Grace Place for Children and Families, Inc.

Years Ended July 31, 2013 and 2012

Financial Statements

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Business wisdom delivered.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

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INDEPENDENT AUDITORS' REPORT

December 20, 2013

To the 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 statement of financial position as of as July 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on the 2013 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 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 2013 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditor

The Organization's financial statements for the year ended Jul 31, 2012 were audited by other auditors whose report on the 2012 financial statements, dated December 14, 2012, indicated that in their opinion the 2012 financial statements present fairly, in all material respects, the financial position of the Organization as of July 31, 2012 and the changes in its net assets and its cash flows for the year 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

	July 31	
	2013	2012
ASSETS		
Cash and cash equivalents	$ 1,022,493	$ 662,986
Unconditional promises to give, net	738,336	752,026
Prepaid expenses	7,983	4,313
Net property and equipment	2,026,793	1,963,980
Total assets	**$ 3,795,605**	**$ 3,383,305**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 112,145	$ 45,390
Mortgage payable	748,414	800,553
Total liabilities	**860,559**	**845,943**
Net assets		
Unrestricted		
Undesignated	1,288,087	1,149,625
Board designated	560,744	535,744
Total unrestricted	1,848,831	1,685,369
Temporarily restricted	1,086,215	851,993
Total net assets	**2,935,046**	**2,537,362**
Total liabilities and net assets	**$ 3,795,605**	**$ 3,383,305**

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

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENTS OF ACTIVITIES

	Year Ended July 31, 2013		
	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Contributions	$ 959,929	$ 495,173	$ 1,455,102
Grant income	42,470	-	42,470
In-kind gifts	48,729	-	48,729
Investment return	7,210	-	7,210
Fundraising event, net of $37,402 in direct expenses	30,328	-	30,328
Net assets released from restrictions	260,951	(260,951)	-
Total revenues and support	**1,349,617**	**234,222**	**1,583,839**
Expenses			
Program services	934,161	-	934,161
Management and general	120,816	-	120,816
Fundraising	131,178	-	131,178
Total expenses	**1,186,155**	**-**	**1,186,155**
Changes in net assets	163,462	234,222	397,684
Net assets, beginning of year	**1,685,369**	**851,993**	**2,537,362**
Net assets, end of year	**$ 1,848,831**	**$ 1,086,215**	**$ 2,935,046**

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

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENTS OF ACTIVITIES

	Year Ended July 31, 2012		
	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Contributions	$ 771,802	$ 292,606	$ 1,064,408
Grant income	68,678	-	68,678
In-kind gifts	750	-	750
Food pantry	16,370	-	16,370
Investment return	11,584	-	11,584
Other	4,471	-	4,471
Net assets released from restrictions	744,931	(744,931)	-
Total revenues and support	**1,618,586**	**(452,325)**	**1,166,261**
Expenses			
Program services	709,306	-	709,306
Management and general	60,867	-	60,867
Fundraising	161,198	-	161,198
Total expenses	**931,371**	**-**	**931,371**
Changes in net assets	**687,215**	**(452,325)**	**234,890**
Net assets - beginning of year	**998,154**	**1,304,318**	**2,302,472**
Net assets - end of year	**$ 1,685,369**	**$ 851,993**	**$ 2,537,362**

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

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	2013			
	Program Services	Management and General	Fund Raising	Total Expenses
Salaries and benefits	$ 549,012	$ 91,885	$ 123,530	$ 764,427
Staff development	9,501	186	1,328	11,015
Utilities and telephone	40,252	700	206	41,158
Depreciation and amortization	70,482	1,225	360	72,067
Interest	26,997	469	138	27,604
Maintenance	10,459	181	52	10,692
Occupancy costs	88,056	1,531	450	90,037
Office expense	20,959	9,692	5,114	35,765
Professional services	-	13,613	-	13,613
Program supplies	105,942	-	-	105,942
Vehicle expenses	12,501	-	-	12,501
Board expenses	-	1,334	-	1,334
Total	**$ 934,161**	**$ 120,816**	**$ 131,178**	**$ 1,186,155**

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

2012			
Program Services	Management and General	Fund Raising	Total Expenses
$ 433,059	$ 37,210	$ 137,951	$ 608,220
3,748	319	978	5,045
21,776	1,921	1,921	25,618
51,704	2,721	-	54,425
35,047	609	179	35,835
10,907	962	962	12,831
25,485	2,249	2,249	29,983
34,773	3,197	3,069	41,039
-	10,750	-	10,750
83,731	-	13,889	97,620
9,076	-	-	9,076
-	929	-	929
$ 709,306	**$ 60,867**	**$ 161,198**	**$ 931,371**

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

STATEMENTS OF CASH FLOWS

	Year Ended July 31	
	2013	**2012**
Cash flows from operating activities		
Changes in net assets	$ 397,684	$ 234,890
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	72,067	54,425
Contributions restricted for capital assets	(221,875)	(145,541)
Discount on unconditional promises to give	15,156	43,716
In-kind contributions	(48,729)	(750)
Changes in operating assets and liabilities which (used) provided cash:		
Grants receivable	-	15,335
Unconditional promises to give, net	78,525	(108,435)
Prepaid expenses	(3,670)	(484)
Accounts payable and accrued expenses	66,755	1,472
Net cash provided by operating activities	355,913	94,628
Net cash used in investing activities		
Purchase of property and equipment	(134,618)	(665,815)
Cash flows from financing activities		
Collections of contributions restricted for capital acquisition and construction	190,351	183,150
Principal payments on mortgage payable	(52,139)	(44,412)
Net cash provided by financing activities	**138,212**	**138,738**
Net increase (decrease) in cash and cash equivalents	**359,507**	**(432,449)**
Cash and cash equivalents, beginning of year	662,986	1,095,435
Cash and cash equivalents, end of year	**$ 1,022,493**	**$ 662,986**
Supplemental disclosures of cash flow information		
Interest paid	$ 27,604	**$ 35,836**

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

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
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 85% and 97% of unconditional promises to give were due from five and three individuals for the years ended July 31, 2013 and 2012, respectively. The loss of any of these contributors could have an adverse effect on the short-term operating results.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United State 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 revenues 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 revenues, 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.

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 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 activities and various committee assignments; however, no amounts have been reflected in the financial statements, as these services do not meet the criteria for recognition.

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. Conditional promises to give are not included as support until such time as the conditions are substantially met. 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, 2013 and 2012, management has determined that no allowance is necessary.

Property and Equipment

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

The Organization capitalizes purchases over $1,000 and uses the straight-line method of depreciation calculated over the estimated useful life of the assets ranging from five to thirty-nine years. Assets are depreciated when placed in service and used for its 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.

In accordance with Accounting Standards Codification ("ASC") Topic 740 "*Accounting for Uncertainty in Income Taxes,*" the Organization must consider whether it has engaged in activities that jeopardize its current tax exempt status with the Internal Revenue Service. Furthermore, the Organization must determine whether it has any unrelated business income, which may be subject to US Federal and State Income Taxes. The Organization analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns The evaluation was performed for the years 2010 – 2013, the years which remain subject to examination by major tax jurisdiction as of July 31, 2013. The Organization also 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 continued application of ASC Topic 740 has had no significant impact on the Organization's financial statements.

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 2012 financial statements have been reclassified to conform with the 2013 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, 2013, the most recent statement of financial position presented herein, through December 20, 2013, the date these financial statements were available to be issued.

2. UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give at July 31, 2013, 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% and 2.79% for the years ended July 31, 2013 and 2012, as follows:

	2013	2012
Unconditional promises to give - Capital	$ 622,842	$ 586,567
Unconditional promises to give - Operating	130,650	209,175
	753,492	795,742
Less: discount to net present value	(15,156)	(43,716)
	$ 738,336	$ 752,026

Unconditional promises to give were scheduled to be received as follows for the years ended July 31, 2013 and 2012:

	2013	2012
1 year or less	$ 156,905	$ 77,735
2 to 5 years	596,587	718,007
	$ 753,492	$ 795,742

3. PROPERTY AND EQUIPMENT

Net property and equipment consisted of the following assets at July 31, 2013 and 2012:

	2013	2012
Furniture, fixtures, and equipment	$ 212,911	$ 200,430
Vehicles	48,810	48,810
Building	967,687	967,687
Building improvements	700,311	692,788
Land	241,922	241,922
Work in progress	122,137	7,260
	2,293,778	2,158,897
Less: accumulated depreciation	266,985	194,917
Net property and equipment	**$ 2,026,793**	**$ 1,963,980**

Depreciation expense for the years ended July 31, 2013 and 2012, totaled $72,067 and $54,425, respectively.

4. MORTGAGE PAYABLE

Mortgage note payable consisted of the following at July 31, 2013 and 2012:

	2013	2012
Mortgage note payable to The Florida United Methodist Foundation, Inc., at an interest rate of 4.25%, 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.	$ 748,414	$ 800,553

Interest payments on the mortgage payable totaled $27,604 and $35,029, respectively, for the years ended July 31, 2013 and 2012.

Scheduled annual future principal payments for the five years succeeding July 31, 2013 and thereafter, are summarized as follows:

Year	Amount
2014	$ 54,108
2015	56,033
2016	58,026
2017	60,090
2018	62,227
Thereafter	457,930
Total	**$ 748,414**

5. BOARD DESIGNATED NET ASSETS

The Board of Directors has designated net assets as of July 31, 2013 and 2012, as follows:

	2013	2012
Operating reserve	$ 287,834	$ 287,834
Capital	247,910	247,910
Endowment fund	25,000	-
	$ 560,744	$ 535,744

During the year ended July 31, 2013, the Board designated $25,000 to be used as an endowment fund. The Organization's separate fund held at the local community foundation, has been designated 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.

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which was effective July 1, 2012 and adopted by the Organization. The Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the historical dollar value of gifts donated to the permanent endowment, (b) the historical dollar 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.

The remaining portion of the donor-restricted endowment fund that would not be classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. For board-designated endowment funds, the entire balances are classified as unrestricted. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the various funds
2. The purposes of the Organization and donor-restricted funds
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policy of the Organization

The board-designated endowment was established effective July 2013 and as such, did not have any significant changes in net assets for the year ended July 31, 2013. There were no donor-restricted endowment funds at July 31, 2013 and 2012.

Return Objectives and Risk Parameters
The Organization has adopted an investment and spending practice for the endowment assets that attempt 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.

NOTES TO FINANCIAL STATEMENTS

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at July 31, 2013 and 2012:

	2013	2012
Capital campaign	$ 880,752	$ 618,877
Operating promises to give	126,966	198,177
Food pantry	24,120	12,894
Hobbs foundation	299	3,777
Technology	18,405	15,000
Restricted – other	35,673	3,268
Total	**$ 1,086,215**	**$ 851,993**

7. RETIREMENT PLAN

The Organization provides a SIMPLE IRA plan for full-time employees. Contributions are 12% of salary and housing expense per what the Board approves for the executive director and 3% for all other full-time employees. Pension expense totaled $12,758 and $14,595 during the years ended July 31, 2013 and 2012, respectively.

8. RELATED PARTY TRANSACTIONS

Total outstanding pledge receivables due from related party board members and employees at July 31, 2013 and 2012 are $19,160 ($10,500 for capital and $8,660 for operating) and $441,942 ($414,742 for capital and $27,200 for operating campaigns).

During the year ended July 31, 2012, the Organization entered into a contract for renovations to the Sanctuary Building with a company that employs in a senior role a Board member; amounts paid to this related party during the year ended July 31, 2013 and 2012, totaled $4,347 and $443,745, respectively.

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