Grapevine Relief and Community Exchange

Financial Report

August 31, 2018

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Independent Auditor's 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) (the Organization) which comprise the statement of financial position as of August 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
March 4, 2019

Grapevine Relief and Community Exchange

Statement of Financial Position

August 31, 2018

ASSETS

ASSETS		
Cash	$	622,978
Investments		331,740
Resale inventory		69,111
Pledges receivable		473,621
Prepaid expenses		126,498
Other assets		21,877
Property and equipment, net		2,575,403
TOTAL ASSETS	$	4,221,228

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	422,598
Accrued payroll		42,511
Accrued liabilities		96,287
Deferred revenue		90,966
Deferred rent		36,891
Total liabilities		689,253
NET ASSETS		
Unrestricted net assets		
Board designated		54,109
Undesignated		2,789,923
Total unrestricted net assets		2,844,032
Temporarily restricted		477,192
Permanently restricted		210,751
Total net assets		3,531,975
TOTAL LIABILITIES AND NET ASSETS	$	4,221,228

The Notes to Financial Statements
are an integral part of this statement.

Grapevine Relief and Community Exchange

Statement of Activities

Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 967,447	$ 572,206	$ -	$ 1,539,653
Grants	86,500	-	-	86,500
In-kind contributions	1,906,713	-	-	1,906,713
Resale sales, net of donated inventory used	1,404,802	-	-	1,404,802
Contribution of donated goods for resale	664,298	-	-	664,298
Client donations	12,528	-	-	12,528
Investment income	12,194	-	-	12,194
Special event, net of direct costs of $225,775	284,160	-	-	284,160
Gain on insurance settlement	119,340	-	-	119,340
Other income	2,044	-	-	2,044
Net assets released from restrictions	1,196,335	(1,196,335)	-	-
Total support and revenue	6,656,361	(624,129)	-	6,032,232
EXPENSES				
Program	3,301,039	-	-	3,301,039
Management and general	173,391	-	-	173,391
Resale	1,609,974	-	-	1,609,974
Fundraising	443,446	-	-	443,446
Total expenses	5,527,850	-	-	5,527,850
Change in net assets	1,128,511	(624,129)	-	504,382
NET ASSETS, at beginning of year	1,715,521	1,101,321	210,751	3,027,593
NET ASSETS, at end of year	$ 2,844,032	$ 477,192	$ 210,751	$ 3,531,975

The Notes to Financial Statements
are an integral part of this statement.

Grapevine Relief and Community Exchange

Statement of Functional Expenses

Year Ended August 31, 2018

	Program Services						Supporting Services				
	Emergency Assistance	Transitional Housing	Community Clinic	Food Pantry	Other Seasonal	Total	Management and General	Resale	Fundraising	Total	2018 Total
Salaries and related costs	$ 341,375	$ 127,908	$ 223,772	$158,041	$ 59,032	$ 910,128	$ 116,424	$1,020,624	$ 280,617	$1,417,665	$2,327,793
Client assistance	450,069	89,558	512,695	686,333	323,338	2,061,993	481	5,233	81,679	87,393	2,149,386
Accountant fees	1,782	570	858	781	116	4,107	280	7,795	1,343	9,418	13,525
Advertising	231	26	1,014	1,755	229	3,255	18	19,954	2,968	22,940	26,195
Bank charges	352	263	364	659	394	2,032	1,541	44,501	7,401	53,443	55,475
Contract services	828	150	940	1,241	602	3,761	-	36,706	-	36,706	40,467
Donated space	44,535	7,243	2,012	2,656	30,511	86,957	4,144	22,639	11,002	37,785	124,742
Dues and subscriptions	391	92	281	401	189	1,354	854	1,032	3,491	5,377	6,731
Staff development	1,120	223	149	846	95	2,433	589	2,255	2,782	5,626	8,059
Employee recognition	1,428	532	1,028	1,376	554	4,918	1,388	7,506	1,604	10,498	15,416
Insurance	3,372	6,690	5,264	10,658	1,744	27,728	1,502	25,860	1,269	28,631	56,359
Marketing	309	13	161	260	486	1,229	1,328	3,923	4,717	9,968	11,197
Meetings and travel	2,345	2,947	2,378	1,699	969	10,338	3,656	6,309	4,437	14,402	24,740
Occupancy	672	122	764	1,009	489	3,056	-	232,389	-	232,389	235,445
Other	76	114	86	113	55	444	443	470	401	1,314	1,758
Postage	98	15	92	122	59	386	364	460	4,492	5,316	5,702
Printing	2,444	33	1,243	299	484	4,503	3,323	2,156	12,283	17,762	22,265
Professional fees	-	-	-	-	-	-	3,233	-	-	3,233	3,233
Repairs and maintenance	8,613	2,561	7,196	8,465	761	27,596	10,049	23,132	4,720	37,901	65,497
Supplies	2,382	676	4,447	4,372	1,221	13,098	1,334	23,242	1,208	25,784	38,882
Telephone	10,596	3,115	5,087	4,145	520	23,463	2,704	19,778	5,953	28,435	51,898
Technology	6,616	1,299	12,436	6,147	370	26,868	1,514	16,722	5,874	24,110	50,978
Utilities	8,064	2,606	5,049	9,912	742	26,373	1,291	50,629	2,150	54,070	80,443
Vehicle	126	23	144	3,043	92	3,428	289	4,667	140	5,096	8,524
Depreciation	10,863	18,997	9,969	11,201	561	51,591	16,642	31,992	2,915	51,549	103,140
Total expenses by function	$ 898,687	$ 265,776	$ 797,429	$915,534	$423,613	$3,301,039	$ 173,391	$1,609,974	$ 443,446	$2,226,811	$5,527,850

The Notes to Financial Statements
are an integral part of this statement.

Grapevine Relief and Community Exchange

Statement of Cash Flows

Year Ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$	504,382
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation		103,140
Discount on pledges receivable		21,962
Investment Income		12,194
Changes in operating assets and liabilities		
Resale inventory		(2,393)
Pledges receivable		503,513
Prepaid expenses		(7,475)
Other assets		(21,877)
Accounts payable		395,470
Accrued payroll		(11,313)
Accrued liabilities		307
Deferred revenue		31,619
Deferred rent		6,423
Net cash provided by operating activities		1,535,952
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments		51,947
Purchases of investments		(60,056)
Purchases of property and equipment		(1,245,391)
Net cash used by investing activities		(1,253,500)
Net increase in cash		282,452
CASH, beginning of year		340,526
CASH, end of year	$	622,978

The Notes to Financial Statements
are an integral part of this statement.

Grapevine Relief and Community Exchange
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Grapevine Relief and Community Exchange (the 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.

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

Emergency Assistance provides aid to more than 1,200 families per year who are faced with financial challenges due 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 also 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 pursing 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.

The Organization also operates resale locations to fund their programs.

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 three resale shops.

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

Basis of Accounting

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

Support and Revenue

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.

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.

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.

Contributions of donated goods for resale are recognized at the estimated fair value on an annual basis.

Resale sales are recognized at the date the sale occurs, and are recorded net of the estimated fair value of donated inventory used on the statement of activities.

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts receivable based on prior experience, review of individual accounts, historical losses, existing economic conditions, and management's evaluation of other pertinent factors. Accounts are written off as they are deemed uncollectible based on a periodic review of accounts. No allowance for doubtful accounts was recorded as of August 31, 2018.

Promises to Give

Unconditional promises to give that are made by the donor and received by the Organization are recognized when the promise to give is communicated by the donor.

Conditional promises to give received by the Organization, which stipulate the occurrence of some specified future event before payment will be made, are recognized when the specified future event takes place and the promise to give becomes unconditional.

At August 31, 2018 approximately 29% of total pledges receivable were due from one donor.

Cash and Cash equivalents

Cash and cash equivalents, for statement of cash flow purposes, includes cash and short-term investments with maturities at date of purchase of 90 days or less.

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, 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.

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 in-kind 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.

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 against contributions of donated goods for resale on the statement of activities.

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 lessor 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.

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.

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, 2018. 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, 2018 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.

Financial Instruments and Credit and Market Risk Concentrations

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 $157,097 as of August 31, 2018. The Organization has not experienced losses on such assets.

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

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.

Recent Accounting Pronouncements

Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), was issued in August 2016. This standard fundamentally changes the financial presentation for nonprofit entities. It reduces net asset classifications to two from the current three, and adds additional disclosures concerning expenses and liquidity among others. The new requirements will be effective for the Organization for the year ended August 31, 2019. Management is reviewing the implementation process and gathering information for the implementation of this standard.

Subsequent Events

The Organization evaluated for recognition and disclosure all events that occurred after August 31, 2018 through March 4, 2019, the date these consolidated financial statements were available to be issued.

Note 2. Investments

The Organization records its investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instrument or market and the instrument's complexity.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are described below:

Level 1 inputs: Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 inputs: Inputs (other than quoted market prices included within level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date. Inputs may include quoted prices for the identified instrument in an inactive market; prices for similar instruments; interest rates, credit risk, and similar data.

Level 3 inputs: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

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. 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:

Equity and fixed income mutual funds are valued at the last sales price on the largest securities exchange in which such securities have been traded on the valuation date, and are classified within Level 1 on the fair value hierarchy.

Corporate bonds are valued using quoted prices available from well-known brokers, and are classified within Level 1 on the fair value hierarchy.

The following table sets forth the Organization's investments in the fair value hierarchy as of August 31, 2018.

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity mutual funds	$ 106,673	$ -	$ -	$ 106,673
Fixed income mutual funds	117,397	-	-	117,397
Corporate bonds	-	100,698	-	100,698
Investments in fair value hierarchy	$ 224,070	$ 100,698	$ -	$ 324,768

The following reconciles investments in the fair value hierarchy as of August 31, 2018 to total investments:

Investments in fair value hierarchy	$ 324,768
Cash and cash equivalents	6,972
Total investments	$ 331,740

Investment income consisted of the following for the year ended August 31, 2018.

Interest and dividends	$ 11,511
Unrealized gains	683
	$ 12,194

Note 3. Pledges Receivable

Pledges receivable consist of the following at August 31, 2018:

Receivable in less than one year	$ 410,521
Receivable in one to two years	63,100
	$ 473,621

Pledges due in more than one year should be reflected at the net present value of future cash flows using a discount rate. No discount was taken on long-term pledges in current year as all are expected to be received within two years.

Grapevine Relief and Community Exchange

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment consist of the following at August 31, 2018:

Land	$	40,000
Buildings		1,789,888
Leasehold improvements		490,374
Furniture and fixtures		32,022
Equipment		118,281
Vehicles		146,706
Construction in process		1,280,890
		3,898,161
Accumulated depreciation		(1,322,758)
Property and equipment, net	$	2,575,403

Depreciation expense for the year ended August 31, 2018 totaled $103,140.

Note 5. Note Payable

In December 2017, the Organization entered into a construction loan with a bank for $1,700,000. The loan is secured by real property and is due in monthly installments of interest at 3.2% for the first three years. Balance remaining after three years will be converted to a 20 year, fully amortizing loan with interest at Wall Street Journal prime rate less .26% for five year intervals until loan completion. No draws were made on the construction loan in year ended August 31, 2018.

Note 6. Line of Credit

The Organization has a $100,000 revolving line of credit with a bank. The line of credit matured April 17, 2018 and bears interest at the prime rate with a floor of 4.0%. Line of credit was renewed in January 2018, with a new maturity date of January 2019 and bears interest at the prime rate. The line of credit is secured by the land and buildings of the Organization, exclusive of the land and buildings included in Note 5 above. There was no balance outstanding on the line of credit as of August 31, 2018.

Note 7. Board Designated Net Assets

The board of directors has designated net assets for a general endowment fund totaling $54,109 as of August 31, 2018.

Note 8. Temporarily Restricted Net Assets

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.

Temporarily restricted net assets consisted of the following items related to the capital campaign and other purposes at August 31, 2018:

Capital campaign	$	13,328
Time and capital campaign		435,670
Emergency assistance		28,194
	$	477,192

Note 9. Permanently Restricted Net Assets

At August 31, 2018, permanently restricted net assets consist of endowment funds to be held indefinitely, the income from which is expendable to support program services.

Note 10. 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 agreements terms.

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, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 210,751	$ 210,751
Board-designated endowment funds	54,109	-	-	54,109
Total endowment net assets	$ 54,109	$ -	$ 210,751	$ 264,860

Changes in endowment funds net assets for the year ended August 31, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 53,478	$ -	$ 210,751	$ 264,229
Unrealized and realized gains (losses)	631	-	-	631
Appropriation of assets for expenditure	-	-	-	-
Endowment net assets, end of year	$ 54,109	$ -	$ 210,751	$ 264,860

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.

Note 11. In-Kind Contributions

The Organization recognized the following in-kind contributions and expense in the accompanying financial statements during the year ended August 31, 2018:

Emergency assistance supplies	$	971,955
Medical supplies		361,388
Other supplies		96,658
Client Christmas gifts		234,450
Medical services		117,521
Use of Facilities		124,741
Total	$	1,906,713

Note 12. Resale Sales

For year ended August 31, 2018, resale sales on the statement of activities consist of $2,066,707 of cash sales received in the Organization's resale shops, which are shown net of estimated fair value of donated inventory used of $661,905 for year ended August 31, 2018. Operating costs related to the Organization's resale shops are included in Resale expenses on the statement of functional expenses and statement of activities for year ended August 31, 2018.

Note 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 $235,445 is reported in the statement of functional expenses as occupancy for the year ended August 31, 2018.

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

Years Ending August 31,		
2019	$	203,933
2020		190,277
2021		120,138
2022		106,000
2023		108,000
Thereafter		264,000
		992,348

Note 14. 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 $34,375 during the year ended August 31, 2018.