

Grace Place
For Children
and Families,
Inc.



Years Ended
July 31,
2018 and 2017

Financial
Statements

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

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INDEPENDENT AUDITORS' REPORT

November 27, 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.* (a nonprofit entity) (the "Organization") which comprise the statements of financial position as of July 31, 2018 and 2017, 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, 2018 and 2017, 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 Lobson LLC

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Statements of Financial Position

	July 31	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,213,763	\$ 2,044,406
Unconditional promises to give, net	-	1,141,955
Grants receivable	117,056	208,111
Prepaid expenses	35,423	36,236
Net property and equipment	9,970,406	8,847,184
Beneficial interest in assets held by Community Foundation	289,518	220,760
Total assets	\$ 12,626,166	\$ 12,498,652
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 285,141	\$ 22,512
Mortgage payable	973,354	999,645
Other liabilities	-	2,402
Total liabilities	1,258,495	1,024,559
Commitments (Note 4)		
Net assets		
Unrestricted		
Undesignated	9,291,481	3,729,859
Board designated	798,285	756,504
Total unrestricted	10,089,766	4,486,363
Temporarily restricted	1,250,928	6,987,730
Permanently restricted	26,977	-
Total net assets	11,367,671	11,474,093
Total liabilities and net assets	\$ 12,626,166	\$ 12,498,652

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Contributions	\$ 2,064,834	\$ 81,135	\$ 27,063	\$ 2,173,032
Grant income	1,029,792	-	-	1,029,792
In-kind gifts	4,301	-	-	4,301
Investment and interest income	6,798	-	-	6,798
Gain (loss) on beneficial interest in assets held by the Community Foundation	14,502	-	(86)	14,416
Fundraising event, net of \$29,248 direct expenses	197,196	-	-	197,196
Net assets released from restrictions (Note 6)	5,817,937	(5,817,937)	-	-
Total revenues and support	9,135,360	(5,736,802)	26,977	3,425,535
Expenses				
Program services	2,887,516	-	-	2,887,516
Management and general	315,079	-	-	315,079
Fundraising	329,362	-	-	329,362
Total expenses	3,531,957	-	-	3,531,957
Changes in net assets	5,603,403	(5,736,802)	26,977	(106,422)
Net assets, beginning of year	4,486,363	6,987,730	-	11,474,093
Net assets, end of year	\$ 10,089,766	\$ 1,250,928	\$ 26,977	\$ 11,367,671

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.

Statements of Functional Expenses

	Year Ended July 31, 2018			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 1,465,788	\$ 219,771	\$ 230,495	\$ 1,916,054
Depreciation and amortization	442,250	7,687	2,261	452,198
Program supplies	321,256	-	-	321,256
Occupancy costs	246,962	4,293	1,263	252,518
Office expense	133,354	61,670	32,542	227,566
Utilities and telephone	105,052	1,826	537	107,415
Vehicle	75,441	-	-	75,441
Capital campaign	-	-	62,075	62,075
Staff development	49,176	-	-	49,176
Interest	36,889	641	189	37,719
Professional services	-	14,500	-	14,500
Maintenance	11,348	-	-	11,348
Board expenses	-	4,691	-	4,691
Total	\$ 2,887,516	\$ 315,079	\$ 329,362	\$ 3,531,957

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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Statements of Cash Flows

	Year Ended July 31	
	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ (106,422)	\$ 4,200,654
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	452,198	251,683
Net gain on investments held by the Community Foundation	(14,416)	(22,486)
Capital contributions	-	(3,380,373)
Contributions restricted for endowment	(27,063)	-
Discount on unconditional promises to give	(13,215)	13,215
Bad debts	30,980	-
Loss on disposal of property and equipment	159,635	-
Changes in operating assets and liabilities which provided (used) cash:		
Unconditional promises to give, net	-	140,581
Grants receivable	91,055	(39,163)
Prepaid expenses	813	(6,422)
Accounts payable and accrued expenses	110,127	(152,384)
Other liabilities	(2,402)	(4,406)
Net cash provided by operating activities	681,290	1,000,899
Cash flows from investing activities		
Transfer of funds to be held by the Community Foundation	(54,342)	(3,564)
Capital contributions	1,124,190	3,380,373
Purchase of property and equipment	(1,582,393)	(3,988,842)
Net cash used in investing activities	(512,545)	(612,033)
Cash flows from financing activities		
Contributions restricted for endowment	27,063	-
Additional borrowings on mortgage payable	-	417,316
Repayments of mortgage payable	(26,451)	-
Net cash provided by financing activities	612	417,316
Net increase in cash and cash equivalents	169,357	806,182
Cash and cash equivalents, beginning of year	2,044,406	1,238,224
Cash and cash equivalents, end of year	\$2,213,763	\$2,044,406
Supplemental disclosures of cash flow information		
Interest paid	\$ 37,025	\$ 22,201
Non-cash investing activities		
Purchase of property and equipment included in accounts payable	\$ 152,502	\$ -

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

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

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 nonprofit 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 Risk

As of July 31, 2017, 100% of unconditional promises to give were pledges due from three individuals and were designated for the Campus Capital Expansion Campaign. There were no unconditional promises to give at July 31, 2018.

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. Unrestricted funds established by the Board of Directors for specific purposes are classified as board designated.
- *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.

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.

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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

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).

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

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. There were no unconditional promises to give at July 31, 2018. At July 31, 2017, management determined that no allowance was 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 acquisition cost or, where applicable, fair value at the date of donation. Property and equipment costing over \$1,000 is capitalized and depreciated using the straight-line method over the estimated useful life of the assets, which range from 3 to 39 years. Assets are depreciated when placed in service and used for their intended purpose. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying values may no longer be recoverable.

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 has evaluated its income tax filing positions for fiscal years 2015 through 2018, the years that remain subject to examination as of July 31, 2018. 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, 2018 and 2017, and is not aware of any claims for such amounts by federal or state income tax authorities.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to 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.

Fundraising Costs

The Organization engages in fundraising activities throughout the year. Such activities, however, do not include significant joint costs that allow allocation among the program services.

Reclassification

Certain amounts as reported in the 2017 financial statements have been reclassified to conform with the 2018 presentation.

Upcoming Accounting Pronouncement

In August 2016, The Financial Accounting Standards Board issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which will be effective for the Organization's annual financial statements for the year ending July 31, 2019. This ASU 1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (4) requires the presentation of investment return net of external and direct internal investment expenses. Management has evaluated the provisions of ASU 2016-14 and has determined that the presentation of the financial statements will need to be modified as required by the ASU.

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, 2018, the most recent statement of financial position presented herein, through November 27, 2018, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION AND FAIR VALUE MEASUREMENTS

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."

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

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 \$6,700 and \$6,300 at July 31, 2018 and 2017, respectively.

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:

	2018	2017
Beginning of year	\$ 220,760	\$ 194,710
Contributions	54,342	3,564
Net investment gain	14,416	22,486
End of year	<u>\$ 289,518</u>	<u>\$ 220,760</u>

3. UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give at July 31, 2017 consisted of three temporarily restricted promises to give related to the capital campaign. There were no unconditional promises to give at July 31, 2018. The unconditional promises to give are reflected at the present value of estimated cash flows, using a discount rate of 2.0% as of July 31, 2017, as follows:

Capital campaign	\$ 1,155,170
Less discount to net present value	<u>(13,215)</u>
Unconditional promises to give, net	<u>\$ 1,141,955</u>

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

4. PROPERTY AND EQUIPMENT

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

	2018	2017
Property and equipment		
Building	\$ 7,922,725	\$ 5,895,690
Building improvements	700,311	700,311
Furniture, fixtures, and equipment	1,047,093	827,436
Land	241,922	241,922
Vehicles	230,346	230,346
Construction in progress	1,063,122	1,768,457
	<hr/>	<hr/>
Total	11,205,519	9,664,162
Less accumulated depreciation	1,235,113	816,978
	<hr/>	<hr/>
Net property and equipment	<u>\$ 9,970,406</u>	<u>\$ 8,847,184</u>

Construction in progress consists of construction costs for a new building. In fiscal year 2018, the Organization completed four of five new buildings. Buildings 3 and 4 opened for operational use in August of 2017. The final building is expected to be completed mid-way through fiscal year 2019 at an approximate additional cost of \$1,600,000 which will be funded through the Campus Expansion Capital Campaign.

Depreciation expense totaled \$452,198 and \$251,683, for the years ended July 31, 2018 and 2017, respectively.

5. MORTGAGE NOTE PAYABLE

Mortgage note payable consisted of the following at July 31:

	2018	2017
Mortgage note payable to The Florida United Methodist Foundation, Inc., due through October 1, 2036 in monthly installments of \$6,441, including interest at a quarterly-adjustable rate (effective rate of 4.0% at July 31, 2018), collateralized by the land and building.	\$ 973,354	\$ 999,645
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GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

Scheduled principal maturities of the mortgage note payable for the five years succeeding July 31 and thereafter are summarized as follows:

Year	Amount
2019	\$ 33,647
2020	38,111
2021	39,834
2022	41,522
2023	43,280
Thereafter	<u>776,960</u>
Total	<u>\$ 973,354</u>

6. NET ASSETS

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

	2018	2017
Capital campaign	\$ 1,208,463	\$ 6,945,265
Technology	2,715	2,715
Restricted - other	<u>39,750</u>	<u>39,750</u>
Total	<u>\$ 1,250,928</u>	<u>\$ 6,987,730</u>

During fiscal year 2018, management became aware that certain temporarily restricted net assets should have been released from restriction in prior fiscal years. Accordingly, these net assets have been released from restriction during the current fiscal year and amounted to \$3,562,006. All expenditures related to this release have been capitalized as property and equipment in the accompanying July 31, 2017 statement of financial position. This release from restriction had no effect on the current year statement of activities in total.

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

	2018	2017
Operating reserve	\$ 287,834	\$ 287,834
Capital	247,910	247,910
Endowment fund	<u>262,541</u>	<u>220,760</u>
Total	<u>\$ 798,285</u>	<u>\$ 756,504</u>

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

The Board has designated \$262,541 and \$220,760 to be used as an endowment fund as of July 31, 2018 and 2017, 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.

During fiscal year 2018, the Organization received \$27,063 in contributions to establish an endowment fund to provide scholarships. The donations are recorded as permanently restricted net assets. These assets are also held in a separate fund at the local community foundation as of July 31, 2018.

Endowment

Contributions to the Organization's endowment funds are invested in accordance with the Organization's investment policy. The Organization's endowments consist of board designated endowment funds and a permanent scholarship fund. 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. The fair value of the board-designated endowment was \$262,541 and \$220,760 as of July 31, 2018 and 2017, 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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

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

2018	Board Designated/ Unrestricted	Donor Restricted	Total
		Permanently Restricted	
Gain (loss) on beneficial interest in assets held by the Community Foundation	\$ 14,502	\$ (86)	\$ 14,416
Contributions	<u>27,279</u>	<u>27,063</u>	<u>54,342</u>
Changes in endowment net assets	41,781	26,977	68,758
Endowment net assets, beginning of year	<u>220,760</u>	-	<u>220,760</u>
End of year	<u>\$ 262,541</u>	<u>\$ 26,977</u>	<u>\$ 289,518</u>

2017	Board Designated/ Unrestricted
Gain on beneficial interest in assets held by the Community Foundation	\$ 22,486
Contributions	<u>3,564</u>
Changes in endowment net assets	26,050
Endowment net assets, beginning of year	<u>194,710</u>
End of year	<u>\$ 220,760</u>

7. RETIREMENT PLAN

The Organization provides a SIMPLE IRA plan for its employees. Contributions are 3% for all eligible employees. Expense totaled \$37,673 and \$27,977 during the years ended July 31, 2018 and 2017, respectively.

