Grace Place for Children and Families, Inc.

GRACE PLACE

For Children & Families

Years Ended July 31, 2016 and 2015

Financial Statements

Rehmann

Business wisdom delivered.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

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INDEPENDENT AUDITORS' REPORT

December 16, 2016

Board of Directors
Grace Place for Children and Families, Inc.
Naples, Florida

We have audited the accompanying financial statements of ***Grace Place for Children and Families, Inc.*** (the "Organization") which comprise the statements of financial position as of as July 31, 2016 and 2015, 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor 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 Organization'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 Organization'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 ***Grace Place for Children and Families, Inc.*** as of July 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rehmann Robson LLC

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS	July 31 2016	July 31 2015
Cash and cash equivalents	$ 1,238,224	$ 1,697,158
Unconditional promises to give, net	1,295,751	1,307,769
Grants receivable	168,948	220,091
Prepaid expenses	29,814	33,150
Net property and equipment	5,110,025	2,688,080
Beneficial interest in assets held by Community Foundation	194,710	134,864
Total assets	**$ 8,037,472**	**$ 6,081,112**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 174,896	$ 42,868
Mortgage payable	582,329	639,707
Other liabilities	6,808	11,467
Total liabilities	**764,033**	**694,042**
Commitments and contingencies (Note 4)		
Net assets		
Unrestricted		
Undesignated	2,483,103	2,192,890
Board designated	730,454	562,381
Total unrestricted	3,213,557	2,755,271
Temporarily restricted	4,059,882	2,528,746
Permanently restricted	-	103,053
Total net assets	**7,273,439**	**5,387,070**
Total liabilities and net assets	**$ 8,037,472**	**$ 6,081,112**

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

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Contributions	$ 1,472,449	$ 2,079,142	$ -	$ 3,551,591
Grant income	628,166	-	-	628,166
In-kind gifts	4,009	-	-	4,009
Investment and interest income	13,011	-	-	13,011
Loss on beneficial interest in assets held by the Community Foundation	(1,901)	-	-	(1,901)
Fundraising event, net of $24,727 in direct expenses	160,655	-	-	160,655
Net assets released from restrictions	542,832	(542,832)	-	-
Total revenues and support	**2,819,221**	**1,536,310**		**4,355,531**
Expenses				
Program services	1,979,259	-	-	1,979,259
Management and general	222,049	-	-	222,049
Fundraising	267,854	-	-	267,854
Total expenses	**2,469,162**	**-**	**-**	**2,469,162**
Changes in net assets	**350,059**	**1,536,310**	**-**	**1,886,369**
Net assets, beginning of year	2,755,271	2,528,746	103,053	5,387,070
Transfer of net assets (Note 10)	108,227	(5,174)	(103,053)	-
Net assets, end of year	**$ 3,213,557**	**$ 4,059,882**	**$ -**	**$ 7,273,439**

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

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Contributions	$ 1,133,130	$ 2,026,612	$ 39,160	$ 3,198,902
Grant income	584,077	-	-	584,077
In-kind gifts	11,390	-	-	11,390
Investment and interest income	12,936	2,607	-	15,543
Gain on beneficial interest in assets held by the Community Foundation	3,239	-	-	3,239
Fundraising event, net of $23,050 direct expenses	175,253	-	-	175,253
Net assets released from restrictions	678,583	(678,583)	-	-
Total revenues and support	**2,598,608**	**1,350,636**	**39,160**	**3,988,404**
Expenses				
Program services	1,447,675	-	-	1,447,675
Management and general	163,750	-	-	163,750
Fundraising	322,318	-	-	322,318
Total expenses	**1,933,743**	**-**	**-**	**1,933,743**
Changes in net assets	**664,865**	**1,350,636**	**39,160**	**2,054,661**
Net assets, beginning of year	2,090,406	1,178,110	63,893	3,332,409
Net assets, end of year	**$ 2,755,271**	**$ 2,528,746**	**$ 103,053**	**$ 5,387,070**

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

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended July 31,2016			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 1,261,856	$ 189,195	$ 198,426	$ 1,649,477
Program supplies	188,471	-	-	188,471
Occupancy costs	186,919	3,249	956	191,124
Depreciation and amortization	149,946	2,606	767	153,319
Capital campaign	-	-	65,309	65,309
Utilities and telephone	63,097	1,097	323	64,517
Vehicle	49,359	-	-	49,359
Staff development	33,499	-	-	33,499
Interest	21,577	375	110	22,062
Maintenance	16,490	-	-	16,490
Office expense	8,045	3,721	1,963	13,729
Board expenses	-	11,209	-	11,209
Professional services	-	10,597	-	10,597
Total	$ 1,979,259	$ 222,049	$ 267,854	$ 2,469,162

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

Year Ended July 31,2015			
Program Services	Management and General	Fundraising	Total Expenses
$ 823,185	$ 126,271	$ 231,376	$ 1,180,832
194,466	-	-	194,466
117,109	2,036	599	119,744
91,312	1,587	467	93,366
-	-	80,503	80,503
61,957	1,077	317	63,351
31,238	-	-	31,238
58,968	4,403	2,600	65,971
25,854	449	132	26,435
17,673	-	-	17,673
25,913	11,984	6,324	44,221
-	5,443	-	5,443
-	10,500	-	10,500
$ 1,447,675	$ 163,750	$ 322,318	$ 1,933,743

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENTS OF CASH FLOWS

	Year Ended July 31	
	2016	2015
Cash flows from operating activities		
Changes in net assets	$ 1,886,369	$ 2,054,661
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	153,319	93,366
Net loss (gain) on investments held by the Community Foundation	1,901	(3,239)
Capital contributions	(1,644,858)	(1,050,892)
Discount on unconditional promises to give	2,766	15,156
Changes in operating assets and liabilities which provided (used) cash		
Unconditional promises to give, net	9,252	(650,683)
Grants receivable	51,143	(220,091)
Prepaid expenses	3,336	(29,603)
Other liabilities	(4,659)	11,467
Accounts payable and accrued expenses	132,028	(41,384)
Net cash provided by operating activities	**590,597**	**178,758**
Cash flow from investing activities		
Transfer of funds to be held by the Community Foundation	(61,747)	(39,160)
Capital contributions	1,644,858	1,050,892
Purchase of property and equipment	(2,575,264)	(700,868)
Net cash (used in) provided by investing activities	**(992,153)**	**310,864**
Cash used in financing activities		
Principal payments on mortgage payable	**(57,378)**	**(55,297)**
Net (decrease) increase in cash and cash equivalents	**(458,934)**	**434,325**
Cash and cash equivalents, beginning of year	1,697,158	1,262,833
Cash and cash equivalents, end of year	**$ 1,238,224**	**$ 1,697,158**
Supplemental disclosures of cash flow information		
Interest paid	**$ 22,062**	**$ 26,435**

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

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Grace Place for Children and Families, Inc. (the "Organization") is a not for profit corporation organized under IRC Section 501(c)(3) in the State of Florida in July 2004. The Organization provides community centered support programs for children and families in Golden Gate, Florida. These services are free of charge to those who need them.

Concentration Risks

Approximately 90% and 85% of unconditional promises to give were due from three individuals as of July 31, 2016 and 2015, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the year. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions. Such assets are available for any purpose consistent with the Organization's mission.

Temporarily restricted net assets - Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. Such assets normally fund specific expenditures of an operating or capital nature.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand and deposits in money market funds with original maturities when purchased of less than three months. The Organization maintains balances in local financial institutions, which at times, may exceed federally insured limits.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

The fair value of assets held by the Community Foundation are measured based on net asset value per share, or its equivalent. Assets with readily determinable net asset value traded in an active market are categorized as Level 1 assets. In the absence of active markets, these assets are categorized as either Level 2 or Level 3 based on the ability to redeem the shares on or near the statement of financial position date. For a further discussion of fair value measurement, refer to Note 2 to the financial statements.

Revenue Recognition

Contributions are recorded when received; unconditional promises to give are recorded when the promise is made. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases this net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the entity reports the support as unrestricted.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as temporarily restricted support; otherwise, the contributions are recorded as unrestricted support.

Contributed services meeting the requirement for recognition in the financial statements are recorded at the fair market value of professional services rendered. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with educational programs, fund-raising, and various committee assignments; however, no amounts have been reflected in the financial statements, as these services do not meet the criteria for recognition.

Amounts received from grants are reflected as support in the year the grant revenues are earned.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is to be received. Additionally, the Organization uses the allowance method to determine uncollectible unconditional promises to give. Any allowance is based on prior years' experience and management's analysis of specific promises made. As of July 31, 2016 and 2015, management has determined that no allowance is necessary.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Based upon management's assessment of the credit history with grantor agencies with outstanding balances and current relationships with them, they have concluded that realization losses on the balances outstanding at year end will be immaterial and that no allowances are required.

Property and Equipment and Depreciation

Property and equipment is stated at cost less accumulated depreciation. Donated property and equipment is capitalized at estimated fair market value as of the date received. Major improvements are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired.

Acquisitions of property and equipment in excess of $1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Depreciation, which includes the amortization of assets, is computed using the straight-line method of depreciation calculated over the estimated useful life of the assets ranging from 3 to 39 years. Assets are depreciated when placed in service and used for their intended purpose.

Income Taxes

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from donors or grantors. The Organization has been classified as not a private foundation.

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organization treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its management and general expenses.

The Organization has evaluated its income tax filing positions for fiscal years 2013 through 2016, the years that remain subject to examination as of July 31, 2016. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization's financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at July 31, 2016 and 2015, and is not aware of any claims for such amounts by federal or state income tax authorities.

Functional Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the statements of functional expenses. Payroll and other expenses, which are not directly identifiable by program or supporting service, are allocated based on job descriptions and the best estimates of management.

Reclassification
Certain amounts as reported in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

Subsequent Events
In preparing these financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to July 31, 2016, the most recent statement of financial position presented herein, through December 16, 2016, the date these financial statements were available to be issued. No significant such events or transactions were identified, other than the matter disclosed in Note 9 labeled "Subsequent Events."

2. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization has transferred assets to a community foundation, which holds funds for its benefit. When a nonprofit transfers assets to a community foundation in which the resource provider names itself as beneficiary, the economic benefit of the transferred assets remains with the resource provider. The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the assets contributed. Changes in the value are recognized in the Statement of Activity as "Gain (loss) on beneficial interest in assets held by community foundation."

An additional fund exists at a community foundation that does not meet the criteria of a beneficial interest in funds held by others. As such, these assets are not reported by the Organization and are excluded from the Statement of Financial Position. These designated funds are valued at approximately $5,600 at July 30, 2016 and 2015.

Following is a description of the valuation methodology and key inputs used to measure beneficial interest in assets held by Community Foundation recorded at fair value:

> Beneficial interest in assets held by Community Foundation: The Organization is allocated its portion of the total fair values of the underlying securities held by the Foundation. The underlying trust assets cannot be liquidated or redeemed by the Organization; accordingly, this interest is classified as a Level 3 investment. As such, no quoted prices or active market are available for this asset (Level 3). As a practical expedient, the carrying value of this asset is deemed equal to the Organizations' allocated share of the total investments held by the Community Foundation.

The preceding method described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of this asset could result in a different fair value measurement at the reporting date.

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 beneficial interest in assets held by Community Foundation, for the years ended July 31:

	2016	2015
Beginning of year	$ 134,864	$ 92,465
Contribution	61,747	39,160
Net investment (loss) gain	(1,901)	3,239
End of year	**$ 194,710**	**$ 134,864**

3. UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give at July 31, 2016 and 2015 consisted of several temporarily restricted promises to give related to the capital campaign and several for the operating fund. The unconditional promises to give are reflected at the present value of estimated cash flows using a discount rate of 1.5% for the years ended July 31 as follows:

	2016	2015
Unconditional promises to give - Capital	$ 1,273,517	$ 1,272,925
Unconditional promises to give - Operating	25,000	50,000
Total	1,298,517	1,322,925
Less discount to net present value	2,766	15,156
Unconditional promises to give, net	**$ 1,295,751**	**$ 1,307,769**

Unconditional promises to give were scheduled to be received as follows as of July 31:

	2016	2015
1 year or less	$ 1,288,517	$ 1,150,983
2 to 5 years	10,000	171,942
Total	**$ 1,298,517**	**$ 1,322,925**

4. PROPERTY AND EQUIPMENT

Net property and equipment consisted of the following assets at July 31:

	2016	2015
Property and equipment		
Building	$ 3,798,902	$ 967,687
Building improvements	700,311	700,311
Furniture, fixtures, and equipment	594,036	314,763
Land	241,922	241,922
Vehicles	230,346	246,349
Construction in progress	109,803	645,026
Total	5,675,320	3,116,058
Less accumulated depreciation	565,295	427,978
Net property and equipment	**$ 5,110,025**	**$ 2,688,080**

Construction in progress consists of construction costs for a new building. In fiscal year 2016, the Organization completed the construction of a new building (phase 1). The Organization expects another facility (phase 2) to be completed and put into service during fiscal year 2017 at an additional cost of approximately $1,800,000.

Depreciation and amortization expense for the years ended July 31, 2016 and 2015, totaled $153,319 and $93,366, respectively.

5. MORTGAGE PAYABLE

Mortgage note payable consisted of the following at July 31:

	2016	2015
Mortgage note payable to The Florida United Methodist Foundation, Inc., at an interest rate of 3.5%, requiring monthly payments of principal and interest in the amount of $6,620. The loan is collateralized by the land and building. Maturity date is October 1, 2025.	$ 582,329	$ 639,707

Scheduled annual future principal payments for each of the five years succeeding July 31, 2016 and thereafter are summarized as follows:

Year	Amount
2017	$ 60,016
2018	62,150
2019	64,361
2020	66,650
2021	69,021
Thereafter	260,131
Total	$ 582,329

6. NET ASSETS

Temporarily restricted net assets consist of the following at July 31:

	2016	2015
Capital campaign	$ 3,975,110	$ 2,431,191
Operating promises to give	42,307	49,916
Endowment	-	5,174
Technology	2,715	2,715
Restricted - other	39,750	39,750
Total	$ 4,059,882	$ 2,528,746

The Board of Directors has designated net assets as of July 31 as follows:

	2016	2015
Operating reserve	$ 287,834	$ 287,834
Capital	247,910	247,910
Endowment fund	194,710	26,637
Total	$ 730,454	$ 562,381

The Board has designated $194,710 and $26,637 to be used as an endowment fund as of July 31, 2016 and 2015, respectively. The Organization's separate fund held at the local community foundation has been designated, in part, by the Board of Directors as a quasi-endowment fund. Net assets associated with this fund are classified as unrestricted in the accompanying financial statements.

Endowment

Contributions to the Organization's endowment fund are invested in accordance with the Organization's investment policy. The Organization's endowment consists of board designated and donor-restricted endowment funds. As required, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board designated endowment was established effective July 2013 with an initial contribution of $25,000 to the fund held by the local community foundation; there were no donor-restricted endowment funds at July 31, 2016 or 2015. The fair value of the board-designated endowment was $194,710 and $134,864 as of July 31, 2016 and 2015, respectively.

Return Objectives and Risk Parameters
The Organization has adopted an investment and spending practice for the endowment assets that attempts to provide a predictable stream of funding to the program supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The total expected net return based on this practice has been deemed to be acceptable under the risk/return objectives expected by the Board of Directors. Actual returns in any given year may vary from expectations.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on conservative investments to achieve its long-term return objectives within prudent risk constraints.

Spending and How the Investment Objectives Relate to Spending Practices
Over the long term, the Organization expects the current spending practice to allow its endowment to grow at an average rate equal to or greater than the consumer price index. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended July 31 are as follows:

	Board Designated/ Unrestricte	Donor-Restricted		Total
		Temporarily Restricted	Permanently Restricted	
Changes in endowment net assets for the year ended July 31, 2016				
Loss on beneficial interest in assets held by the Community Foundation	$ (1,901)	$ -	$ -	$ (1,901)
Contributions	61,747	-	-	61,747
Changes in endowment net assets	59,846	-	-	59,846
Transfer of net assets	108,227	(5,174)	(103,053)	-
Endowment net assets, beginning of year, August 1, 2015	26,637	5,174	103,053	134,864
End of year, July 31, 2016	$ 194,710	$ -	$ -	$ 194,710

	Board Designated/ Unrestricte	Donor-Restricted		Total
		Temporarily Restricted	Permanently Restricted	
Changes in endowment net assets for the year ended July 31, 2015				
Gain on beneficial interest in assets held by the Community Foundation	$ 632	$ 2,607	$ -	$ 3,239
Contributions	-	-	39,160	39,160
Changes in endowment net assets	632	2,607	39,160	42,399
Endowment net assets, Beginning of year, August 1, 2014	26,005	2,567	63,893	92,465
End of year, July 31, 2015	$ 26,637	$ 5,174	$ 103,053	$ 134,864

7. RETIREMENT PLAN

The Organization provides a SIMPLE IRA plan for full-time employees. Contributions are 3% for all employees. Pension expense totaled $26,061 and $10,837 during the years ended July 31, 2016 and 2015, respectively.

8. RELATED PARTY TRANSACTIONS

Total outstanding pledge receivables due from related party board members and employees at July 31, 2016 and 2015, respectively, are $63,442 and $291,942 (for capital).

9. SUBSEQUENT EVENTS

Line of Credit
Subsequent to year end, the Organization established a new line of credit, which will allow up to $918,000 of additional borrowing. As of the report date of these financial statements, the Organization had not drawn any funds on the line of credit.

Contractual Agreement
In May of 2016, the Organization entered into a construction contract for the completion of a new building. The total cost of the building will be approximately $1,800,000. As of the report date of these financials, the Organization had paid approximately $896,000 of the contracted amount.

Pledge Agreement
In November 2016, the Organization received a pledge agreement for $1,500,000 associated with the Campus Capital Expansion Campaign.

10. TRANSFER OF NET ASSETS

During the current year it was determined that the net assets reported as Permanently Restricted were incorrectly classified as such and should have been reported as Unrestricted - Board Designated. Accordingly, a transfer of net assets was made as of August 1, 2015 to reflect this change in classification. The reclassification had no effect on current year revenues or expenses.

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