119,023
		119,023
Total current assets		502,580

Noncurrent assets:

Assets restricted for capital campaign:		
Cash		95,283
Pledges receivable, net		999,096
Property and equipment, net		1,433,152
Investments restricted for endowment		264,229
		264,229
Total noncurrent assets		2,791,760
		2,791,760
Total assets	\$	3,294,340

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	27,128
Sales tax payable		10,776
Accrued payroll		139,028
Deferred revenue		59,347
Deferred rent		30,468
		30,468
Total current liabilities		266,747

Net assets:

Unrestricted net assets:		
Board designated		53,478
Undesignated		1,662,043
		1,662,043
Total unrestricted net assets		1,715,521
Temporarily restricted		1,101,321
Permanently restricted		210,751
		210,751
Total net assets		3,027,593
		3,027,593
Total liabilities and net assets	\$	3,294,340

See notes to financial statements.

Grapevine Relief and Community Exchange
Statement of Activities
Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 996,225	\$1,101,321	\$ -	\$ 2,097,546
Grants	181,020	-	-	181,020
In-kind contributions	2,087,948	-	-	2,087,948
Retail sales of donated goods	1,917,971	-	-	1,917,971
Client fees	13,879	-	-	13,879
Investment income	12,597	4,400	-	16,997
Special event, net of direct costs of \$219,726	465,220	-	-	465,220
Other income	25,200	-	-	25,200
Net assets released from restrictions	653,710	(653,710)	-	-
Total support and revenue	6,353,770	452,011	-	6,805,781
Expenses:				
Program	3,351,203	-	-	3,351,203
Management and general	150,327	-	-	150,327
Resale	1,655,675	-	-	1,655,675
Fundraising	576,197	-	-	576,197
Total expenses	5,733,402	-	-	5,733,402
Increase in net assets	620,368	452,011	-	1,072,379
Net assets at beginning of year	1,095,153	649,310	210,751	1,955,214
Net assets at end of year	\$ 1,715,521	\$1,101,321	\$ 210,751	\$ 3,027,593

See notes to financial statements.

Grapevine Relief and Community Exchange
Statement of Functional Expenses
Year Ended August 31, 2017

	Program Services						Supporting Services				
	Emergency Assistance	Transitional Housing	Community Clinic	Food Pantry	Other Seasonal	Total	Management and General	Resale	Fundraising	Total	Total
Salaries and related costs	\$ 387,461	\$ 129,002	\$ 207,642	\$ 137,145	\$ 35,964	\$ 897,214	\$ 112,332	\$ 1,051,341	\$ 315,305	\$ 1,478,978	\$ 2,376,192
Client assistance	455,874	98,362	565,297	646,728	357,425	2,123,686	483	36,805	78,697	115,985	2,239,671
Advertising	129	414	1,429	346	12	2,330	31	18,046	812	18,889	21,219
Bank charges	613	232	386	979	303	2,513	1,183	39,606	6,040	46,829	49,342
Contract services	1,800	589	962	988	166	4,505	-	30,972	-	30,972	35,477
Dues and subscriptions	645	126	444	134	86	1,435	750	1,443	2,081	4,274	5,709
Employee recognition	2,007	1,031	1,180	986	164	5,368	1,829	7,756	1,687	11,272	16,640
Insurance	3,617	6,124	4,501	8,716	1,161	24,119	1,223	22,384	1,132	24,739	48,858
Marketing	405	120	195	128	34	882	782	4,269	12,517	17,568	18,450
Meetings and travel	5,403	3,102	2,389	1,267	735	12,896	5,688	9,503	10,632	25,823	38,719
Occupancy	51,875	11,651	2,444	1,601	26,640	94,211	10,100	250,235	17,037	277,372	371,583
Other	914	362	427	4,395	74	6,172	1,216	11,184	619	13,019	19,191
Postage	269	88	144	94	25	620	497	721	9,592	10,810	11,430
Printing	3,812	209	1,726	241	51	6,039	504	2,252	31,824	34,580	40,619
Professional fees	2,022	672	882	680	30	4,286	285	8,135	58,634	67,054	71,340
Repairs and maintenance	10,722	627	7,532	7,074	165	26,120	1,943	21,993	4,259	28,195	54,315
Special event	-	-	-	-	-	-	-	-	219,726	219,726	219,726
Supplies	4,145	3,220	2,536	2,740	316	12,957	1,016	25,360	3,291	29,667	42,624
Technology	12,153	1,601	4,217	2,991	117	21,079	1,679	14,665	4,943	21,287	42,366
Training	1,395	899	57	236	10	2,597	185	1,661	1,958	3,804	6,401
Utilities and telephone	17,468	5,124	10,317	14,181	695	47,785	1,882	70,266	7,294	79,442	127,227
Depreciation	16,598	19,161	9,388	9,097	145	54,389	6,719	27,078	7,843	41,640	96,029
Total expenses by function	979,327	282,716	824,095	840,747	424,318	3,351,203	150,327	1,655,675	795,923	2,601,925	5,953,128
Less expenses included with revenues on the statement of activities -											
Direct costs of special event	-	-	-	-	-	-	-	-	(219,726)	(219,726)	(219,726)
Total expenses included in the expense section on the statement of activities	\$ 979,327	\$ 282,716	\$ 824,095	\$ 840,747	\$ 424,318	\$ 3,351,203	\$ 150,327	\$ 1,655,675	\$ 576,197	\$ 2,382,199	\$ 5,733,402

See notes to financial statements.

Grapevine Relief and Community Exchange
Statement of Cash Flows
Year Ended August 31, 2017

Cash flows from operating activities:	
Increase in net assets	\$ 1,072,379
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	96,029
Discount on pledges receivable	21,962
Contributions restricted for capital campaign	(1,094,379)
Donated stock	(3,960)
Unrealized gains on investments	(6,047)
Changes in operating assets and liabilities:	
Resale inventory	(4,417)
Other assets	3,478
Accounts payable	(16,439)
Sales tax payable	(116)
Accrued payroll	21,440
Deferred revenue	(55,413)
Deferred rent	9,742
	44,259
Net cash provided by operating activities	
Cash flows from investing activities:	
Proceeds from sales of investments	108,655
Purchases of investments	(58,508)
Purchases of property and equipment	(122,617)
	(72,470)
Net cash used by investing activities	
Cash flows from financing activities:	
Payments on note payable	(419,415)
Collection of contributions restricted for capital campaign	657,217
	237,802
Net cash provided by financing activities	
Net increase in cash	209,591
Cash at beginning of year	130,935
Cash at end of year	\$ 340,526
Reconciliation of cash and restricted cash reported within the statement of financial position to the statement of cash flows:	
Cash	\$ 245,243
Cash restricted for capital campaign	95,283
	340,526
Total cash and restricted cash shown in the statement of cash flows	\$ 340,526
Supplemental cash flow information -	
Cash paid during the year for interest	\$ 10,380

See notes to financial statements.

Grapevine Relief and Community Exchange

Notes to Financial Statements

1. Organization

Grapevine Relief and Community Exchange (Organization) 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. The Organization's support and revenue comes primarily from civic organizations, local government agencies, churches, and individuals in the Northeast Tarrant County area.

Programs

The Organization pursues its objectives through the execution of the following programs:

Emergency Assistance provides emergency assistance to more than 1,200 families per year who are faced with financial challenges owing to low-income or recent emergency. Aid is given on an as-needed basis. This program provides food, clothing, toiletries, household goods, furniture, financial assistance, and information/referrals to those in need. Monthly supplemental food is offered for seniors and the disabled.

Community Clinic is a comprehensive program that provides a holistic approach to health care for families who do not have access to traditional medical care. A dedicated staff of volunteer physicians, nurses, and other healthcare providers operate the clinic each Tuesday night. The clinic provides the following services: routine office visits and health screenings, medications, specialist referrals, diagnostic testing and lab services, dietary consultations, and general health education. As appropriate, patients are referred to Tarrant County's John Peter Smith Health Network.

Food Pantry provides perishable and nonperishable food to individuals and families in need. The pantry uses a vouchers system for the Organization's clients to shop and select the food items that meet the cultural and dietary needs of their households. The pantry is designed as a grocery store that gives the Organization's clients an element of dignity in the process of providing food for their families.

Transitional Housing allows individuals and families the stability and comfort of their own apartment for up to two years while they work toward independence. Housing clients participate in intensive case management while pursuing educational, career, financial, and personal development goals during their stay. All program activities are aimed at helping the clients to achieve self-determination and eventual self-sufficiency.

Resale funds a large portion of the annual budget. The Organization receives more donations from the community than necessary to meet client demand. Donations are received, sorted, and distributed to programs, and any leftover goods are sold at one of the Organization's two resale shops.

Grapevine Relief and Community Exchange

Notes to Financial Statements

In addition to the Organization's year-round programs, client, volunteers, and donors can participate in various seasonal opportunities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations, including net assets appropriated by the board of directors.

Temporarily restricted net assets - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purpose.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash, investments, and pledges receivable.

The Organization places cash, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Balances at financial institutions exceeded federally insured amounts by \$81,672 as of August 31, 2017. The Organization has not experienced losses on such assets.

Grapevine Relief and Community Exchange

Notes to Financial Statements

The Organization operates mainly in the Tarrant County, Texas area. Therefore, results of operations are subject to economic conditions of the area.

Pledges receivable are unsecured and are due from various donors. Pledges receivable are recorded at the estimated fair value when received. The collectability of the Organization's receivables is reviewed on an ongoing basis, using an assessment of the current status of individual accounts and current economic conditions.

At August 31, 2017 approximately 40% of total pledges receivable were due from two donors.

Use of Estimates

The preparation of the financial statements in conformity with 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.

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended August 31, 2017. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of August 31, 2017 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Resale Inventory

The Organization receives a substantial amount of donated goods during the year. At the end of the fiscal year, the Organization estimates the value of donated goods on hand and records the amount as inventory with a corresponding adjustment to contributions by applying the retail inventory method. This method estimates the inventory value of donated goods based on a 12-month rolling average of retail sales, less cost of sales multiplied by the estimated shelf life of inventory on hand at August 31.

Grapevine Relief and Community Exchange

Notes to Financial Statements

The net increase in donated inventory on hand at year end is included in in-kind contributions. When the net change in donated inventory is a decrease, the change is reported in cost of sales on the statement of functional expenses.

Investments

Investments in marketable equity securities, mutual funds, and all other investment securities are recorded at their fair values in the accompanying statement of financial position. Investment income includes interest and dividends and unrealized gains and losses, and is included in the statement of activities as an increase in unrestricted net assets, unless the donor or law restricts the income or loss.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at the fair value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$3,000 and having a useful life of two years or more; the fair value of donated fixed assets is similarly capitalized. 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. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 2 to 30 years, except for leasehold improvements which are depreciated using the lesser of the useful life of the asset or the term of the lease.

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 those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Deferred Rent

The Organization has entered into two office leases which include rent abatements and escalating rent over the term of the lease. In accordance with GAAP, rent cost is accounted for on a straight-line basis over the rent term.

Revenue Recognition

Contributions and grants are generally recorded only upon receipt, unless evidence of an unconditional promise to give (pledge) has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance.

Grapevine Relief and Community Exchange

Notes to Financial Statements

Donated goods, other than inventory, and use of facilities are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization.

Fees for client services are recognized as revenue when the services are performed.

Event sponsorship revenue is recognized at the date the event occurs. Advanced payments for the event sponsorships are reported as deferred revenue until the date of the event.

Retail sales revenue is recognized at the date the sales transaction occurs.

Allocation of Functional Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- Level 1 Inputs to the valuation methodology are quoted prices available in active markets for identical assets or liabilities as of the reporting date;

- Level 2 Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

- Level 3 Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Grapevine Relief and Community Exchange

Notes to Financial Statements

Mutual Funds

Mutual funds are public investment vehicles using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Corporate Bonds

Corporate bonds are public investment vehicles valued at the closing price reported on the active market on which the individual securities are traded and are classified within level 2 of the valuation hierarchy.

The following table sets forth the Organization's investments at estimated fair value as of August 31, 2017.

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 207,587	\$ -	\$ -	\$ 207,587
Corporate bonds	-	128,238	-	128,238
	\$ 207,587	\$ 128,238	\$ -	\$ 335,825

Investment income consisted of the following for the year ended August 31, 2017.

Interest and dividends	\$ 10,950
Unrealized gains	6,047
	\$ 16,997

4. Pledges Receivable

Pledges receivable consist of the following at August 31, 2017:

Receivable in less than one year	\$ 746,095
Receivable in one to two years	274,963
	1,021,058
Less: unamortized discount	(21,962)
	\$ 999,096

Pledges due in more than one year are reflected at the net present value of future cash flows using a discount rate of 4.25%.

Grapevine Relief and Community Exchange

Notes to Financial Statements

5. Property and Equipment

Property and equipment consist of the following at August 31, 2017:

Buildings and land	\$ 1,822,464
Leasehold improvements	490,373
Furniture and fixtures	32,022
Equipment	239,634
Vehicles	146,706
Construction in process	<u>75,747</u>
	2,806,946
Accumulated depreciation	<u>(1,373,794)</u>
Property and equipment, net	<u><u>\$ 1,433,152</u></u>

Depreciation expense for the year ended August 31, 2017 totaled \$96,029.

6. Note Payable

During 2015, the Organization entered into a financing agreement with a bank to fund the purchase of a new facility. The note payable was an interest-only arrangement with the entire balance due on February 6, 2017. The note bore interest at 3.75% and was collateralized by certain land and building. The note was paid in full during the year ended August 31, 2017.

7. Line of Credit

The Organization has a \$100,000 revolving line of credit with a bank. The line of credit matures April 17, 2018 and bears interest at the prime rate with a floor of 4.0%. The line of credit is secured by the land and buildings of the Organization, exclusive of the land and buildings included in Note 14. There was no balance outstanding on the line of credit as of August 31, 2017.

8. Board Designated Net Assets

The board of directors has designated net assets for a general endowment fund totaling \$53,478 as of August 31, 2017.

Grapevine Relief and Community Exchange
Notes to Financial Statements

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at August 31, 2017:

Capital campaign	\$ 1,094,379
Emergency assistance	<u>6,942</u>
	<u>\$ 1,101,321</u>

During the year ended August 31, 2015, the Organization began a capital campaign. The goal of the campaign is to raise funds to purchase and renovate property for program activities. At August 31, 2016, net assets restricted for the capital campaign amounted to \$498,091. The Organization received contributions totaling \$1,094,379, restricted for the capital campaign, during the year ending August 31, 2017. These contributions are included on the statement of activities as temporarily restricted income. The Organization incurred costs totaling \$498,091 for capital campaign activities during the year ended August 31, 2017. As of August 31, 2017, net assets restricted for the capital campaign amounted to \$1,094,379.

10. Permanently Restricted Net Assets

At August 31, 2017, permanently restricted net assets consist of endowment funds to be held indefinitely, the income from which is expendable to support program services.

11. Endowment Funds

The Organization's endowment consists of two funds established for various purposes including both donor-restricted endowment funds and funds designated by the Organization's board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

During the year ended August 31, 1998, the Organization received a grant in the amount of \$200,000 from the Nannie Hogan Boyd Trust, to create an endowment fund for emergency assistance, case management, and transitional housing for homeless and needy people who have special needs. As a condition of receiving this grant, the Organization has agreed to restrict the use of the earnings to the purposes mentioned above. 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. All gifts to the endowment as well as earnings thereon are accounted or in accordance with the endowment agreement's terms.

Grapevine Relief and Community Exchange

Notes to Financial Statements

During the year ended August 31, 2014, the Organization received a grant in the amount of \$50,000 from Exxon Mobil Corporation. The board has designated these funds and formed the GRACE Endowment. All corpus and earnings on endowment funds are to be used by GRACE to achieve or further its charitable purposes. These funds are shown with unrestricted net assets in the accompanying statement of financial position.

Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring “ordinary business care and prudence” regarding the preservation of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization 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 at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration of preservation of the funds
- The purposes of the Organization and the endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The Organization’s investment policy

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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment funds are categorized in the following net asset classes as of August 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 210,751	\$ 210,751
Board-designated endowment funds	53,478	-	-	53,478
Total endowment net assets	<u>\$ 53,478</u>	<u>\$ -</u>	<u>\$ 210,751</u>	<u>\$ 264,229</u>

Grapevine Relief and Community Exchange

Notes to Financial Statements

Changes in endowment funds net assets for the year ended August 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 53,096	\$ 34,938	\$ 210,751	\$ 298,785
Unrealized and realized gains (losses) on	382	4,400	-	4,782
Appropriation of assets for expenditure	-	(39,338)	-	(39,338)
Endowment net assets, end of year	\$ 53,478	\$ -	\$ 210,751	\$ 264,229

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long term.

Endowment assets are invested in mutual funds and corporate bonds that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Organization has a policy of appropriating the net interest and dividends of its endowment fund. In establishing this policy, the Organization considers the long-term expected return on its endowment. This is consistent with the Organization's objective to main the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through new gifts.

12. In-Kind Contributions

The Organization recognized the following in-kind contributions and expense in the accompanying financial statements during the year ended August 31, 2017:

Emergency assistance supplies	\$ 1,017,319
Medical supplies	135,664
Other supplies	81,621
Client Christmas gifts	246,900
Medical services	422,132
Other professional services	63,275
Occupancy	121,037
Total	\$ 2,087,948

Grapevine Relief and Community Exchange

Notes to Financial Statements

13. Leases

The Organization leases resale space under two non-cancelable operating lease agreements expiring in 2025. The leases include rent abatements and fixed rent escalations, which are amortized and recorded over the lease term on a straight-line basis. Rent expense of \$233,903 is reported in the statement of functional expenses for the year ended August 31, 2017.

Future minimum lease payments due under these lease agreements are as follows for the years ending August 31:

2018	\$	188,429
2019		188,429
2020		184,777
2021		184,985
2022		123,167
Thereafter		372,000

14. Transitional Housing Grant

On June 1, 1999, the Organization received a grant from the Tarrant County Community Development Office of the United States Department of Housing and Urban Development (HUD) for the purpose of purchasing a 10-unit transitional housing facility to serve the homeless population of Northeast Tarrant county. In return for the receipt of the grant, the Organization has committed to operating the facility consistent with the mission stated above and to provide monthly reports of activities undertaken in their performance of this contract and monthly statements of expenditures and income which related to the above described supportive housing program. In addition, the Organization has agreed to own and operate the facility as transitional housing for 20 years. During the year ended August 31, 2017, HUD terminated the agreement with the Organization and has allowed GRACE to retain ownership of the property.

15. Employee Benefit Plan

The Organization sponsors a 401(k) plan for all qualified employees. The Organization 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 \$30,890 during the year ended August 31, 2017.

Grapevine Relief and Community Exchange

Notes to Financial Statements

16. Subsequent Events

The Organization entered into a construction contract on January 3, 2018 totaling \$1,239,605.

The Organization entered into a construction loan in December 2017 with a bank for \$1,700,000. The loan is secured by real property and is due in monthly installments, maturing December 2037.

The Organization evaluated subsequent events after the statement of financial position date of August 31, 2017 through February 26, 2018, which was the date the financial statements were available to be issued, and concluded that, other than the item noted above, no additional disclosures are required.