# Grace Place for Children and Families, Inc.

Years Ended July 31, 2017 and 2016

Financial Statements

Rehmann

Business wisdom delivered.

# GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

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Rehmann

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**INDEPENDENT AUDITORS' REPORT**

January 10, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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 2017 | July 31 2016 |
|---|---|---|
| Cash and cash equivalents | $ 2,044,406 | $ 1,238,224 |
| Unconditional promises to give, net | 1,141,955 | 1,295,751 |
| Grants receivable | 208,111 | 168,948 |
| Prepaid expenses | 36,236 | 29,814 |
| Net property and equipment | 8,847,184 | 5,110,025 |
| Beneficial interest in assets held by Community Foundation | 220,760 | 194,710 |
| **Total assets** | **$ 12,498,652** | **$ 8,037,472** |
| **LIABILITIES AND NET ASSETS** | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 22,512 | $ 174,896 |
| Mortgage payable | 999,645 | 582,329 |
| Other liabilities | 2,402 | 6,808 |
| **Total liabilities** | **1,024,559** | **764,033** |
| Commitments (Note 4) | | |
| **Net assets** | | |
| Unrestricted | | |
| Undesignated | 3,729,859 | 2,483,103 |
| Board designated | 756,504 | 730,454 |
| Total unrestricted | 4,486,363 | 3,213,557 |
| Temporarily restricted | 6,987,730 | 4,059,882 |
| **Total net assets** | **11,474,093** | **7,273,439** |
| **Total liabilities and net assets** | **$ 12,498,652** | **$ 8,037,472** |

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, 2017

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| **Revenues and support** | | | |
| Contributions | $ 1,423,847 | $ 4,611,085 | $ 6,034,932 |
| Grant income | 759,841 | - | 759,841 |
| In-kind gifts | 7,521 | - | 7,521 |
| Investment and interest income | 4,732 | - | 4,732 |
| Gain on beneficial interest in assets held by the Community Foundation | 22,486 | - | 22,486 |
| Fundraising event, net of $25,144 direct expenses | 179,045 | - | 179,045 |
| Net assets released from restrictions | 1,683,237 | (1,683,237) | - |
| **Total revenues and support** | **4,080,709** | **2,927,848** | **7,008,557** |
| **Expenses** | | | |
| Program services | 2,283,912 | - | 2,283,912 |
| Management and general | 243,775 | - | 243,775 |
| Fundraising | 280,216 | - | 280,216 |
| **Total expenses** | **2,807,903** | **-** | **2,807,903** |
| **Changes in net assets** | **1,272,806** | **2,927,848** | **4,200,654** |
| Net assets, beginning of year | 3,213,557 | 4,059,882 | 7,273,439 |
| **Net assets, end of year** | **$ 4,486,363** | **$ 6,987,730** | **$ 11,474,093** |

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 $23,050 direct expenses | 160,655 | - | - | 160,655 |
| Net assets released from restrictions | 542,832 | (542,832) | - | - |
| **Total revenues and support** | **2,819,221** | **1,536,310** | **-** | **4,355,531** |
| **Expenses** | | | | |
| Program services | 1,979,259 | - | - | 1,979,259 |
| Management and general | 222,049 | - | - | 222,049 |
| Fundraising | 267,854 | - | - | 267,854 |
| **Total expenses** | **2,469,162** | **-** | **-** | **2,469,162** |
| **Changes in net assets** | **350,059** | **1,536,310** | **-** | **1,886,369** |
| Net assets, beginning of year | 2,755,271 | 2,528,746 | 103,053 | 5,387,070 |
| Transfer of net assets (Note 6) | 108,227 | (5,174) | (103,053) | - |
| **Net assets, end of year** | **$ 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.

### STATEMENTS OF FUNCTIONAL EXPENSES

| | Year Ended July 31, 2017 | | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total Expenses |
| Salaries and benefits | $ 1,318,965 | $ 197,758 | $ 207,406 | $ 1,724,129 |
| Program supplies | 262,538 | - | - | 262,538 |
| Depreciation and amortization | 246,146 | 4,279 | 1,258 | 251,683 |
| Occupancy costs | 183,417 | 3,188 | 938 | 187,543 |
| Utilities and telephone | 78,091 | 1,357 | 399 | 79,847 |
| Office expense | 38,956 | 18,015 | 9,506 | 66,477 |
| Vehicle | 65,320 | - | - | 65,320 |
| Capital campaign | - | - | 60,598 | 60,598 |
| Staff development | 52,958 | - | - | 52,958 |
| Interest | 21,713 | 377 | 111 | 22,201 |
| Maintenance | 15,808 | - | - | 15,808 |
| Professional services | - | 14,500 | - | 14,500 |
| Board expenses | - | 4,301 | - | 4,301 |
| **Total** | **$ 2,283,912** | **$ 243,775** | **$ 280,216** | **$ 2,807,903** |

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

| Year Ended July 31, 2016 | | | |
|---|---|---|---|
| Program Services | Management and General | Fundraising | Total Expenses |
| $ 1,261,856 | $ 189,195 | $ 198,426 | $ 1,649,477 |
| 188,471 | - | - | 188,471 |
| 149,946 | 2,606 | 767 | 153,319 |
| 186,919 | 3,249 | 956 | 191,124 |
| 63,097 | 1,097 | 323 | 64,517 |
| 8,045 | 3,721 | 1,963 | 13,729 |
| 49,359 | - | - | 49,359 |
| - | - | 65,309 | 65,309 |
| 33,499 | - | - | 33,499 |
| 21,577 | 375 | 110 | 22,062 |
| 16,490 | - | - | 16,490 |
| - | 10,597 | - | 10,597 |
| - | 11,209 | - | 11,209 |
| **$ 1,979,259** | **$ 222,049** | **$ 267,854** | **$ 2,469,162** |

## GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

### STATEMENTS OF CASH FLOWS

| | Year Ended July 31 | |
|---|---|---|
| | **2017** | **2016** |
| **Cash flows from operating activities** | | |
| Changes in net assets | $ 4,200,654 | $ 1,886,369 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 251,683 | 153,319 |
| Net (gain) loss on investments held by the Community Foundation | (22,486) | 1,901 |
| Capital contributions | (3,380,373) | (1,644,858) |
| Discount on unconditional promises to give | 13,215 | 2,766 |
| Changes in operating assets and liabilities which provided (used) cash: | | |
| Unconditional promises to give, net | 140,581 | 9,252 |
| Grants receivable | (39,163) | 51,143 |
| Prepaid expenses | (6,422) | 3,336 |
| Other liabilities | (4,406) | (4,659) |
| Accounts payable and accrued expenses | (152,384) | 132,028 |
| **Net cash provided by operating activities** | **1,000,899** | **590,597** |
| **Cash flows from investing activities** | | |
| Transfer of funds to be held by the Community Foundation | (3,564) | (61,747) |
| Capital contributions | 3,380,373 | 1,644,858 |
| Purchase of property and equipment | (3,988,842) | (2,575,264) |
| **Net cash used in investing activities** | **(612,033)** | **(992,153)** |
| **Cash flows from financing activities** | | |
| Additional borrowing on mortgage payable | 417,316 | - |
| Principal payments on mortgage payable | - | (57,378) |
| **Net cash provided by (used in) financing activities** | **417,316** | **(57,378)** |
| **Net increase (decrease) in cash and cash equivalents** | **806,182** | **(458,934)** |
| Cash and cash equivalents, beginning of year | 1,238,224 | 1,697,158 |
| **Cash and cash equivalents, end of year** | **$ 2,044,406** | **$ 1,238,224** |
| **Supplemental disclosures of cash flow information** | | |
| Interest paid | **$ 22,201** | **$ 22,062** |

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**
As of July 31, 2017, and 2016, 100% and approximately 90%, respectively, of unconditional promises to give were pledges due from three individuals and were designated for the Campus Capital Expansion Campaign.

**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**
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.
>
> Permanently restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization had no permanently restricted net assets as of July 31, 2017 and 2016.

**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.

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 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, 2017 and 2016, 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 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 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 2014 through 2017, the years that remain subject to examination as of July 31, 2017. 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, 2017 and 2016, 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 2016 financial statements have been reclassified to conform with the 2017 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, 2017, the most recent statement of financial position presented herein, through January 10, 2018, the date these financial statements were available to be issued. No significant such events or transactions were identified, other than the matters disclosed in Note 5 labeled “Mortgage Payable” and 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 $6,300 at July 30, 2017 and 2016.

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:

| | 2017 | 2016 |
|---|---|---|
| Beginning of year | $ 194,710 | $ 134,864 |
| Contribution | 3,564 | 61,747 |
| Net investment gain (loss) | 22,486 | (1,901) |
| **End of year** | **$ 220,760** | **$ 194,710** |

## 3. UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give at July 31, 2017 and 2016 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 2.0% for 2017 and 1.5% for 2016, for the years ended July 31 as follows:

| | 2017 | 2016 |
|---|---|---|
| Capital campaign | $ 1,155,170 | $ 1,273,517 |
| Operating fund | - | 25,000 |
| Total | 1,155,170 | 1,298,517 |
| Less discount to net present value | (13,215) | (2,766) |
| **Unconditional promises to give, net** | **$ 1,141,955** | **$ 1,295,751** |

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

| | 2017 | 2016 |
|---|---|---|
| Within one year | $ 1,153,695 | $ 1,288,517 |
| In one to five years | 1,475 | 10,000 |
| **Total** | **$ 1,155,170** | **$ 1,298,517** |

## 4. PROPERTY AND EQUIPMENT

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

| | 2017 | 2016 |
|---|---|---|
| **Property and equipment** | | |
| Building | $ 5,895,690 | $ 3,798,902 |
| Building improvements | 700,311 | 700,311 |
| Furniture, fixtures, and equipment | 827,436 | 594,036 |
| Land | 241,922 | 241,922 |
| Vehicles | 230,346 | 230,346 |
| Construction in progress | 1,768,457 | 109,803 |
| Total | 9,664,162 | 5,675,320 |
| Less accumulated depreciation | 816,978 | 565,295 |
| **Net property and equipment** | **$ 8,847,184** | **$5,110,025** |

Construction in progress consists of construction costs for two new buildings. In fiscal year 2017, the organization completed two of five new buildings.

Buildings 3 and 4 opened for operational use in August of 2017. The final building is expected to be completed near the end of fiscal year 2018 at an approximate cost of $2,100,000.

Depreciation expense for the years ended July 31, 2017 and 2016, totaled $251,683 and $153,319, respectively.

## 5. MORTGAGE PAYABLE

On September 30, 2016, the Organization converted a mortgage note payable to a construction draw note with maximum total draws of $1,500,000, making available approximately $918,000 in additional borrowings through October 1, 2017, the end of the construction period. Subsequent to July 31, 2017, the note was revised to extend the construction period through March 31, 2018 and the maximum total draw amount was reduced to $1,200,000.

Mortgage note payable consisted of the following at July 31:

| | 2017 | 2016 |
|---|---|---|
| Mortgage note payable to The Florida United Methodist Foundation, Inc., at an interest rate of 3.5%, requiring monthly payments of interest. The loan is collateralized by the land and building. Maturity date is October 1, 2036. | $ 999,645 | $ 582,329 |

If no additional draws are taken or principal reduction payments are made before March 2018, scheduled principal maturities of long-term debt for the five years succeeding July 31 and thereafter are summarized as follows:

| Year | Amount | Subtotal |
|---|---|---|
| 2018 | | $ 14,460 |
| 2019 | $ 35,288 | |
| 2020 | 36,469 | |
| 2021 | 37,876 | |
| 2022 | 39,242 | |
| Thereafter | 836,310 | |
| | | 985,185 |
| **Total** | | **$ 999,645** |

## 6. NET ASSETS

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

| | 2017 | 2016 |
|---|---|---|
| Capital campaign | $ 6,927,541 | $ 3,975,110 |
| Operating promises to give | 17,724 | 42,307 |
| Technology | 2,715 | 2,715 |
| Restricted – other | 39,750 | 39,750 |
| **Total** | **$ 6,987,730** | **$4,059,882** |

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

| | 2017 | 2016 |
|---|---|---|
| Operating reserve | $ 287,834 | $ 287,834 |
| Capital | 247,910 | 247,910 |
| Endowment fund | 220,760 | 194,710 |
| **Total** | **$ 756,504** | **$ 730,454** |

The Board has designated $220,760 and $194,710 to be used as an endowment fund as of July 31, 2017 and 2016, 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 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, 2017 or 2016. The fair value of the board-designated endowment was $220,760 and $194,710 as of July 31, 2017 and 2016, 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/ Unrestricted |
|---|---|
| **Changes in endowment net assets for the year ended July 31, 2017** | |
| Gain on beneficial interest in assets held by the Community Foundation | $ 22,486 |
| Contributions | 3,564 |
| Changes in endowment net assets | 26,050 |
| Endowment net assets, beginning of year, August 1, 2016 | 194,710 |
| **End of year, July 31, 2017** | **$ 220,760** |

| | Board Designated/ Unrestricted | 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** |

During the year ended July 31, 2016, 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.

## 7. RETIREMENT PLAN

The Organization provides a SIMPLE IRA plan for its employees. Contributions are 3% for all eligible employees. Pension expense totaled $27,977 and $26,061 during the years ended July 31, 2017 and 2016, respectively.

## 8. RELATED PARTY TRANSACTIONS

At July 31, 2017, there were no outstanding pledge receivables due from related parties. At July 31, 2016, outstanding pledge receivables due from related party board members and employees for the Campus Expansion Capital Campaign was $63,442.

## 9. SUBSEQUENT EVENTS

On September 10, 2017, Category 3-4 Hurricane Irma made landfall 16 miles south of Grace Place. The storm and the eye passed over Grace Place that evening. Although many tree branches were downed as a result of the storm, there was no significant damage to any of the buildings on the campus. Grace Place re-opened its Friday Food Pantry 5 days after the hurricane on September 15, serving more than 150 new families that day. Power was restored to the campus on Saturday, September 16. All educational programs resumed on Monday, September 25. In the weeks following hurricane Irma, Grace Place provided additional family and community services, including an expanded food pantry service, hosting FEMA and other support agencies on campus, and helping to coordinate replacement furniture and other needs to affected Grace Place families.

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