

Grace Place  
For Children  
and Families,  
Inc.



Years Ended  
July 31,  
2019 and 2018

Financial  
Statements

# GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

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## INDEPENDENT AUDITORS' REPORT

February 11, 2020

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *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, 2019 and 2018, 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



# GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

## Statements of Financial Position

|  | July 31              |                      |
|--|----------------------|----------------------|
|  | 2019                 | 2018                 |
| <b>ASSETS</b>  |                      |                      |
| Cash and cash equivalents                                  | \$ 1,017,513         | \$ 2,213,763         |
| Grants receivable  | 346,551              | 117,056              |
| Prepaid expenses   | 78,397               | 52,921               |
| Net property and equipment                                 | 12,000,304           | 9,970,406            |
| Beneficial interest in assets held by Community Foundation | 299,095              | 289,518              |
| <b>Total assets</b>  | <b>\$ 13,741,860</b> | <b>\$ 12,643,664</b> |
| <b>LIABILITIES AND NET ASSETS</b>                          |                      |                      |
| <b>Liabilities</b>   |                      |                      |
| Accounts payable and accrued expenses                      | \$ 150,460           | \$ 285,141           |
| Mortgage payable   | 578,364              | 990,852              |
| <b>Total liabilities</b>                                   | <b>728,824</b>       | <b>1,275,993</b>     |
| <b>Commitments (Note 4)</b>                                |                      |                      |
| <b>Net assets</b>  |                      |                      |
| Without donor restrictions                                 |                      |                      |
| Net investment in property and equipment                   | 11,421,940           | 8,979,554            |
| Board-designated   | 519,279              | 798,285              |
| Undesignated   | 903,789              | 311,927              |
| <b>Total without donor restrictions</b>                    | <b>12,845,008</b>    | <b>10,089,766</b>    |
| <b>With donor restrictions</b>                             | <b>168,028</b>       | <b>1,277,905</b>     |
| <b>Total net assets</b>                                    | <b>13,013,036</b>    | <b>11,367,671</b>    |
| <b>Total liabilities and net assets</b>                    | <b>\$ 13,741,860</b> | <b>\$ 12,643,664</b> |

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, 2019

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|--|-------------------------------|----------------------------|---------------|
| Gains, support and special events  |                               |                            |               |
| Gains  |                               |                            |               |
| Interest income  | \$ 3,410                      | \$ -                       | \$ 3,410      |
| Change in value of beneficial interest in<br>assets held by the Community Foundation | 3,103                         | 199                        | 3,302         |
| Total gains  | 6,513                         | 199                        | 6,712         |
| Support  |                               |                            |               |
| Contributions  | 4,222,584                     | 101,102                    | 4,323,686     |
| Grant income   | 1,110,162                     | -                          | 1,110,162     |
| In-kind gifts  | 7,650                         | -                          | 7,650         |
| Net assets released from restrictions  | 1,211,178                     | (1,211,178)                | -             |
| Total support  | 6,551,574                     | (1,110,076)                | 5,441,498     |
| Special events, net of expenses  | 220,591                       | -                          | 220,591       |
| Total gains, support and<br>special events   | 6,778,678                     | (1,109,877)                | 5,668,801     |
| Expenses   |                               |                            |               |
| Program services   | 3,172,726                     | -                          | 3,172,726     |
| Management and general   | 392,862                       | -                          | 392,862       |
| Fundraising  | 457,848                       | -                          | 457,848       |
| Total expenses   | 4,023,436                     | -                          | 4,023,436     |
| Changes in net assets  | 2,755,242                     | (1,109,877)                | 1,645,365     |
| Net assets, beginning of year  | 10,089,766                    | 1,277,905                  | 11,367,671    |
| Net assets, end of year  | \$ 12,845,008                 | \$ 168,028                 | \$ 13,013,036 |

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

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|--|-------------------------------|----------------------------|---------------|
| Gains, support and special event   |                               |                            |               |
| Revenue and gains  |                               |                            |               |
| Interest income  | \$ 6,798                      | \$ -                       | \$ 6,798      |
| Change in value of beneficial interest in<br>assets held by the Community Foundation | 14,502                        | (86)                       | 14,416        |
| Total gains  | 21,300                        | (86)                       | 21,214        |
| Support  |                               |                            |               |
| Contributions  | 2,064,834                     | 108,198                    | 2,173,032     |
| Grant income   | 1,029,792                     | -                          | 1,029,792     |
| In-kind gifts  | 4,301                         | -                          | 4,301         |
| Net assets released from restrictions (Note 7)                                       | 5,817,937                     | (5,817,937)                | -             |
| Total support  | 8,916,864                     | (5,709,739)                | 3,207,125     |
| Special event, net of expenses   | 197,196                       | -                          | 197,196       |
| Total gains, support and<br>special event  | 9,135,360                     | (5,709,825)                | 3,425,535     |
| Expenses   |                               |                            |               |
| Program services   | 2,887,453                     | -                          | 2,887,453     |
| Management and general   | 315,120                       | -                          | 315,120       |
| Fundraising  | 329,384                       | -                          | 329,384       |
| Total expenses   | 3,531,957                     | -                          | 3,531,957     |
| Changes in net assets  | 5,603,403                     | (5,709,825)                | (106,422)     |
| Net assets, beginning of year  | 4,486,363                     | 6,987,730                  | 11,474,093    |
| Net assets, end of year  | \$ 10,089,766                 | \$ 1,277,905               | \$ 11,367,671 |

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

## GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

### Statement of Functional Expenses

Year Ended July 31, 2019

|  | Program<br>Services | Management<br>and General | Fundraising       | Total<br>Expenses   |
|--|---------------------|---------------------------|-------------------|---------------------|
| Salaries and benefits  | \$ 1,361,641        | \$ 311,057                | \$ 385,305        | \$ 2,058,003        |
| Program supplies   | 686,136             | -                         | -                 | 686,136             |
| Depreciation   | 459,564             | 7,988                     | 2,350             | 469,902             |
| Occupancy costs  | 261,494             | 12,543                    | 1,254             | 275,291             |
| Utilities and telephone  | 118,743             | 1,066                     | 314               | 120,123             |
| Entertainment  | -                   | -                         | 110,006           | 110,006             |
| Staff development  | 86,701              | 5,843                     | 3,895             | 96,439              |
| Vehicle  | 96,030              | -                         | -                 | 96,030              |
| Office expense   | 47,687              | 19,251                    | 11,248            | 78,186              |
| Capital campaign   | -                   | -                         | 63,152            | 63,152              |
| Interest   | 36,225              | 652                       | 192               | 37,069              |
| Board expenses   | -                   | 19,962                    | -                 | 19,962              |
| Maintenance  | 18,505              | -                         | -                 | 18,505              |
| Professional services  | -                   | 14,500                    | 4,050             | 18,550              |
| <b>Total expenses by function</b>  | <b>3,172,726</b>    | <b>392,862</b>            | <b>581,766</b>    | <b>4,147,354</b>    |
| Less expenses included with revenue<br>on the statement of activities                    |                     |                           |                   |                     |
| Special events expenses  | -                   | -                         | (123,918)         | (123,918)           |
| <b>Total expenses included in the expense<br/>section of the statement of activities</b> | <b>\$ 3,172,726</b> | <b>\$ 392,862</b>         | <b>\$ 457,848</b> | <b>\$ 4,023,436</b> |

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

## GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

### Statement of Functional Expenses

Year Ended July 31, 2018

|  | Program<br>Services | Management<br>and General | Fundraising       | Total<br>Expenses   |
|--|---------------------|---------------------------|-------------------|---------------------|
| Salaries and benefits  | \$ 1,465,788        | \$ 219,771                | \$ 230,495        | \$ 1,916,054        |
| Depreciation   | 442,093             | 7,685                     | 2,260             | 452,038             |
| Program supplies   | 321,256             | -                         | -                 | 321,256             |
| Occupancy costs  | 246,962             | 4,293                     | 1,263             | 252,518             |
| Office expense   | 133,448             | 61,713                    | 39,544            | 234,705             |
| 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              |
| Entertainment  | -                   | -                         | 22,269            | 22,269              |
| Professional services  | -                   | 14,500                    | -                 | 14,500              |
| Maintenance  | 11,348              | -                         | -                 | 11,348              |
| Board expenses   | -                   | 4,691                     | -                 | 4,691               |
|  | <hr/>               | <hr/>                     | <hr/>             | <hr/>               |
| Total expenses by function   | 2,887,453           | 315,120                   | 358,632           | 3,561,205           |
| Less expenses included with revenue<br>on the statement of activities            |                     |                           |                   |                     |
| Special event expenses   | -                   | -                         | (29,248)          | (29,248)            |
|  | <hr/>               | <hr/>                     | <hr/>             | <hr/>               |
| Total expenses included in the expense<br>section of the statement of activities | <u>\$ 2,887,453</u> | <u>\$ 315,120</u>         | <u>\$ 329,384</u> | <u>\$ 3,531,957</u> |

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 |                    |
|---|--------------------|--------------------|
|   | 2019               | 2018               |
| Cash flows from operating activities  |                    |                    |
| Changes in net assets   | \$ 1,645,365       | \$ (106,422)       |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities |                    |                    |
| Depreciation  | 469,902            | 452,038            |
| Change in value of beneficial interest in assets held by the Community Foundation           | (3,302)            | (14,416)           |
| Contributions restricted for capital purchases  | (567,989)          | (81,135)           |
| Contributions restricted for endowment  | (550)              | (27,063)           |
| Discount on unconditional promises to give  | -                  | (13,215)           |
| Bad debts   | -                  | 30,980             |
| Loss on disposal of property and equipment  | -                  | 159,635            |
| Changes in operating assets and liabilities which (used) provided cash                      |                    |                    |
| Grants receivable   | (229,495)          | 91,055             |
| Prepaid expenses  | (25,476)           | (16,685)           |
| Accounts payable and accrued expenses   | (134,681)          | 110,127            |
| Other liabilities   | -                  | (2,402)            |
| <b>Net cash provided by operating activities</b>  | <b>1,153,774</b>   | <b>582,497</b>     |
| Cash flows from investing activities  |                    |                    |
| Transfer of funds to be held by the Community Foundation                                    | (6,275)            | (54,342)           |
| Purchase of property and equipment  | (2,499,800)        | (1,582,393)        |
| <b>Net cash used in investing activities</b>  | <b>(2,506,075)</b> | <b>(1,636,735)</b> |
| Cash flows from financing activities  |                    |                    |
| Collection of unconditional promises to give for capital purchases                          | -                  | 1,124,190          |
| Contributions restricted for capital purchases  | 567,989            | 81,135             |
| Contributions restricted for endowment  | 550                | 27,063             |
| Repayments of mortgage payable  | (412,488)          | (8,793)            |
| <b>Net cash provided by financing activities</b>  | <b>156,051</b>     | <b>1,223,595</b>   |
| <b>Net (decrease) increase in cash and cash equivalents</b>                                 | <b>(1,196,250)</b> | <b>169,357</b>     |
| Cash and cash equivalents, beginning of year  | 2,213,763          | 2,044,406          |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$1,017,513</b> | <b>\$2,213,763</b> |
| Supplemental disclosures of cash flow information   |                    |                    |
| Interest paid   | \$ 38,362          | \$ 37,025          |
| 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.

#### *Basis of Presentation*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets and 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:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated a portion of net assets without donor restrictions for various purposes, including a board-designated endowment. See Note 6.
- Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and are reported as net assets released from restrictions. See Note 7.

#### *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 certain 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. Management does not believe the Organization is exposed to any significant interest rate or other financial risk as a result of these deposits.

# 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 Organization 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 3 to the financial statements.

### *Revenue Recognition*

Contributions, including unconditional promises to give, are recorded when received. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered without donor restriction 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 support with donor restrictions that increases this net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Contributed property and equipment are recorded at fair value at the date of donation as support without donor restrictions.

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

### *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 2016 through 2019, the years that remain subject to examination as of July 31, 2019. 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, 2019 and 2018, and is not aware of any claims for such amounts by federal or state income tax authorities.

### *Functional Allocation of Expenses*

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Salaries and related employee benefits have been allocated to programs and supporting services based on estimated time and effort. Other expenses including depreciation, interest and occupancy costs are allocated based on their proportionate square footage utilization.

# GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

## Notes to Financial Statements

### *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 2018 financial statements have been reclassified to conform with the 2019 presentation.

### *Change in Accounting Principle*

As of August 1, 2017, the Organization adopted the Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU (1) reduces the number of net asset classes presented from three to two; (2) modifies the presentation of underwater endowment funds and related disclosures; (3) requires enhanced disclosures concerning board designated net assets; (4) requires the presentation of expenses by functional and natural classification in one location; and (5) requires quantitative and qualitative disclosures about liquidity and availability of financial assets.

### *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, 2019, the most recent statement of financial position presented herein, through January 11, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified.

# GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

## Notes to Financial Statements

### 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of July 31, 2019:

|  |                   |
|--|-------------------|
| Cash and cash equivalents  | \$ 1,017,513      |
| Grants receivable  | 346,551           |
| Beneficial interest in assets held by Community Foundation                             | <u>299,095</u>    |
| Total financial assets   | <u>1,663,159</u>  |
| Less amounts unavailable for general expenditures within one year                      |                   |
| Board-designated funds   |                   |
| Capital  | 247,910           |
| Endowment  | <u>271,369</u>    |
| Total board-designated funds   | 519,279           |
| Donor-restricted funds   | 140,302           |
| Donor-restricted endowment funds   | <u>27,726</u>     |
| Subtotal   | <u>687,307</u>    |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 975,852</u> |

The endowment funds consist of donor-restricted endowments and funds designated by the board as an endowment. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$271,369 is subject to the Organization spending policies as described in Note 8. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), this amount could be made available if necessary.

As part of the Organization's liquidity plan, certain contributions and other revenues are available for general expenditures, without donor or other restrictions limiting their use, within one year of the statement of financial position date.

### 3. 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 "change in value of 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 \$6,900 and \$6,700 at July 31, 2019 and 2018, 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 Community Foundation investment securities 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 fair value of 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:

|                     | 2019              | 2018              |
|---------------------|-------------------|-------------------|
| Beginning of year   | \$ 289,518        | \$ 220,760        |
| Contributions       | 6,275             | 54,342            |
| Net change in value | 3,302             | 14,416            |
| End of year         | <u>\$ 299,095</u> | <u>\$ 289,518</u> |

#### 4. PROPERTY AND EQUIPMENT

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

|                                    | 2019                 | 2018                |
|------------------------------------|----------------------|---------------------|
| Property and equipment             |                      |                     |
| Building                           | \$ 10,642,298        | \$ 7,922,725        |
| Building improvements              | 924,963              | 700,311             |
| Furniture, fixtures, and equipment | 1,646,589            | 1,047,093           |
| Land                               | 241,922              | 241,922             |
| Vehicles                           | 233,846              | 230,346             |
| Construction in progress           | 15,701               | 1,063,122           |
| Total                              | 13,705,319           | 11,205,519          |
| Less accumulated depreciation      | 1,705,015            | 1,235,113           |
| Net property and equipment         | <u>\$ 12,000,304</u> | <u>\$ 9,970,406</u> |

## GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

### Notes to Financial Statements

Construction in progress at July 31, 2019 consists of construction costs for a new soccer field. The soccer field is expected to be finished midway through fiscal year 2020 and additional costs totaling approximately \$260,000 will be funded through a grant.

#### 5. MORTGAGE NOTE PAYABLE

Mortgage note payable consisted of the following at July 31:

|   | 2019       | 2018       |
|---|------------|------------|
| 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 4.25% and 4.00% at July 31, 2019 and 2018, respectively), collateralized by the land and building. | \$ 578,364 | \$ 990,852 |

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

| Year         | Amount            |
|--------------|-------------------|
| 2020         | \$ 35,927         |
| 2021         | 40,792            |
| 2022         | 42,481            |
| 2023         | 44,239            |
| 2024         | 45,984            |
| Thereafter   | 368,941           |
| <b>Total</b> | <b>\$ 578,364</b> |

#### 6. BOARD-DESIGNATED NET ASSETS

Annually, the board designates net assets based on a review of the financial statements and the future needs of the Organization.

The Board of Directors has designated a portion of net assets without donor restrictions for the following purposes at July 31:

|                   | 2019              | 2018              |
|-------------------|-------------------|-------------------|
| Endowment fund    | \$ 271,369        | \$ 262,541        |
| Capital           | 247,910           | 247,910           |
| Operating reserve | -                 | 287,834           |
| <b>Total</b>      | <b>\$ 519,279</b> | <b>\$ 798,285</b> |



## GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

### Notes to Financial Statements

The Board has designated \$271,369 and \$262,541 to be used as an endowment fund as of July 31, 2019 and 2018, 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 without donor restrictions in the accompanying financial statements.

#### 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at July 31:

|   | 2019              | 2018                |
|---|-------------------|---------------------|
| Subject to purpose restriction                                      |                   |                     |
| Program   | \$ 100,552        | \$ -                |
| Capital campaign  | -                 | 1,208,463           |
| Technology  | -                 | 2,715               |
| Restricted - other  | 39,750            | 39,750              |
| Endowment   |                   |                     |
| Subject to appropriation and expenditure<br>for a specified purpose |                   |                     |
| Scholarships  | 27,613            | 27,063              |
| Endowment earnings (loss)   | 113               | (86)                |
| <b>Total</b>  | <b>\$ 168,028</b> | <b>\$ 1,277,905</b> |

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

#### 8. ENDOWMENT

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.

##### *Interpretation of Relevant Law*

The Board of Directors has interpreted the State of Florida enacted Uniform Prudent Management of Institutional Funds Act ("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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

# GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

## Notes to Financial Statements

The remaining portion of the donor-restricted endowment funds that are not retained in perpetuity are classified as with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. 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

### *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. Distributions from the endowment fund are approved annually for the subsequent fiscal year by the Board of Directors based on the needs of the Organization and their determination of availability of funds for distribution, using 4% of endowment assets on an average rolling twelve quarter basis as a distribution guide.

### *Funds with Deficiencies*

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. The Organization has no underwater endowment funds at July 31, 2019. The original principal balance of the underwater scholarship endowment fund was \$27,063 and the related fair value was \$26,977 at July 31, 2018.

## GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

### Notes to Financial Statements

The following is a summary of the Organization's endowment and changes therein for the years ended July 31:

| 2019   | Without Donor Restrictions | With Donor Restrictions | Total             |
|--|----------------------------|-------------------------|-------------------|
| <b>Endowment net assets composition by type of fund</b>  |                            |                         |                   |
| Board-designated endowment funds   | \$ 271,369                 | \$ -                    | \$ 271,369        |
| Donor-restricted endowment funds:  |                            |                         |                   |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | -                          | 27,613                  | 27,613            |
| Accumulated investment gains   | -                          | 113                     | 113               |
| <b>Total endowment net assets</b>  | <b>\$ 271,369</b>          | <b>\$ 27,726</b>        | <b>\$ 299,095</b> |
| <b>Changes in endowment net assets</b>   |                            |                         |                   |
| Change in value of beneficial interest in assets held by the Community Foundation, net of fees     | \$ 3,103                   | \$ 199                  | \$ 3,302          |
| Contributions  | 5,725                      | 550                     | 6,275             |
| <b>Changes in endowment net assets</b>   | <b>8,828</b>               | <b>749</b>              | <b>9,577</b>      |
| Endowment net assets, beginning of year  | 262,541                    | 26,977                  | 289,518           |
| <b>End of year</b>   | <b>\$ 271,369</b>          | <b>\$ 27,726</b>        | <b>\$ 299,095</b> |
| 2018   | Without Donor Restrictions | With Donor Restrictions | Total             |
| <b>Endowment net assets composition by type of fund</b>  |                            |                         |                   |
| Board-designated endowment funds   | \$ 262,541                 | \$ -                    | \$ 262,541        |
| Donor-restricted endowment funds:  |                            |                         |                   |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | -                          | 27,063                  | 27,063            |
| Accumulated investment losses  | -                          | (86)                    | (86)              |
| <b>Total endowment net assets</b>  | <b>\$ 262,541</b>          | <b>\$ 26,977</b>        | <b>\$ 289,518</b> |
| <b>Changes in endowment net assets</b>   |                            |                         |                   |
| Change in value of beneficial interest in assets held by the Community Foundation, net of fees     | \$ 14,502                  | \$ (86)                 | \$ 14,416         |
| Contributions  | 27,279                     | 27,063                  | 54,342            |
| <b>Changes in endowment net assets</b>   | <b>41,781</b>              | <b>26,977</b>           | <b>68,758</b>     |
| Endowment net assets, beginning of year  | 220,760                    | -                       | 220,760           |
| <b>End of year</b>   | <b>\$ 262,541</b>          | <b>\$ 26,977</b>        | <b>\$ 289,518</b> |

# GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

## Notes to Financial Statements

### 9. RETIREMENT PLAN

The Organization provides a SIMPLE IRA plan for its employees. Contributions are 3% for all eligible employees. Expense totaled \$45,092 and \$37,673 during the years ended July 31, 2019 and 2018, respectively.

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