

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JULY 31, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grace Place for Children and Families, Inc.
Naples, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Grace Place for Children and Families, Inc. (the Organization), which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grace Place for Children and Families, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Correction of Error

As described in Note 13 to the financial statements, the Organization corrected an error pertaining to the recording of in-kind revenues and expenses in the prior year. Revenues and expenses have been restated as of July 21, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grace Place for Children and Families, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Grace Place for Children and Families, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grace Place for Children and Families, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, on our consideration of Grace Place for Children and Families, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Grace Place for Children and Families, Inc.'s internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grace Place for Children and Families, Inc.'s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
December 7, 2022

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 433,055	\$ 631,146
Investments	2,171,742	2,069,516
Grants Receivable	476,228	609,673
Unconditional Promises to Give, Net	-	550,000
Prepaid Expenses	56,183	67,828
Beneficial Interest in Assets Held by Community Foundation	391,494	405,172
Property and Equipment, Net	10,868,254	11,421,686
Total Assets	\$ 14,396,956	\$ 15,755,021
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 237,587	\$ 166,679
Deferred Revenue	102,401	-
Note Payable	476,347	979,693
Total Liabilities	816,335	1,146,372
NET ASSETS		
Without Donor Restrictions:	13,157,160	13,642,011
With Donor Restrictions:	423,461	966,638
Total Net Assets	13,580,621	14,608,649
Total Liabilities and Net Assets	\$ 14,396,956	\$ 15,755,021

See accompanying Notes to Financial Statements.

**GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JULY 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Grant Revenue:			
Federal and State Grants	\$ 1,157,028	\$ -	\$ 1,157,028
Contributions and Other Grants	2,865,186	337,751	3,202,937
Special Events Revenue	\$ 347,075		
Special Events Expenses	<u>(58,229)</u>	-	288,846
Program Services	43,575	-	43,575
Gain/(Loss) on Disposition of Asset	(51,086)	-	(51,086)
In-Kind Contributions	1,702,256	-	1,702,256
(Decrease) in Beneficial Interest in Investments Held by Others	(39,713)	-	(39,713)
Investment Income (Loss)	<u>(209,857)</u>	-	<u>(209,857)</u>
Total	5,756,235	337,751	6,093,986
Net Assets Released from Restrictions	<u>880,928</u>	<u>(880,928)</u>	<u>-</u>
Total Support and Revenues	6,637,163	(543,177)	6,093,986
EXPENSES			
Program	6,214,243	-	6,214,243
General and Administrative	528,791	-	528,791
Fundraising	<u>378,980</u>	-	<u>378,980</u>
Total Expenses	<u>7,122,014</u>	<u>-</u>	<u>7,122,014</u>
CHANGE IN NET ASSETS	(484,851)	(543,177)	(1,028,028)
Net Assets - Beginning of Year	<u>13,642,011</u>	<u>966,638</u>	<u>14,608,649</u>
NET ASSETS - END OF YEAR	<u>\$ 13,157,160</u>	<u>\$ 423,461</u>	<u>\$ 13,580,621</u>

See accompanying Notes to Financial Statements.

**GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JULY 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Grant Revenue:			
Federal and State Grants	\$ 1,109,260	\$ -	\$ 1,109,260
Contributions and Other Grants	2,366,018	930,928	3,296,946
Special Events Revenue	\$ 376,951		
Special Events Expenses	<u>(45,090)</u>	-	331,861
Program Services	19,615	-	19,615
Gain/(Loss) on Sale of Asset	7,015	-	7,015
In-Kind Contributions	2,982,476	-	2,982,476
Increase in Beneficial Interest in Investments Held by Others	84,064	-	84,064
Investment Income	65,684	7,435	73,119
Grant Revenue	<u>642,761</u>	<u>-</u>	<u>642,761</u>
Total	7,608,754	938,363	8,547,117
Net Assets Released from Restrictions	<u>514,659</u>	<u>(514,659)</u>	<u>-</u>
Total Support and Revenues	8,123,413	423,704	8,547,117
EXPENSES			
Program	6,622,898	-	6,622,898
General and Administrative	431,360	-	431,360
Fundraising	<u>491,053</u>	<u>-</u>	<u>491,053</u>
Total Expenses	<u>7,545,311</u>	<u>-</u>	<u>7,545,311</u>
CHANGE IN NET ASSETS	578,102	423,704	1,001,806
Net Assets - Beginning of Year	<u>13,063,909</u>	<u>542,934</u>	<u>13,606,843</u>
NET ASSETS - END OF YEAR	<u>\$ 13,642,011</u>	<u>\$ 966,638</u>	<u>\$ 14,608,649</u>

See accompanying Notes to Financial Statements.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2022

	Bright Beginnings	Adult Education	School Age	Food Pantry	Total Program Services	General and Administrative	Fundraising	Total
Fundraising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,088	\$ 99,088
Strategic Planning	-	-	-	-	-	19,892	-	19,892
Depreciation and Amortization	203,118	58,034	261,152	58,034	580,338	10,087	2,967	593,392
Interest	6,330	1,809	8,139	1,809	18,087	314	92	18,493
Maintenance	555	-	555	-	1,110	-	-	1,110
Occupancy Costs	176,129	50,323	226,452	50,323	503,227	12,905	1,775	517,907
Office Expense	30,453	8,701	39,154	8,701	87,009	133,770	12,175	232,954
Program Supplies	107,807	2,825	117,680	1,743,516	1,971,828	4,988	-	1,976,816
Salaries and Benefits	954,118	331,455	1,425,162	57,539	2,768,274	338,028	318,845	3,425,147
Staff Development	12,830	2,749	65,980	916	82,475	7,331	1,833	91,639
Utilities and Telephone	34,916	9,976	67,247	9,976	122,115	1,476	434	124,025
Vehicle	39,890	-	39,890	-	79,780	-	-	79,780
Total	1,566,146	465,872	2,251,411	1,930,814	6,214,243	528,791	437,209	7,180,243
Less: Special Event Expenses	-	-	-	-	-	-	(58,229)	(58,229)
Total Functional Expenses	<u>\$ 1,566,146</u>	<u>\$ 465,872</u>	<u>\$ 2,251,411</u>	<u>\$ 1,930,814</u>	<u>\$ 6,214,243</u>	<u>\$ 528,791</u>	<u>\$ 378,980</u>	<u>\$ 7,122,014</u>

See accompanying Notes to Financial Statements.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2021

	Bright Beginnings	Adult Education	School Age	Food Pantry	Total Program Services	General and Administrative	Fundraising	Total
Fundraising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,212	\$ 120,212
Depreciation and Amortization	209,864	59,961	269,825	59,961	599,611	10,423	3,066	613,100
Interest	21,291	6,083	27,374	6,083	60,831	1,057	311	62,199
Maintenance	1,832	81	1,912	81	3,906	-	-	3,906
Occupancy Costs	130,744	37,355	170,078	37,355	375,532	12,905	1,392	389,829
Office Expense	21,701	6,200	27,902	6,200	62,003	84,143	2,423	148,569
Program Supplies	120,728	44,921	127,515	3,020,549	3,313,713	3,480	-	3,317,193
Salaries and Benefits	783,663	207,311	940,066	35,760	1,966,800	296,119	406,944	2,669,863
Staff Development	10,473	2,244	53,860	748	67,325	5,984	1,496	74,805
Utilities and Telephone	29,469	8,420	62,788	8,420	109,097	1,016	299	110,412
Vehicle	32,040	-	32,040	-	64,080	-	-	64,080
Professional Services	-	-	-	-	-	16,233	-	16,233
Total	<u>1,361,805</u>	<u>372,576</u>	<u>1,713,360</u>	<u>3,175,157</u>	<u>6,622,898</u>	<u>431,360</u>	<u>536,143</u>	<u>7,590,401</u>
Less: Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,090)</u>	<u>(45,090)</u>
Total Functional Expenses	<u>\$ 1,361,805</u>	<u>\$ 372,576</u>	<u>\$ 1,713,360</u>	<u>\$ 3,175,157</u>	<u>\$ 6,622,898</u>	<u>\$ 431,360</u>	<u>\$ 491,053</u>	<u>\$ 7,545,311</u>

See accompanying Notes to Financial Statements.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,028,028)	\$ 1,001,806
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Realized (Gain) Loss on Investments	(34,024)	(3,533)
Unrealized (Gain) Loss on Investments	307,303	(63,038)
Depreciation	593,392	613,100
Forgiveness of Debt	(495,097)	-
Loss on Disposition of Equipment	51,086	-
Change in Value of Beneficial Interest in		
Assets Held by the Community Foundation	13,678	(84,064)
Donated Securities Included in Contributions	(718,499)	(12,330)
(Increase) Decrease in:		
Grants and Contracts Receivable	133,445	(198,421)
Other Receivables	550,000	(550,000)
Prepaid Expenses	11,645	16,944
Increase (Decrease) in:		
Accounts Payable	70,908	112,633
Refundable Advances	-	(158,371)
Deferred Revenue	102,401	-
Net Cash (Used) Provided by Operating Activities	(441,790)	674,726
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,387,056	7,507
Purchases of Investments	(1,044,062)	(1,998,122)
Proceeds from Sale of Property and Equipment	-	8,647
Purchase of Property and Equipment	(91,046)	(94,053)
Net Cash Provided (Used) by Investing Activities	251,948	(2,076,021)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(8,249)	(46,120)
Proceeds from Refinancing Debt	-	500,000
Net Cash (Used) Provided by Financing Activities	(8,249)	453,880
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(198,091)	(947,415)
Cash and Cash Equivalents - Beginning of Year	631,146	1,578,561
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 433,055	\$ 631,146
 SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Forgiveness of Mortgage Note Payable	\$ 495,097	\$ -
Total	\$ 495,097	\$ -

See accompanying Notes to Financial Statements.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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 literacy-focused support programs for children and families in Golden Gate, Florida. These services are free of charge to those who need them.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned, regardless of when received, and expenses when incurred, regardless of when paid.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on 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, from net assets without donor restrictions, net assets for an endowment.

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.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all bank and similar deposits, demand accounts, money market funds, and short-term investments with an original maturity of three months or less to be cash equivalents. The Organization maintains bank accounts with balances, which, at times, may exceed federally insured limits.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts Receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible program service fees receivable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Management has determined that no allowance is necessary as of July 31, 2022.

Promises to Give

Unconditional promises to give expected to be collected in within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is to be received. Conditional promises to give are not included as support until such time as the conditions are substantially met. Additionally, the Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Revenue Recognition

All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Contributions and grants received with donor and grantor stipulations that limit the use of donated assets are treated as net assets with donor restrictions. When the purpose of the restriction is accomplished, the donor restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as Net Assets Released from Restrictions. All donor restricted contributions and grants whose restrictions are met in the same fiscal year as the donation is received are recorded as support without restriction.

Contributions subject to donor-imposed restrictions that they must be maintained permanently are treated as net assets with donor restrictions. The donor of those assets permits the use of income earned on related investments for general purposes.

Contributed services are recognized only if services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. Contributed services meeting the requirement for recognition in the financial statements are recorded at the fair market value of professional services rendered. During the years ended July 31, 2022 and 2021, no amounts met these criteria.

Grants or contributions restricted for the purpose of acquiring or constructing long-lived assets are recorded as net assets with donor restrictions until the long-lived asset is acquired or constructed; at such time the net assets are released from the restriction and reclassified to net assets without restriction. Absent donor restrictions as to how long long-lived assets must be maintained, expirations of donor restrictions are reported when donated or acquired long-lived assets are placed in service.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

A portion of the Organization's revenue is the product of cost reimbursement grants. Therefore, the Organization recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of July 31, 2022 and 2021, the Organization had \$102,401 and \$-0- in conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Investments

Investments are originally recorded at cost if purchased or, if donated, at fair market value on the date received. The Organization carries investments at fair value determined by quoted market prices. Investment income may be either with or without donor restricted resources when earned, determined according to the donor's imposed restrictions. Realized and unrealized gains and losses are recognized in the period in which they occur in the statements of activities.

Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs and quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, certificates of deposit, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset or inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds, and real estate.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Property and Equipment, Net

The Organization records equipment at cost when purchased, or at fair market value when donated. Donated assets are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with restriction. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor use restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with restriction to net assets without restriction at that time. The Organization may receive contributions of works of art or similar assets that are not part of a collection. These assets are accounted as held and used and are not depreciated.

The Organization capitalizes assets over \$2,500 or more and a useful life of one year or more. Buildings, improvements, vehicles, and equipment are depreciated using a straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 39 years. Expenditures for major renewals and betterments that extend the useful lives of buildings and equipment are capitalized. The Organization uses the straight-line method of depreciation calculated over the estimated useful life of the asset.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement 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 the programs and supporting services based on an estimated time and effort. Other expenses including depreciation, interest, and occupancy costs are allocated based on their proportionate square footage utilization.

Advertising Costs

It is the policy of the Organization to expense advertising costs when incurred.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Internal Revenue Service (IRS) has determined the Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization has been determined by the IRS not to be a private foundation within the meaning of Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization follows the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in an Organization's financial statements. The Organization evaluated their tax positions and determined they have no uncertain tax positions that would have a material impact on the financial statements.

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize their tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 7, 2022, the date the financial statements were issued.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 2 LIQUIDITY

The Organization routinely monitors liquidity to meet its operating needs and other contractual commitments. The Organization considers all expenditures related to its ongoing activities. In addition to the financial assets available to meet general expenditures, the Organization operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

The Organization's financial assets that are available within one year of the balance sheet date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 433,055	\$ 631,146
Investments	2,171,742	2,069,516
Grants and Contracts Receivable	476,228	609,673
Unconditional Promises to Give	<u>-</u>	<u>550,000</u>
Total	3,081,025	3,860,335
Less:		
Net Assets With Donor Restrictions for Purpose	<u>(423,461)</u>	<u>(966,638)</u>
Total	<u>\$ 2,657,564</u>	<u>\$ 2,893,697</u>

NOTE 3 BENEFICIAL INTEREST IN INVESTMENTS HELD BY OTHERS

The Organization has transferred funds to the Community Foundation of Collier County for investment purposes. The Community Foundation of Collier County is holding the funds for the benefit of the Organization. Future benefits of these funds remain on the books of the Organization as the funds originally belonged to the Organization. The investments are recorded at fair value at July 31, 2022 and 2021, and the balances are \$391,494 and \$405,172, respectively.

An additional fund exists at the Community Foundation of Collier County that does not meet the criteria of a beneficial interest fund 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 \$7,823 and \$6,900 at July 31, 2022 and 2021, respectively.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 4 INVESTMENTS

The Organization invests in investment grade mutual funds, equity securities, and debt securities from companies listed on recognized exchanges.

The components of investments are summarized as follows at July 31 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 1,795,747	\$ 1,671,215	\$ 1,464,464	\$ 1,515,491
Mutual Funds	620,260	500,527	542,014	554,025
Total	<u>\$ 2,416,007</u>	<u>\$ 2,171,742</u>	<u>\$ 2,006,478</u>	<u>\$ 2,069,516</u>

The Organization invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with the certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The following tabulations summarize unrealized and realized gains and losses for the year ended July 31, 2022 and 2021:

	2022		
	Cost	Fair Value	Excess (Deficit) Fair Value Over Cost
	<u>Cost</u>	<u>Fair Value</u>	<u>Over Cost</u>
Balance - July 31, 2021	\$ 2,006,478	\$ 2,069,516	\$ 63,038
Balance - July 31, 2022	2,416,007	2,171,742	(244,265)
Net Decrease in Unrealized Gain			(307,303)
Net Realized Gain			34,024
Total Unrealized and Realized Gains			<u>\$ (273,279)</u>
	2021		
	Cost	Fair Value	Excess (Deficit) Fair Value Over Cost
	<u>Cost</u>	<u>Fair Value</u>	<u>Over Cost</u>
Balance - July 31, 2020	\$ -	\$ -	\$ -
Balance - July 31, 2021	2,006,478	2,069,516	63,038
Net Increase in Unrealized Gain			63,038
Net Realized Gain			3,533
Total Unrealized and Realized Gains			<u>\$ 66,571</u>

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 4 INVESTMENTS (CONTINUED)

The following is a detailed summary of investment return for the year ended July 31:

	<u>2022</u>	<u>2021</u>
Dividends and Interest	\$ 63,422	\$ 6,548
Realized Gain on Sale of Investments	34,024	3,533
Investment Fees	-	-
Net Change in Unrealized Gain	(307,303)	63,038
Total Investment Return	<u>\$ (209,857)</u>	<u>\$ 73,119</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment, net, at July 31 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 241,922	\$ 241,922
Buildings and Improvements	11,888,473	11,883,928
Vehicles	200,196	200,196
Furniture and Fixtures	1,362,571	1,507,875
Software	250,380	248,398
Total	<u>13,943,542</u>	<u>14,082,319</u>
Accumulated Depreciation	<u>(3,075,288)</u>	<u>(2,660,633)</u>
Total Property and Equipment	<u>\$ 10,868,254</u>	<u>\$ 11,421,686</u>

Depreciation expense for the years ended July 31, 2022 and 2021 totaled \$571,992 and \$613,100, respectively.

NOTE 6 LINE OF CREDIT

The Organization has a line of credit in the amount of \$500,000, due February 20, 2024, which carries an interest rate equal to *The Wall Street Journal* prime rate. The interest rate was 3.25% at July 31, 2022. The balance on the line of credit at July 31, 2022 was \$-0-.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 7 NOTE PAYABLE

The Organization had a note payable outstanding as follows as of July 31:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Mortgage Note Payable to The Florida United Methodist Foundation, Inc., due through January 1, 2041 in monthly installments of \$6,305, including interest at a quarterly adjustable rate (effective rate of 4.25% at July 31, 2022) and collateralized by the land and building.	\$ 476,347	\$ 979,693
Total Notes Payable	<u>\$ 476,347</u>	<u>\$ 979,693</u>

Future Principal payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 16,818
2024	17,421
2025	18,143
2026	18,845
2027	19,574
Thereafter	<u>385,546</u>
Total	<u>\$ 476,347</u>

During the year ended July 31, 2022, a payment on the outstanding mortgage totaling \$495,097 was made to the Florida United Methodist Foundation, Inc. on behalf of the Organization by an individual donor.

NOTE 8 NET ASSETS

Net assets without donor restrictions consisted of the following as of July 31:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 2,406,513	\$ 2,830,558
Equity In Property and Equipment	10,391,907	10,441,993
Board-Designated Endowment	<u>358,740</u>	<u>369,460</u>
Total	<u>\$ 13,157,160</u>	<u>\$ 13,642,011</u>

The board maintains board-designated net assets for an endowment fund. The board has the option to re-direct the use of these net assets, if necessary.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 8 NET ASSETS (CONTINUED)

Net assets with donor restrictions consisted of the following as of July 31:

	2022	2021
Subject to Expenditure for Specified Purpose or Time:		
Education	\$ 387,751	\$ 380,928
Unconditional Promises to Give	-	550,000
Total Net Assets With Restrictions for Purpose or Time	387,751	930,928
Net Assets With Restrictions Perpetual in Nature:		
Endowment	35,710	35,710
Total Net Assets with Donor Restrictions	\$ 423,461	\$ 966,638

NOTE 9 ENDOWMENT

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has an endowment fund (the Fund) which is classified as net assets with donor restrictions – held in perpetuity with only the investment income available for operations.

Interpretation of Relevant Law

The board of directors has interpreted the relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment maintained in perpetuity, (b) the original value of subsequent gifts to the endowment maintained in perpetuity, and (c) accumulations to the endowment maintained in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions. The Organization considers all earnings on endowment funds to be appropriated and available for current year operations.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, as of July 31, 2022 and 2021, there were no deficiencies of this nature reported in net assets without donor restrictions.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 9 ENDOWMENT (CONTINUED)

Investment Policies

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.

Endowment net asset composition by fund type as of July 31, 2022 and 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - July 31, 2020	\$ 292,833	\$ 28,275	\$ 321,108
Investment Return:			
Investment Income	81,373	2693	84,066
Contributions	-	6067	6,067
Amounts Appropriated for Expenditures	<u>(4,746)</u>	<u>(1,323)</u>	<u>(6,069)</u>
Endowment Net Assets - July 31, 2021	\$ 369,460	\$ 35,712	\$ 405,172
Investment Return:			
Investment Income	(36,173)	(3,066)	(39,239)
Contributions	30,000	550	30,550
Amounts Appropriated for Expenditures	<u>(4,547)</u>	<u>(442)</u>	<u>(4,989)</u>
Endowment Net Assets - July 31, 2022	<u>\$ 358,740</u>	<u>\$ 32,754</u>	<u>\$ 391,494</u>

NOTE 10 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows at July 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unconditional Promises to Give	\$ -	\$ 550,000
Less: Discount to Net Present Value	-	-
Total	<u>\$ -</u>	<u>\$ 550,000</u>

Unconditional promises to give are reflected at present value of estimated future cash flows using discount rates at the time of gift. Management has estimated there to be no discount necessary for the years ended July 31, 2022 and 2021 as the remaining outstanding pledges are expected to be collected within the following year.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 11 FAIR VALUE MEASUREMENT

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets that the Organization measured at fair value on a recurring basis as of July 31:

	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Equities	\$ 1,671,215	\$ -	\$ -	\$ 1,671,215
Mutual Funds	500,527	-	-	500,527
Beneficial Interest in Assets				
Held by Others	-	-	391,494	391,494
Total Investments	<u>\$ 2,171,742</u>	<u>\$ -</u>	<u>\$ 391,494</u>	<u>\$ 2,563,236</u>

	2021			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Equities	\$ 1,515,491	\$ -	\$ -	\$ 1,515,491
Mutual Funds	554,025	-	-	554,025
Beneficial Interest in Assets				
Held by Others	-	-	405,172	405,172
Total Investments	<u>\$ 2,069,516</u>	<u>\$ -</u>	<u>\$ 405,172</u>	<u>\$ 2,474,688</u>

Instrument	Fair Value		Valuation Technique	Principal Unobservable Inputs
	2022	2021		
Beneficial Interest in Trusts	\$ 391,494	\$ 405,172	Market Price	Amount and Timing of Distributions
		Beneficial Interest in Assets 2022	Beneficial Interest in Assets 2021	
Purchases		\$ -	\$ 800	
Interest Income, Dividends, and Gains (Losses)		(39,239)	84,064	
Transfers In		30,550	6,067	
Transfers Out		(4,989)	(6,069)	

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 12 BENEFIT PLAN

The Organization provides a SIMPLE IRA plan for its employees. Contributions are 3% for all eligible employees. Expenses totaled \$93,589 and \$37,961 for the years ended July 31, 2022 and 2021, respectively.

NOTE 13 CORRECTION OF AN ERROR

During the year ended July 31, 2022, it was discovered that in the previous year the in-kind revenue and expense related to food donations and distributions for the food program were not recorded. As a result, revenues in the statement of activities and expenses in the statement of functional expenses were understated by \$2,982,176 at July 31, 2021.

The following schedule summarizes the changes for the year ending July 31, 2021:

	July 31, 2021 as Previously Reported	Under (Over) Statement Adjustment	July 31, 2021 As Restated
Revenues			
In-Kind Contributions	\$ 300	\$ 2,982,176	\$ 2,982,476
Expenses			
In-Kind Distributions for Food Program	-	2,982,176	2,982,176
Net Effect of Correction of Error		-	

NOTE 14 HURRICANE IAN

On September 28, 2022, Hurricane Ian impacted the Southwest Florida region causing severe flooding in many communities. The Organization's operations were shut down for a week. Though no property damage was incurred at the Organization, the property of those who financially support the Organization was heavily impacted. The people who enroll in the Organization's programs will be financially impacted through business closures due to repairs and recovery.

NOTE 15 IN-KIND CONTRIBUTIONS

The organization receives food in the form of donations throughout the year to support the food pantry program. The food donations includes the following main categories: proteins, produce, dairy, and bread. These donations are recorded in the financial statements as in-kind donations and the distributions are recorded as expenses. During the years ended July 31, 2022 and 2021, the organization received 884,834 and 1,713,894 in pounds of donated food, respectively. Based on industry standard, the estimated fair value of one pound of donated food for the years ended July 31, 2022 and 2021 was \$1.92 and \$1.74, respectively. The total in-kind revenue and expense related to food donations during the years ended July 31, 2022 and 2021 totaled \$1,698,881 and \$2,982,176, respectively.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022 AND 2021

NOTE 15 IN-KIND CONTRIBUTIONS (CONTINUED)

In-Kind contributions as of July 31, 2022 and 2021 were as follows:

<u>Category</u>	<u>Description</u>	<u>2022</u>	<u>2021</u>
Food	Food donated from local food banks for the food pantry program	\$ 1,698,881	\$ 2,982,176
Clothing and Other Donated Goods	Clothing, shoes, toys and other personal products	<u>3,375</u>	<u>300</u>
	Total	<u>\$ 1,702,256</u>	<u>\$ 2,982,476</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Grace Place for Children and Families, Inc.
Naples, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grace Place for Children and Families, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grace Place for Children and Families, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grace Place for Children and Families, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Grace Place for Children and Families, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grace Place for Children and Families, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
December 7, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Grace Place for Children and Families, Inc.
Naples, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Grace Place for Children and Families, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Grace Place for Children and Families, Inc.'s major federal programs for the year ended July 31, 2022. Grace Place for Children and Families, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Grace Place for Children and Families, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Grace Place for Children and Families, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Grace Place for Children and Families, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Grace Place for Children and Families, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Grace Place for Children and Families, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Grace Place for Children and Families, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Grace Place for Children and Families, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Grace Place for Children and Families, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Grace Place for Children and Families, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Grace Place for Children and Families, Inc.'s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Grace Place for Children and Families, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Grace Place for Children and Families, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Grace Place for Children and Families, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
December 7, 2022

**GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JULY 31, 2022**

Federal Agency Pass-Through Entity Federal Program	Assistance Listing Number	Contract Grant Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State of Florida, Department of Education			
21st Century Community Learning Centers	84.287C	93B-2242B-2PCC7	\$ 583,488
21st Century Community Learning Centers	84.287C	93B-2442B-2PCC6	372,119
21st Century Community Learning Centers	84.287C	93B-2242B-2PRN3	95,808
Total Assistance Listing Number			<u>1,051,415</u>
Passed Through Early Learning Coalition of SW Florida			
COVID-19 - Higher Education Relief Program	84.425F		48,594
Total from Department of Education			<u>1,100,009</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through The United Way, Emergency Food and Shelter National Board Program			
Total from Department of Justice	97.024		11,320
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Florida Department of Health Child and Adult Care Food Program			
Total from Department of Agriculture	10.558	A-3154	45,164
U.S. DEPARTMENT OF COMMERCE			
Passed Through Florida Gulf Coast University Project Waters			
	11.008		<u>535</u>
Total Federal Financial Assistance			<u><u>\$ 1,157,028</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JULY 31, 2022

NOTE 1 PURPOSE OF SCHEDULE

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Grace Place for Children and Families, Inc. (the Organization) under programs of the federal government for the year ended July 31, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. During the year ended July 31, 2022, there were no funds passed through to sub recipients.

**GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JULY 31, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|-------------------|----------------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | <u> x </u> yes | <u> </u> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness (es)? | <u> </u> yes | <u> x </u> none reported |
| 3. Noncompliance material to financial statements noted? | <u> </u> yes | <u> x </u> no |

Federal Awards

- | | | |
|---|-------------------|-----------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | <u> </u> yes | <u> x </u> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u> x </u> yes | <u> </u> none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs and state projects: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | <u> x </u> yes | <u> </u> no |

Identification of Major Federal Programs

Assistance Listing Number

84.287C

Name of Federal Program or Cluster

21st Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs/projects was:

Major Federal Program

\$ 750,000

Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?

 yes

 x no

GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JULY 31, 2022

Section II – Financial Statement Findings

2022 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: In-kind revenues and expenses for donations related to the food pantry program were not recorded during the years ended July 31, 2022 and 2021. Revenues and expenses were incorrectly understated. As a result, audit entries were required to properly record the in-kind donations and distributions for the year ended July 31, 2022 and revenues and expenses for the year ended July 31, 2021 were restated.

Criteria or specific requirement: Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Effect: Revenues and expenses were materially misstated for the years ended July 31, 2022 and 2021.

Cause: The Organization was not recording in-kind revenues and expenses for food donated to the organization as part of the food pantry program as required by GAAP.

Repeat finding: This is not a repeat finding.

Recommendation: The Organization should record their in-kind donations and distributions of food donated for the food pantry program at the fair market value of the donations.

Views of responsible officials and planned corrective actions: Management will ensure in-kind contributions, including food donated for the food pantry program, and the related distributions, will be recorded at fair market value.

**GRACE PLACE FOR CHILDREN AND FAMILIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JULY 31, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022 – 002

Federal Agency: U.S. Department of education

Federal Program Name: 21st Century Community Learning Centers

Assistance Listing Number: 84.287

Federal Award Identification Number and Year: 93B-2242B-2PCC7

Pass-Through Agency: State of Florida, Department of Education

Award Period: August 1, 2021 - July 31, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: 2 CFR Part 200.3.3 requires an entity establish and maintain effective internal controls over federal awards and provide reasonable assurance that federal funds are managed in a way that is compliant with federal statute, regulations, and the terms and conditions of the federal award.

Condition: The internal control over the review of the allowable costs charged to the grant failed. The monthly reimbursement requested payment for more than the actual amount of salaries expenses incurred.

Questioned costs: \$65

Context: We noted one of the 56 payroll expenses charged to the grant was not reviewed and approved prior to submission for reimbursement. An employee was paid for 5 hours of work when there approved timecard only had 2.5 hours listed. The grant was charged \$130 for the employees pay for the period selected when in fact only \$65 should have been charged to the grant.

Cause: The Organization failed to catch the error on the timecard and the monthly reimbursement packet during the review and reconciliation process.

Effect: The Organization submitted more expense reimbursements than were actually incurred.

Repeat finding: This is not a repeat finding.

Recommendation: We recommend the Organization design controls to ensure an adequate review process is in place to review amounts charged to the grant prior to submitting for reimbursement.

Views of responsible officials: There is no disagreement with the audit finding.