Grapevine Relief and Community Exchange

Financial Report
August 31, 2019

CONTENTS

Page

Independent Auditors' Report 1

Financial Statements

Statements of Financial Position 3

Statements of Activities 4

Statements of Functional Expenses 5

Statements of Cash Flows 7

Notes to Financial Statements 8

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, 2019 and 2018, 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.

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, 2019 and 2018, 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.
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107
Main: 817.332.7905 | Fax: 817.429.5936
CPAs AND ADVISORS | WEAVER.COM

The Board of Directors of
Grapevine Relief and Community Exchange

Emphasis of Matter

As discussed in Note 1, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses net asset classification requirements and the information presented in financial statements and notes regarding liquidity, financial performance and cash flows. The Organization adopted ASU 2016-14 in year ended August 31, 2019. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
February 24, 2020

Grapevine Relief and Community Exchange

Statements of Financial Position
August 31, 2019 and 2018

	2019	2018
ASSETS		
ASSETS		
Cash	$ 953,621	$ 622,978
Investments	506,023	331,740
Resale inventory	70,457	69,111
Pledges receivable	377,215	473,621
Prepaid expenses	101,985	126,498
Other assets	21,877	21,877
Property and equipment, net	3,243,253	2,575,403
TOTAL ASSETS	$ 5,274,431	$ 4,221,228
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 78,825	$ 422,598
Accrued payroll	44,167	42,511
Accrued liabilities	104,053	96,287
Deferred revenue	201,851	90,966
Deferred rent	39,815	36,891
Total liabilities	468,711	689,253
NET ASSETS		
Net assets without donor restrictions		
Board designated	209,395	54,109
Undesignated	4,015,953	2,789,923
Total net assets without donor restrictions	4,225,348	2,844,032
Net assets with donor restrictions	580,372	687,943
Total net assets	4,805,720	3,531,975
TOTAL LIABILITIES AND NET ASSETS	$ 5,274,431	$ 4,221,228

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

Grapevine Relief and Community Exchange

Statements of Activities

Years Ended August 31, 2019 and 2018

	2019			2018		
	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	$ 1,375,114	$ 751,118	$ 2,126,232	$ 967,447	$ 572,206	$ 1,539,653
Grants	208,750	-	208,750	86,500	-	86,500
In-kind contributions	2,152,205	-	2,152,205	1,906,713	-	1,906,713
Resale sales, net of donated inventory used	1,459,491	-	1,459,491	1,404,802	-	1,404,802
Contribution of donated goods for resale	677,737	-	677,737	664,298	-	664,298
Client donations	11,614	-	11,614	12,528	-	12,528
Investment income	29,073	-	29,073	12,194	-	12,194
Special event, net of direct costs of $247,274 and $225,775	392,291	-	392,291	284,160	-	284,160
Gain on insurance settlement	458,594	-	458,594	119,340	-	119,340
Other income	17,721	-	17,721	2,044	-	2,044
Net assets released from restrictions	858,689	(858,689)	-	1,196,335	(1,196,335)	-
Total support and revenue	7,641,279	(107,571)	7,533,708	6,656,361	(624,129)	6,032,232
EXPENSES						
Program	3,746,027	-	3,746,027	3,301,039	-	3,301,039
Management and general	287,370	-	287,370	173,391	-	173,391
Resale	1,670,778	-	1,670,778	1,609,974	-	1,609,974
Fundraising	555,788	-	555,788	443,446	-	443,446
Total expenses	6,259,963	-	6,259,963	5,527,850	-	5,527,850
Change in net assets	1,381,316	(107,571)	1,273,745	1,128,511	(624,129)	504,382
NET ASSETS, beginning of year	2,844,032	687,943	3,531,975	1,715,521	1,312,072	3,027,593
NET ASSETS, end of year	$ 4,225,348	$ 580,372	$ 4,805,720	$ 2,844,032	$ 687,943	$ 3,531,975

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				
	Emergency Assistance	Transitional Housing	Community Clinic	Food Pantry	Other Seasonal	Total	Management and General	Resale	Fundraising	Total	2019 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

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 EXPENSE 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 these statements.

Grapevine Relief and Community Exchange

Statements of Cash Flows

Years Ended August 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,273,745	$ 504,382
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	152,353	103,140
Discount on pledges receivable	-	21,962
Investment income	(29,073)	(12,194)
Changes in operating assets and liabilities		
Resale inventory	(1,346)	(2,393)
Pledges receivable	96,406	503,513
Prepaid expenses	24,513	(7,475)
Other assets	-	(21,877)
Accounts payable	(343,773)	395,470
Accrued payroll	1,656	(11,313)
Accrued liabilities	7,766	307
Deferred revenue	110,885	31,619
Deferred rent	2,924	6,423
Net cash provided by operating activities	1,296,056	1,511,564
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from construction note payable	351,014	-
Payments on construction note payable	(351,014)	-
Net cash provided by (used in) financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	11,813	76,335
Purchases of investments	(157,023)	(60,056)
Purchases of property and equipment	(820,203)	(1,245,391)
Net cash used by investing activities	(965,413)	(1,229,112)
Net increase in cash	330,643	282,452
CASH, beginning of year	622,978	340,526
CASH, end of year	$ 953,621	$ 622,978

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) 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 1,700 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 three organized volunteer physicians, nurses, pharmacists and other healthcare professionals to provide over 31,500 patient visits to close to 850 actual patients. 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. The Clinic has been awarded the Gold Status from the American Heart Association (AHA) and American Medical Association (AMA) for their efforts in helping patients decrease hypertension rates.

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. Currently, they serve more than 700 visits to the pantry each month.

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 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. 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. No allowance for doubtful accounts was recorded as of August 31, 2019 and 2018, 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.

As of August 31, 2019 and 2018, approximately 53% and 71% of total pledges receivable were due from four and three donors, respectively.

Cash

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

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 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 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 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.

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, 2019 and 2018, 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, 2019 and 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 $3,719 and $157,097 as of August 31, 2019 and 2018, 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.

New Accounting Standard Adopted

In fiscal year 2019, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*.

The requirement of ASU 2016-14 applies to the financial statements of all not-for-profit entities. This update reduced the net asset classifications from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (with donor restrictions and without donor restrictions). In addition, this statement added a liquidity disclosure (Note 15) to show the amount of financial assets available within one year from the balance sheet date and added disclosures related to allocation methodologies.

Accounts recognized in net assets related to the prior period have been reclassified to conform to the presentation requirements under ASU 2016-14. The reclassifications have no effect on total net assets or change in net assets.

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.

Reclassification

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. Amounts included in Investment income were reclassified to proceeds from sale of investments on the statement of cash flows to ensure consistent presentation with 2019 presentation. Such reclassifications had no effect on total net assets or change in net assets.

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.

Grapevine Relief and Community Exchange
Notes to Financial Statements

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, 2019:

	Level 1	Level 2	Level 3	Total
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	$ 404,694	$ 97,444	$ -	$ 502,138

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, 2019 and 2018 to total investments:

	2019	2018
Investments in fair value hierarchy	$ 502,138	$ 324,768
Cash and cash equivalents	3,885	6,972
Total investments	$ 506,023	$ 331,740

Investment income consisted of the following for the year ended August 31, 2019 and 2018:

	2019	2018
Interest and dividends	$ 13,531	$ 11,511
Unrealized gains	15,542	683
	$ 29,073	$ 12,194

Note 3. Pledges Receivable

Pledges receivable consist of the following at August 31:

	2019	2018
Receivable in less than one year	$ 278,022	$ 410,521
Receivable in one to two years	99,193	63,100
	$ 377,215	$ 473,621

No discount was taken on long-term pledges in years ended August 31, 2019 and 2018, as management does not believe a discount is necessary based on collections within two years or less.

Note 4. Property and Equipment

Property and equipment consist of the following at August 31:

	2019	2018
Land	$ 40,000	$ 40,000
Buildings	3,831,389	1,789,888
Leasehold improvements	490,374	490,374
Furniture and fixtures	40,639	32,022
Equipment	123,213	118,281
Vehicles	146,706	146,706
Construction in process	25,000	1,280,890
	4,697,321	3,898,161
Accumulated depreciation	(1,454,068)	(1,322,758)
Property and equipment, net	$ 3,243,253	$ 2,575,403

Depreciation expense for the years ended August 31, 2019 and 2018 totaled $152,353 and $103,140, respectively.

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% on balances drawn. No outstanding balance was noted as of August 31, 2019 and 2018, respectively.

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 and 2019, with a new maturity date of January 2020 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, 2019 and 2018, respectively.

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

The board of directors has designated net assets for a general endowment fund totaling $209,395 and $54,109 as of August 31, 2019 and 2018, 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:

	2019	2018
Net assets with donor restrictions - time and purpose	$ 369,621	$ 477,192
Net assets with donor restrictions - held in perpetuity	210,751	210,751
	$ 580,372	$ 687,943

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

	2019	2018
Capital campaign	$ -	$ 13,328
Time and capital campaign	341,427	435,670
Emergency assistance	28,194	28,194
	$ 369,621	$ 477,192

As of August 31, 2019 and 2018, 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.

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

		2019		2018
Capital campaign	$	49,814	$	312,436
Clothing		11,775		1,100
Pantry		78,538		39,132
Medical clinic		78,917		90,072
Transitional housing		71,709		32,771
Time and capital campaign		407,136		563,426
Emergency assistance		160,800		157,398
	$	858,689	$	1,196,335

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 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 in net assets without donor restrictions in the accompanying statements 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 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, 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	$ 209,395	$ 210,751	$ 420,146

Changes in endowment 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	$ 209,395	$ 210,751	$ 420,146

Endowment funds are categorized in the following net asset classes as of August 31, 2018:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Held in Perpetuity	2018 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:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Held in Perpetuity	2018 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 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:

	2019	2018
Emergency assistance supplies	$ 1,113,118	$ 971,955
Medical supplies	128,322	361,388
Other supplies	71,567	96,658
Client Christmas gifts	266,600	234,450
Medical services	447,857	117,521
Use of Facilities	124,741	124,741
Total	$ 2,152,205	$ 1,906,713

Note 11. Resale Sales

For years ended August 31, 2019 and 2018, resale sales on the statements of activities consist of $2,135,882 and $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 $676,391 and $661,905 for years ended August 31, 2019 and 2018, 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, 2019 and 2018.

Note 12. 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 $425,096 and $235,445 is reported in the statements of functional expenses as occupancy expense for the years ended August 31, 2019 and 2018, respectively.

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

Years Ending August 31,	
2020	$ 209,546
2021	145,027
2022	108,263
2023	108,000
2024	112,000
Thereafter	152,000
	$ 834,836

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 $36,356 and $34,375 during the years ended August 31, 2019 and 2018, respectively.

Note 14. Subsequent Events

The Organization evaluated for recognition and disclosure all events that occurred after August 31, 2019 through February 24, 2020, the date these consolidated financial statements were available to be issued, noting the following subsequent event:

In November 2019, the Organization purchased property for a sale price of $1,600,000, which was financed through a promissory note with a financial institution. The promissory note is secured by the property purchased, and is due in November 2041. 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.

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.

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 date. Amounts not available include contributions with donor restrictions.

Cash	$	953,621
Investments		506,023
Pledges receivable		377,215
Total financial assets, year-end		1,836,859
Less grantor and donor-imposed restrictions		
Board-designated endowment funds		(209,395)
Net assets with donor restrictions		(580,372)
Total financial assets not available to be used within one year		(789,767)
Total financial assets available to meet general expenditures within one year	$	1,047,092