

Grapevine Relief and Community Exchange

Financial Report
August 31, 2020

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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 statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

The Board of Directors of
Grapevine Relief and Community Exchange

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, 2020 and 2019, and the changes in net assets, functional expenses, and cash flows for the years 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
December 11, 2020

Grapevine Relief and Community Exchange

Statements of Financial Position

August 31, 2020 and 2019

	2020	2019
ASSETS		
ASSETS		
Cash	\$ 944,962	\$ 953,621
Investments	1,921,615	506,023
Resale inventory	74,061	70,457
Pledges receivable	147,986	377,215
Prepaid expenses	77,730	101,985
Other assets	21,877	21,877
Property and equipment, net	4,726,207	3,243,253
TOTAL ASSETS	\$ 7,914,438	\$ 5,274,431
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 63,301	\$ 78,825
Accrued payroll	46,769	44,167
Accrued liabilities	112,404	104,053
Deferred revenue	103,000	201,851
Deferred rent	37,651	39,815
Mortgage payable	1,609,258	-
Total liabilities	1,972,383	468,711
NET ASSETS		
Net assets without donor restrictions		
Board designated	1,583,804	209,395
Undesignated	4,028,349	4,015,953
Total net assets without donor restrictions	5,612,153	4,225,348
Net assets with donor restrictions	329,902	580,372
Total net assets	5,942,055	4,805,720
TOTAL LIABILITIES AND NET ASSETS	\$ 7,914,438	\$ 5,274,431

The Notes to Financial Statements
are an integral part of these statements.

Grapevine Relief and Community Exchange

Statements of Activities

Years Ended August 31, 2020 and 2019

	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 1,900,341	\$ 1,021,318	\$ 2,921,659	\$ 1,375,114	\$ 751,118	\$ 2,126,232
Grants	309,271	-	309,271	208,750	-	208,750
In-kind contributions	2,074,466	-	2,074,466	2,152,205	-	2,152,205
Resale sales, net of donated inventory used	970,848	-	970,848	1,459,491	-	1,459,491
Contribution of donated goods for resale	714,592	-	714,592	677,737	-	677,737
Client donations	6,897	-	6,897	11,614	-	11,614
Investment income	77,063	-	77,063	29,073	-	29,073
Special event, net of direct costs of \$319,930 and \$247,274	514,699	-	514,699	392,291	-	392,291
Gain on insurance settlement	-	-	-	458,594	-	458,594
Other income	76,637	-	76,637	17,721	-	17,721
Net assets released from restrictions	1,271,788	(1,271,788)	-	858,689	(858,689)	-
Total support and revenue	7,916,602	(250,470)	7,666,132	7,641,279	(107,571)	7,533,708
EXPENSES						
Program	4,111,887	-	4,111,887	3,746,027	-	3,746,027
Management and general	141,582	-	141,582	287,370	-	287,370
Resale	1,744,398	-	1,744,398	1,670,778	-	1,670,778
Fundraising	531,930	-	531,930	555,788	-	555,788
Total expenses	6,529,797	-	6,529,797	6,259,963	-	6,259,963
Change in net assets	1,386,805	(250,470)	1,136,335	1,381,316	(107,571)	1,273,745
NET ASSETS, beginning of year	4,225,348	580,372	4,805,720	2,844,032	687,943	3,531,975
NET ASSETS, end of year	\$ 5,612,153	\$ 329,902	\$ 5,942,055	\$ 4,225,348	\$ 580,372	\$ 4,805,720

The Notes to Financial Statements are an integral part of these statements.

Grapevine Relief and Community Exchange

Statement of Functional Expenses

Year Ended August 31, 2020

	Program Services					Supporting Services				2020 Total	
	Emergency Assistance	Transitional Housing	Community Clinic	Food Pantry	Other Seasonal	Total	Management and General	Resale	Fundraising		Total
Salaries and related costs	\$ 386,588	\$ 121,245	\$ 265,558	\$ 201,340	\$ 67,920	\$1,042,651	\$ 111,124	\$1,002,935	\$ 343,435	\$1,457,494	\$2,500,145
Client assistance	536,699	89,600	659,999	933,608	359,509	2,579,415	180	3,036	1,155	4,371	2,583,786
Accountant fees	2,412	752	1,184	1,090	144	5,582	307	10,415	1,796	12,518	18,100
Advertising	757	404	406	657	280	2,504	103	20,247	6,288	26,638	29,142
Bank charges	6,156	500	1,083	4,153	766	12,658	2,529	43,115	14,701	60,345	73,003
Contract services	2,441	408	3,002	4,246	1,635	11,732	-	103,093	394	103,487	115,219
Donated space	44,606	7,229	2,264	3,203	30,456	87,758	3,237	22,946	10,799	36,982	124,740
Dues and subscriptions	381	129	827	676	249	2,262	675	1,210	6,525	8,410	10,672
Staff development	166	845	560	201	78	1,850	385	565	1,592	2,542	4,392
Employee recognition	1,977	1,776	1,823	2,995	1,089	9,660	3,481	12,966	3,090	19,537	29,197
Insurance	6,187	9,213	10,017	13,168	2,329	40,914	1,371	35,708	12,062	49,141	90,055
Marketing	24	597	30	42	16	709	-	2,017	7,096	9,113	9,822
Meetings and travel	2,500	1,409	2,838	2,850	1,003	10,600	4,476	7,710	1,858	14,044	24,644
Occupancy	758	127	933	1,362	508	3,688	-	237,710	31,733	269,443	273,131
Other	1,867	6,049	2,044	1,491	276	11,727	1,333	1,792	-	3,125	14,852
Postage	152	25	186	264	106	733	385	2,251	7,825	10,461	11,194
Printing	2,456	97	1,509	702	946	5,710	775	4,080	14,253	19,108	24,818
Professional fees	2	-	3	4	2	11	-	12	876	888	899
Repairs and maintenance	5,606	4,316	9,236	9,800	507	29,465	1,895	28,166	5,138	35,199	64,664
Supplies	4,166	2,260	5,987	6,995	2,828	22,236	448	38,178	1,635	40,261	62,497
Telephone	9,224	2,072	7,271	3,996	692	23,255	1,153	14,728	4,828	20,709	43,964
Technology	16,457	4,188	9,387	4,657	2,104	36,793	2,911	27,603	10,774	41,288	78,081
Utilities	7,665	2,423	6,940	10,558	919	28,505	2,759	54,287	22,417	79,463	107,968
Vehicle	242	40	297	2,380	182	3,141	17	14,074	9	14,100	17,241
Depreciation	15,684	21,939	47,589	52,293	823	138,328	2,038	55,554	21,651	79,243	217,571
TOTAL EXPENSE BY FUNCTION	<u>\$1,055,173</u>	<u>\$ 277,643</u>	<u>\$1,040,973</u>	<u>\$1,262,731</u>	<u>\$475,367</u>	<u>\$4,111,887</u>	<u>\$ 141,582</u>	<u>\$1,744,398</u>	<u>\$ 531,930</u>	<u>\$2,417,910</u>	<u>\$6,529,797</u>

The Notes to Financial Statements
are an integral part of these statements.

Grapevine Relief and Community Exchange

Statement of Functional Expenses

Year Ended August 31, 2019

	Program Services					Supporting Services				2019 Total	
	Emergency Assistance	Transitional Housing	Community Clinic	Food Pantry	Other Seasonal	Total	Management and General	Resale	Fundraising		Total
Salaries and related costs	\$ 335,804	\$ 123,721	\$ 243,375	\$ 198,196	\$ 61,958	\$ 963,054	\$ 130,006	\$1,033,194	\$ 372,990	\$1,536,190	\$2,499,244
Client assistance	435,240	89,950	586,735	883,390	368,579	2,363,894	439	4,662	70,249	75,350	2,439,244
Accountant fees	2,277	737	1,113	1,059	150	5,336	346	10,074	1,745	12,165	17,501
Advertising	2,656	400	636	357	184	4,233	-	15,282	6,334	21,616	25,849
Bank charges	1,323	85	325	1,433	513	3,679	1,713	53,554	6,584	61,851	65,530
Contract services	1,432	296	1,931	2,907	1,213	7,779	-	49,466	-	49,466	57,245
Donated space	40,904	7,273	2,296	3,456	30,665	84,594	5,269	23,794	11,084	40,147	124,741
Dues and subscriptions	514	58	745	620	182	2,119	1,166	1,499	4,242	6,907	9,026
Staff development	875	255	1,533	1,971	685	5,319	4,781	5,443	4,256	14,480	19,799
Employee recognition	1,873	1,069	1,720	2,565	958	8,185	3,494	10,711	3,233	17,438	25,623
Insurance	3,751	7,580	6,221	12,056	1,924	31,532	1,552	29,175	1,766	32,493	64,025
Marketing	208	8	54	81	34	385	30	822	7,058	7,910	8,295
Meetings and travel	2,292	3,754	3,618	2,969	990	13,623	4,815	6,801	6,584	18,200	31,823
Occupancy	2,353	114	746	1,123	469	4,805	8,772	237,037	-	245,809	250,614
Other	199	41	268	404	169	1,081	1,128	1,314	4,532	6,974	8,055
Postage	117	24	158	238	99	636	493	746	4,100	5,339	5,975
Printing	1,617	55	2,044	294	158	4,168	345	1,762	14,205	16,312	20,480
Professional fees	-	-	989	-	-	989	1,375	-	-	1,375	2,364
Repairs and maintenance	15,115	8,894	9,457	18,844	629	52,939	103,253	26,298	7,054	136,605	189,544
Supplies	2,665	600	4,039	7,374	1,170	15,848	2,214	19,895	2,244	24,353	40,201
Telephone	9,162	2,516	5,619	3,781	582	21,660	1,233	22,618	4,867	28,718	50,378
Technology	7,012	1,345	8,875	2,630	546	20,408	2,788	24,459	3,576	30,823	51,231
Utilities	9,236	1,881	6,530	9,434	905	27,986	5,434	51,112	5,810	62,356	90,342
Vehicle	81	17	109	4,560	68	4,835	108	5,479	59	5,646	10,481
Depreciation	25,625	20,049	23,055	26,936	1,275	96,940	6,616	35,581	13,216	55,413	152,353
TOTAL EXPENSE BY FUNCTION	\$ 902,331	\$ 270,722	\$ 912,191	\$1,186,678	\$474,105	\$3,746,027	\$ 287,370	\$1,670,778	\$ 555,788	\$2,513,936	\$6,259,963

The Notes to Financial Statements
are an integral part of these statements.

Grapevine Relief and Community Exchange

Statements of Cash Flows

Years Ended August 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,136,335	\$ 1,273,745
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	217,571	152,353
Investment income	(77,063)	(29,073)
Changes in operating assets and liabilities		
Resale inventory	(3,604)	(1,346)
Pledges receivable	229,229	96,406
Prepaid expenses	24,255	24,513
Accounts payable	(15,524)	(343,773)
Accrued payroll	2,602	1,656
Accrued liabilities	8,351	7,766
Deferred revenue	(98,851)	110,885
Deferred rent	(2,164)	2,924
Net cash provided by operating activities	1,421,137	1,296,056
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from construction note payable	-	351,014
Payments on construction note payable	-	(351,014)
Net cash provided by financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	11,813
Purchases of investments	(1,338,529)	(157,023)
Purchases of property and equipment	(91,267)	(820,203)
Net cash used in investing activities	(1,429,796)	(965,413)
Net change in cash	(8,659)	330,643
CASH, beginning of year	953,621	622,978
CASH, end of year	\$ 944,962	\$ 953,621
NONCASH FINANCING ACTIVITIES		
Property purchased with a mortgage	\$ 1,609,258	\$ -
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 43,912	\$ -

The Notes to Financial Statements
are an integral part of these statements.

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) (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. 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 individuals and families who are faced with financial challenges due to low-income or recent emergency. Aid is given on an as-needed basis. While the program provides food, clothing, toiletries, household goods, furniture, financial assistance, and information/referrals to those in need, it is the in-depth and individualized case management that helps to improve the overall stability of the individuals served. For the past several years, GRACE has served an average 5,000 individuals each year. For the past year, and largely due to COVID-19, that number jumped to over 11,000. GRACE continues to feel the impact that the pandemic has had on its community and is working hard to provide the ongoing emergency assistance that its clients will need to continue their ability to provide for their families.

Transitional Housing allows homeless 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.

GRACE 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. Four dedicated staff members organize volunteer physicians, nurses, pharmacists and other healthcare professionals to provide more than 4,000 patient visits to close to 850 patients who consider the GRACE Clinic their medical home. The clinic provides the following services: routine office visits and health screenings, medications, specialist referrals, diagnostic testing and lab services, dietary/nutritional consultations, and general health education. For four years, the Clinic has been awarded the Gold Status from the American Heart Association (AHA) and American Medical Association (AMA) for their commitment to reducing the number of Americans at risk for cardiovascular disease.

GRACE Food Pantry provides perishable and nonperishable food to individuals and families in need. The pantry uses a voucher 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. Currently, they serve more than 500 visits to the pantry each month, in addition to monthly supplemental food that is delivered to the homes of seniors and individuals with disabilities.

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

The Organization also operates resale locations to fund their programs.

Grapevine Relief and Community Exchange

Notes to Financial Statements

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.

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 net assets without donor restriction unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed 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 value at the 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 unless otherwise stipulated by the donor. Advanced payments for the event sponsorships are reported as deferred revenue until the date of the event.

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

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful pledges 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. Management believes that all amounts are collectible, and, therefore, no allowance for doubtful accounts was recorded as of August 31, 2020 and 2019, respectively.

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.

Grapevine Relief and Community Exchange

Notes to Financial Statements

As of August 31, 2020 and 2019, approximately 53% of total pledges receivable were due from three donors, respectively.

Cash

Cash, for statement of cash flow purposes, includes cash accounts of the Organization and petty cash.

Investments

Investments in equity and fixed income mutual funds and corporate bonds 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 statements of activities as an increase in net assets without donor restrictions, 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 change in donated inventory on hand at year end is included in 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 property and equipment 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 revenue with donor restrictions. 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 net assets with donor restrictions. 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.

Grapevine Relief and Community Exchange

Notes to Financial Statements

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, 2020 and 2019, respectively. 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, 2020 and 2019, 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 \$100 and \$3,719 as of August 31, 2020 and 2019, respectively. 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.

Functional Allocation of Expenses

In some cases, expenses are incurred which support the work performed under more than one program. Such expenses are allocated among various programs on the basis which appears most reasonable. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Personnel expenses are allocated based on estimates of time and effort. Indirect costs of the administration, development and volunteer departments, such as accountant fees, advertising, bank charges, contract services, dues and subscriptions, staff development, employee recognition, insurance, marketing, meetings and travel, occupancy, postage, printing, professional fees, repairs and maintenance, supplies, telephone, technology, utilities, vehicle, other and depreciation expenses, are allocated to the programs and resale expense categories based on the annual estimates of time and effort related to the personnel in the administration, development and volunteer departments.

Grapevine Relief and Community Exchange

Notes to Financial Statements

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, which amends ASC Topic 606, "Revenue from Contracts with Customers". The amendments in this ASU provide a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 for private entities. Certain revenue streams, such as grants, contributions and investment income, were scoped out. The Organization has adopted the guidance as of September 1, 2019 using the modified retrospective transition method. However, because adoption of this guidance did not change the timing or amount of the Organization's recognition of revenue, there was no adjustment to net assets needed as part of adoption of the new standard.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* which amends ASC Topic 958, "Not-for-Profit Entities". The amendments in this ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction, and requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer asset. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 in which the entity serves as the resource recipient. The Organization has adopted the guidance as of September 1, 2019 using the modified prospective basis. The adoption of this guidance did not change the timing or amount of the Organization's recognition of revenue for grants or contributions, as revenue recognition policies in place were consistent with revenue recognition policies noted in this amendment.

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.

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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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity mutual funds	\$ 550,661	\$ -	\$ -	\$ 550,661
Fixed income mutual funds	1,257,261	-	-	1,257,261
Corporate bonds	-	102,130	-	102,130
Investments in fair value hierarchy	<u>\$ 1,807,922</u>	<u>\$ 102,130</u>	<u>\$ -</u>	<u>\$ 1,910,052</u>

The following table sets forth the Organization's investments in the fair value hierarchy as of August 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity mutual funds	\$ 297,626	\$ -	\$ -	\$ 297,626
Fixed income mutual funds	107,068	-	-	107,068
Corporate bonds	-	97,444	-	97,444
Investments in fair value hierarchy	<u>\$ 404,694</u>	<u>\$ 97,444</u>	<u>\$ -</u>	<u>\$ 502,138</u>

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The following reconciles investments in the fair value hierarchy as of August 31, 2020 and 2019 to total investments:

	2020	2019
Investments in fair value hierarchy	\$ 1,910,052	\$ 502,138
Cash and cash equivalents	11,563	3,885
Total investments	\$ 1,921,615	\$ 506,023

Investment income consisted of the following for the year ended August 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 20,056	\$ 13,531
Unrealized gains	57,007	15,542
	\$ 77,063	\$ 29,073

Note 3. Pledges Receivable

Pledges receivable consist of the following at August 31:

	2020	2019
Receivable in less than one year	\$ 112,092	\$ 278,022
Receivable in one to two years	35,894	99,193
	\$ 147,986	\$ 377,215

As all collections are expected to be within two years or less, pledges receivables value estimates or is approximate to discounted value. Thus, no discount was taken on long-term pledges in years ended August 31, 2020 and 2019.

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Note 4. Property and Equipment

Property and equipment consist of the following at August 31:

	2020	2019
Land	\$ 40,000	\$ 40,000
Buildings	5,450,588	3,831,389
Leasehold improvements	538,814	490,374
Furniture and fixtures	10,292	40,639
Equipment	123,213	123,213
Vehicles	179,606	146,706
Construction in process	24,983	25,000
	6,367,496	4,697,321
Accumulated depreciation	(1,641,289)	(1,454,068)
Property and equipment, net	\$ 4,726,207	\$ 3,243,253

Depreciation expense for the years ended August 31, 2020 and 2019 totaled \$217,571 and \$152,353, respectively.

Note 5. Mortgage Payable

In November 2019, the Organization purchased property for a sale price of approximately \$1,600,000, which was financed through a promissory note with a financial institution. The promissory note is secured by the property purchased, is due in November 2041, and is subject to certain covenants. The Organization was either in compliance or had received a waiver for any covenants as of August 31, 2020. The promissory note has an initial interest rate of 3.2% and only interest payments are due and payable until December 2021, at which time principal and interest, at a fixed rate of the Five-Year Treasury Index Rate plus 2.8% adjusted every five years, are payable monthly until maturity.

Future principal maturities of the mortgage payable for the years ending subsequent to August 31, 2020 are as follows:

Years Ending August 31,	
2021	\$ -
2022	43,623
2023	59,814
2024	61,757
2025	63,762
Thereafter	1,380,302
	\$ 1,609,258

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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 bore interest at the prime rate with a floor of 4.0%. The line of credit was renewed in January 2018, 2019 and 2020, with a new maturity date of January 2021 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. No balance was outstanding on the line of credit as of August 31, 2020 and 2019, respectively.

Note 7. Net Assets without Donor Restrictions – Board-Designated

The board of directors has designated net assets for a general endowment fund totaling \$1,583,804 and \$209,395 as of August 31, 2020 and 2019, respectively, which are to be held for long-term investment.

Note 8. Net Assets with Donor Restrictions

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.

Net assets with donor restrictions consisted of the following at August 31:

	2020	2019
Net assets with donor restrictions - time and purpose	\$ 119,151	\$ 369,621
Net assets with donor restrictions - held in perpetuity	210,751	210,751
	\$ 329,902	\$ 580,372

Net assets with donor restrictions – time and purpose consisted of the following items related to the capital campaign and other purposes at August 31:

	2020	2019
Time and capital campaign	\$ 104,118	\$ 341,427
Emergency assistance	15,033	28,194
	\$ 119,151	\$ 369,621

As of August 31, 2020 and 2019, net assets with donor restrictions – held in perpetuity consist of endowment funds to be held indefinitely, the income from which is expendable to support program services.

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Net assets with donor restrictions – time and purpose were released as follows during years ended August 31:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 330,943	\$ 49,814
Clothing	1,400	11,775
Pantry	205,490	78,538
Medical clinic	118,560	78,917
Transitional housing	37,737	71,709
Time and capital campaign	-	407,136
Emergency assistance	577,658	160,800
	<u>\$ 1,271,788</u>	<u>\$ 858,689</u>

Note 9. Net Assets with Donor Restrictions – Held In Perpetuity

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 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 in net assets without donor restrictions in the accompanying statements of financial position.

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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 net assets with donor restrictions – held in perpetuity (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 net assets with donor restrictions – held in perpetuity is classified as net assets with donor restrictions – time and purpose 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, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Held in Perpetuity	2020 Total
Donor-restricted endowment funds	\$ -	\$ 210,751	\$ 210,751
Board-designated endowment funds	1,583,804	-	1,583,804
Total endowment net assets	<u>\$ 1,583,804</u>	<u>\$ 210,751</u>	<u>\$ 1,794,555</u>

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Notes to Financial Statements

Changes in endowment net assets for the year ended August 31, 2020 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Held in Perpetuity	2020 Total
Endowment net assets, beginning of year	\$ 209,395	\$ 210,751	\$ 420,146
Unrealized and realized gains (losses)	24,409	-	24,409
Contributions	1,350,000	-	1,350,000
Appropriation of assets for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 1,583,804</u>	<u>\$ 210,751</u>	<u>\$ 1,794,555</u>

Endowment funds are categorized in the following net asset classes as of August 31, 2019:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Held in Perpetuity	2019 Total
Donor-restricted endowment funds	\$ -	\$ 210,751	\$ 210,751
Board-designated endowment funds	209,395	-	209,395
Total endowment net assets	<u>\$ 209,395</u>	<u>\$ 210,751</u>	<u>\$ 420,146</u>

Changes in endowment funds net assets for the year ended August 31, 2019 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Held in Perpetuity	2019 Total
Endowment net assets, beginning of year	\$ 54,109	\$ 210,751	\$ 264,860
Unrealized and realized gains (losses)	5,286	-	5,286
Contributions	150,000	-	150,000
Appropriation of assets for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 209,395</u>	<u>\$ 210,751</u>	<u>\$ 420,146</u>

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.

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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 maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through new gifts.

Note 10. In-Kind Contributions

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

	2020	2019
Emergency assistance supplies	\$ 1,036,140	\$ 1,113,118
Medical supplies	138,716	128,322
Other supplies	552	71,567
Client Christmas gifts	266,600	266,600
Medical services	507,717	447,857
Use of Facilities	124,741	124,741
Total	\$ 2,074,466	\$ 2,152,205

Note 11. Resale Sales

For years ended August 31, 2020 and 2019, resale sales on the statements of activities consist of \$1,681,836 and \$2,135,882 of cash sales received in the Organization's resale shops, which are shown net of estimated fair value of donated inventory used of \$710,988 and \$676,391 for years ended August 31, 2020 and 2019, respectively. Operating costs related to the Organization's resale shops are included in Resale expenses on the statements of functional expenses and statements of activities for years ended August 31, 2020 and 2019.

Note 12. Leases

The Organization leases resale space under two non-cancelable operating lease agreements expiring in August 31, 2021 and 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 \$238,496 and \$425,096 is reported in the statements of functional expenses as occupancy expense for the years ended August 31, 2020 and 2019, respectively.

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

Years Ending August 31,		
2021	\$	125,886
2022		111,748
2023		113,748
2024		112,000
2025		114,000
Thereafter		<u>38,000</u>
	<u>\$</u>	<u>615,382</u>

Note 13. 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 \$30,901 and \$36,356 during the years ended August 31, 2020 and 2019, respectively.

Note 14. Payroll Protection Program

During year ended August 31, 2020, the Organization received a forgivable loan under the Payroll Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security (CARES) Act in the amount of \$401,836. The Organization has assessed funds expended under the PPP and the related forgiveness requirements (including eligible costs and maintenance of employee counts), and, believes they are in compliance with all related requirements. In addition, all funds were expended over an 8 week period that ended prior to August 31, 2020, in accordance with the requirements of the PPP loan, and, as such, the Organization believes that all funds will be forgiven. Accordingly, the funds are recorded as contribution revenue on the accompanying consolidated statement of activities for year ended August 31, 2020.

Note 15. Liquidity

As a nonprofit entity, the Organization receives significant funding in the form of contributions each year from donors, which are restricted to be used in a particular manner. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of managing the financial assets, the Organization ensures these become available when obligations come due.

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The following reflects the Organization's financial assets as of the financial position date, including amounts not available within one year of the financial position dates. Amounts not available include contributions with donor restrictions.

	<u>2020</u>	<u>2019</u>
Cash	\$ 944,962	\$ 953,621
Investments	1,921,615	506,023
Pledges receivable	<u>147,986</u>	<u>377,215</u>
Total financial assets, year-end	3,014,563	1,836,859
Less grantor and donor-imposed restrictions		
Board-designated endowment funds	(1,583,804)	(209,395)
Net assets with donor restrictions	<u>(329,902)</u>	<u>(580,372)</u>
Total financial assets not available to be used within one year	<u>(1,913,706)</u>	<u>(789,767)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 1,100,857</u>	<u>\$ 1,047,092</u>

Note 16. Subsequent Events

The Organization evaluated for recognition and disclosure all events that occurred after August 31, 2020 through December 11, 2020, the date these consolidated financial statements were available to be issued, noting the following subsequent event:

COVID-19

The extent of the operational and financial impact the COVID-19 pandemic may have on the Organization has yet to be determined and is dependent on its duration and spread, any related operational restrictions, and the overall economy. The Organization is unable to accurately predict how COVID-19 will affect the results of its operations in the 2020-2021 year because the virus' severity and the duration of the pandemic are uncertain. However, the Organization anticipates increases in services provided due to the duration of the pandemic, and anticipates a decrease in retail revenue. In addition, the Organization implemented cost-cutting measures to limit the impact and reduce expenses of non-client focused expenses.

Loan Forgiveness

In December 2020, the Organization received notice that they had been approved for full forgiveness of their loan of \$401,836 under the PPP.