

Grace Place
For Children
and Families,
Inc.



Years Ended
July 31,
2020 and 2019

Financial
Statements

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

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INDEPENDENT AUDITORS' REPORT

November 20, 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, 2020 and 2019, 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, 2020 and 2019, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2020 the Organization adopted Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Statements of Financial Position

	July 31	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,578,561	\$ 1,017,513
Grants receivable	411,252	346,551
Prepaid expenses	84,772	78,397
Net property and equipment	11,949,380	12,000,304
Beneficial interest in assets held by Community Foundation	321,108	299,095
Total assets	\$ 14,345,073	\$ 13,741,860
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 54,046	\$ 150,460
Refundable advance - Paycheck Protection Program (Note 1)	158,371	-
Mortgage payable	525,813	578,364
Total liabilities	738,230	728,824
Net assets		
Without donor restrictions		
Net investment in property and equipment	11,423,567	11,421,940
Board-designated	540,743	519,279
Undesignated	1,099,699	903,789
Total without donor restrictions	13,064,009	12,845,008
With donor restrictions	542,834	168,028
Total net assets	13,606,843	13,013,036
Total liabilities and net assets	\$ 14,345,073	\$ 13,741,860

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, support and special events			
Revenue and gains			
Change in value of beneficial interest in assets held by the Community Foundation	\$ 864	\$ 79	\$ 943
Other	34,556	-	34,556
Total revenue and gains	35,420	79	35,499
Support			
Contributions	2,247,747	375,379	2,623,126
Grant income	1,460,682	-	1,460,682
Federal grant revenue - Paycheck Protection Program (Note 1)	382,379	-	382,379
In-kind gifts	35,801	-	35,801
Net assets released from restrictions	100,552	(100,552)	-
Total support	4,227,161	274,827	4,501,988
Special events, net of expenses	243,206	-	243,206
Total revenue, gains, support and special events	4,505,787	274,906	4,780,693
Expenses			
Program services	3,345,279	-	3,345,279
Management and general	349,994	-	349,994
Fundraising	491,613	-	491,613
Total expenses	4,186,886	-	4,186,886
Changes in net assets	318,901	274,906	593,807
Net assets, beginning of year	12,845,008	168,028	13,013,036
Transfer of net assets (Note 10)	(100,000)	100,000	-
Net assets, end of year	\$ 13,063,909	\$ 542,934	\$ 13,606,843

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 Restrictions	With Donor Restrictions	Total
Gains, support and special event			
Gains			
Interest income	\$ 3,410	\$ -	\$ 3,410
Change in value of beneficial interest in 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 (Note 7)	1,211,178	(1,211,178)	-
Total support	6,551,574	(1,110,076)	5,441,498
Special event, net of expenses	220,591	-	220,591
Total gains, support and special event	6,778,678	(1,109,877)	5,668,801
Expenses			
Program services	3,170,603	-	3,170,603
Management and general	392,862	-	392,862
Fundraising	459,971	-	459,971
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 Functional Expenses

Year Ended July 31, 2020

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 1,429,190	\$ 276,662	\$ 430,386	\$ 2,136,238
Program supplies	651,890	-	-	651,890
Depreciation	589,707	10,251	3,015	602,973
Occupancy costs	294,104	12,543	1,035	307,682
Venue and event	-	-	201,053	201,053
Utilities and telephone	109,188	1,041	307	110,536
Staff development	86,366	5,758	3,839	95,963
Office expense	71,240	15,113	11,123	97,476
Vehicle	89,399	-	-	89,399
Development	-	-	50,800	50,800
Professional services	-	24,338	1,250	25,588
Interest	24,195	815	124	25,134
Board expenses	-	3,473	-	3,473
Total expenses by function	3,345,279	349,994	702,932	4,398,205
Less expenses included with revenue on the statement of activities				
Special events expenses	-	-	(211,319)	(211,319)
Total expenses included in the expense section of the statement of activities	\$ 3,345,279	\$ 349,994	\$ 491,613	\$ 4,186,886

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 Services	Management and General	Fundraising	Total 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	279,999	12,543	1,254	293,796
Utilities and telephone	118,743	1,066	314	120,123
Venue and event	-	-	110,006	110,006
Staff development	86,701	5,843	3,895	96,439
Vehicle	96,030	-	-	96,030
Office expense	47,687	20,955	11,248	79,890
Development	-	-	65,275	65,275
Interest	34,102	652	192	34,946
Professional services	-	24,024	4,050	28,074
Board expenses	-	8,734	-	8,734
Total expenses by function	3,170,603	392,862	583,889	4,147,354
Less expenses included with revenue on the statement of activities				
Special event expenses	-	-	(123,918)	(123,918)
Total expenses included in the expense section of the statement of activities	\$ 3,170,603	\$ 392,862	\$ 459,971	\$ 4,023,436

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	
	2020	2019
Cash flows from operating activities		
Changes in net assets	\$ 593,807	\$ 1,645,365
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	602,973	469,902
Change in value of beneficial interest in assets held by the Community Foundation	(943)	(3,302)
Contributions restricted for capital purchases	(484,398)	(567,989)
Contributions restricted for endowment	(470)	(550)
Donated equipment	(20,000)	-
Changes in operating assets and liabilities which (used) provided cash		
Grants receivable	(64,701)	(229,495)
Prepaid expenses	(6,375)	(25,476)
Accounts payable and accrued expenses	(96,414)	(134,681)
Refundable advance - Paycheck Protection Program (Note 1)	158,371	-
Net cash provided by operating activities	<u>681,850</u>	<u>1,153,774</u>
Cash flows from investing activities		
Transfer of funds to be held by the Community Foundation	(21,070)	(6,275)
Purchase of property and equipment	<u>(532,049)</u>	<u>(2,499,800)</u>
Net cash used in investing activities	<u>(553,119)</u>	<u>(2,506,075)</u>
Cash flows from financing activities		
Contributions restricted for capital purchases	484,398	567,989
Contributions restricted for endowment	470	550
Repayments of mortgage payable	<u>(52,551)</u>	<u>(412,488)</u>
Net cash provided by financing activities	<u>432,317</u>	<u>156,051</u>
Net increase (decrease) in cash and cash equivalents	561,048	(1,196,250)
Cash and cash equivalents, beginning of year	<u>1,017,513</u>	<u>2,213,763</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,578,561</u></u>	<u><u>\$ 1,017,513</u></u>
Supplemental disclosures of cash flow information		
Interest paid	<u><u>\$ 24,740</u></u>	<u><u>\$ 38,362</u></u>

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.

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Many State Governors issued temporary Executive Orders that, among other stipulations, effectively prohibit in-person work activities for most businesses and industries including nonprofit entities, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the Organization's normal activities, initially requiring a shift to virtual after-school programs with fewer students. Fundraising efforts were suspended in mid-March 2020 and did not resume until June 1, 2020. The extent of the ultimate impact of the pandemic on the Organization's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on children and families, funders, employees and vendors, all of which cannot be reasonably predicted at this time. In addition, the current environment may place additional demands on the Organization for providing immediate financial support to the children and families it services. While management reasonably expects the COVID-19 outbreak to negatively impact the Organization's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

On April 20, 2020 the Organization received \$540,750 as a loan under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020. The loan has a two year maturity and is subject to a 1.0% interest rate. As of July 31, 2020, \$382,379 of this loan has been spent on eligible expenses and management expects the loan to be fully forgiven during fiscal 2021 in accordance with the CARES Act. Accordingly, the Organization has recognized this amount spent as federal grant revenue on the fiscal 2020 statement of activities, with the remaining balance of the proceeds from the PPP loan of \$158,371 recorded as refundable advances - Paycheck Protection Program on the statement of financial position as of July 31, 2020.

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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

- *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.

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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

Revenue Recognition

Contributions, including unconditional promises to give, are recorded in the period the gift or promise is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions upon which they depend have been met. The Organization's grants, including federal grants, meet the criteria to be nonexchange transactions for the purposes of applying revenue recognition policies. All contributions are considered without donor restriction unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When donor restrictions expire in the same reporting period when the donations are received, the donations are reported as without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

The Organization reports gifts of equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

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. There were no contributed services that met the criteria for recognition in 2020 or 2019.

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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

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 2017 through 2020, the years that remain subject to examination as of July 31, 2020. 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, 2020 and 2019, 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.

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 2019 financial statements have been reclassified to conform with the 2020 presentation.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

Change in Accounting Principle

The FASB issued Accounting Standards Update ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, in June 2018. The amendments in ASU No. 2018-08 provide additional guidance for entities to use to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and to determine whether the transaction is conditional. On August 1, 2019, the Organization adopted the standard on its contributions received using the modified prospective basis and elected to apply the standard only to agreements that were not entered into as of the effective date. There was no impact to the timing or amount of revenue recognized as a result of this adoption.

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, 2020, the most recent statement of financial position presented herein, through November 20, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified.

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:

	2020	2019
Cash and cash equivalents	\$ 1,578,561	\$ 1,017,513
Grants receivable	411,252	346,551
Beneficial interest in assets held by Community Foundation	321,108	299,095
Total financial assets	2,310,921	1,663,159
Less amounts unavailable for general expenditure within one year		
Board-designated funds		
Capital	247,910	247,910
Endowment	292,833	271,369
Total board-designated funds	540,743	519,279
Donor-restricted funds	514,559	140,302
Donor-restricted endowment funds	28,275	27,726
Subtotal	1,083,577	687,307
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,227,344	\$ 975,852

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

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 \$292,833 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. The Organization also has available a line of credit in the amount of \$500,000 (see Note 5).

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."

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 at July 31, 2020 and 2019.

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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

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:

	2020	2019
Beginning of year	\$ 299,095	\$ 289,518
Contributions	21,070	6,275
Net change in value	943	3,302
End of year	<u>\$ 321,108</u>	<u>\$ 299,095</u>

4. PROPERTY AND EQUIPMENT

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

	2020	2019
Property and equipment		
Building	\$ 10,642,298	\$ 10,642,298
Furniture, fixtures, and equipment	1,877,111	1,646,589
Building improvements	1,241,630	924,963
Land	241,922	241,922
Vehicles	233,846	233,846
Construction in progress	7,821	15,701
Total	<u>14,244,628</u>	<u>13,705,319</u>
Less accumulated depreciation	<u>2,295,248</u>	<u>1,705,015</u>
Net property and equipment	<u>\$ 11,949,380</u>	<u>\$ 12,000,304</u>

Construction in progress at July 31, 2020 consists of prepaid costs for the implementation of the Bamboo Human Resources software. The implementation of the software will conclude in the 2021 fiscal year and there are no additional costs expected with this implementation.

5. BORROWED DEBT

In May 2020, the Organization entered into an unsecured \$500,000 revolving line-of-credit agreement, available to support working capital needs. Interest is charged at a variable rate based on the prime rate of interest as published in the money rate section of The Wall Street Journal (3.25% at July 31, 2020). The agreement expires on November 8, 2020. Management intends to renew the line of credit subsequent to issuance of these financial statements. There were no outstanding draws on the line of credit as of July 31, 2020.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

Mortgage note payable consisted of the following at July 31:

	2020	2019
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% at July 31, 2020 and 2019), collateralized by the land and building.	\$ 525,813	\$ 578,364

Scheduled principal maturities of the mortgage note payable for the five years succeeding July 31, 2020 and thereafter are summarized as follows:

Year	Amount
2021	\$ 51,303
2022	58,253
2023	60,783
2024	63,384
2025	66,173
Thereafter	<u>225,917</u>
Total	<u>\$ 525,813</u>

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:

	2020	2019
Endowment fund	\$ 292,833	\$ 271,369
Capital	<u>247,910</u>	<u>247,910</u>
Total	<u>\$ 540,743</u>	<u>\$ 519,279</u>

The Board has designated \$292,833 and \$271,369 to be used as an endowment fund as of July 31, 2020 and 2019, 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.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

Notes to Financial Statements

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to purpose restriction		
Education	\$ 362,091	\$ 100,552
Capital	100,000	-
Restricted - other	39,750	39,750
Technology	12,718	-
Endowment		
Subject to appropriation and expenditure for a specified purpose		
Scholarships	28,083	27,613
Endowment earnings	192	113
Total	<u>\$ 542,834</u>	<u>\$ 168,028</u>

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.

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

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Notes to Financial Statements

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, 2020 and 2019.

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:

2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets composition by type of fund			
Board-designated endowment funds	\$ 292,833	\$ -	\$ 292,833
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	28,083	28,083
Accumulated investment gains	-	192	192
Total endowment net assets	\$ 292,833	\$ 28,275	\$ 321,108
Changes in endowment net assets			
Change in value of beneficial interest in assets held by the Community Foundation, net of fees	\$ 864	\$ 79	\$ 943
Contributions	20,600	470	21,070
Changes in endowment net assets	21,464	549	22,013
Endowment net assets, beginning of year	271,369	27,726	299,095
End of year	\$ 292,833	\$ 28,275	\$ 321,108
2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets composition by type of fund			
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
Total endowment net assets	\$ 271,369	\$ 27,726	\$ 299,095
Changes in endowment net assets			
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
Changes in endowment net assets	8,828	749	9,577
Endowment net assets, beginning of year	262,541	26,977	289,518
End of year	\$ 271,369	\$ 27,726	\$ 299,095

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■ 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 \$42,367 and \$45,092 during the years ended July 31, 2020 and 2019, respectively.

10. TRANSFER OF NET ASSETS

During the current year, information came to the attention of management that certain net assets reported as without donor restrictions as of July 31, 2019 were incorrectly classified as such and should have been reported as with donor restrictions. Accordingly, a transfer of net assets was made as of August 1, 2019 to reflect this change in classification. The reclassification had no effect on current year revenues or expenses.

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