

Draft as of August 16, 2016, to be used only  
for management discussion purposes;  
engagement is incomplete; this draft is  
subject to final review and possible revision.

# **THE HAVEN OF GRACE**

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

**JUNE 30, 2016**

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## **Independent Auditor's Report**

Board of Directors  
The Haven of Grace

We have audited the accompanying financial statements of The Haven of Grace (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 the auditor's 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 statement referred to above present fairly, in all material respects, the financial position of The Haven of Grace as of June 30, 2016, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

Bergman, Schraier & Co. had previously audited The Haven of Grace's 2015 financial statements, and they expressed an unmodified opinion on those audited financial statements in their report dated October 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

St. Louis, Missouri  
\_\_\_\_\_, 2016

## THE HAVEN OF GRACE

### Statements of Financial Position

June 30, 2016

(With comparative totals for 2015)

(See Independent Auditor's Report)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	\$ 332,663	\$ 283,441
Grants receivable	6,684	-
Promises to give	36,100	70,188
Prepaid expenses	7,906	6,288
Deposits	2,313	2,313
Total Current Assets	<u>385,666</u>	<u>362,230</u>
<b>Investments, at fair value</b>		
Capital replacement	251,887	242,168
Endowment	1,434,263	1,331,975
Total Investments	<u>1,686,150</u>	<u>1,574,143</u>
<b>Property and Equipment, net</b>	<u>3,274,609</u>	<u>3,385,305</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,346,425</u></u>	<u><u>\$ 5,321,678</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,277	\$ 17,773
Accrued expenses	27,427	13,683
Other current liabilities	3,199	1,734
Total Current Liabilities	<u>37,903</u>	<u>33,190</u>
<b>Net Assets</b>		
Unrestricted:		
Investment in equipment and improvements, net	3,274,609	3,385,305
Board designated endowment	1,408,075	1,361,886
Available for general use	535,380	422,763
Total Unrestricted Net Assets	<u>5,218,063</u>	<u>5,169,954</u>
Temporarily restricted	<u>90,459</u>	<u>118,534</u>
Total Net Assets	<u>5,308,522</u>	<u>5,288,488</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,346,425</u></u>	<u><u>\$ 5,321,678</u></u>

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

## THE HAVEN OF GRACE

### Statement of Activities

For The Year Ended June 30, 2016

(With comparative totals for 2015)

( See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
<b>Revenues and Support</b>				
Contributions	\$ 335,935	\$ -	\$ 335,935	353,870
Private grants	123,453	-	123,453	190,809
Fundraisers	318,637	-	318,637	184,766
Governmental grants	35,323	-	35,323	44,694
Other income (loss)	(5,307)	-	(5,307)	36,493
Investment and interest income	65,791	-	65,791	72,559
Net assets released from restrictions	28,075	(28,075)	-	-
<b>Total Revenue and Support</b>	<b>901,907</b>	<b>(28,075)</b>	<b>873,832</b>	<b>883,191</b>
<b>Expenses</b>				
Program services	644,965	-	644,965	614,117
Management and general	115,518	-	115,518	109,954
Fundraising	93,315	-	93,315	124,871
<b>Total Expenses</b>	<b>853,798</b>	<b>-</b>	<b>853,798</b>	<b>848,942</b>
<b>CHANGE IN NET ASSETS</b>	<b>48,109</b>	<b>(28,075)</b>	<b>20,034</b>	<b>34,249</b>
Net assets, beginning of year	5,169,954	118,534	5,288,488	5,254,239
Net assets, end of year	\$ 5,218,063	\$ 90,459	\$ 5,308,522	\$ 5,288,488

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

## THE HAVEN OF GRACE

### STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2016

(With comparative totals for 2015)

(See Independent Auditor's Report)

	Supporting Services				Total Expenses	
	Program Services	Management and General	Fund Raising	Total Supporting Services	2016	2015
Salaries	\$ 292,271	\$ 69,008	\$ 44,653	\$ 113,661	\$ 405,932	\$ 406,694
Payroll taxes and benefits	41,736	9,854	6,376	16,230	57,967	59,004
Total Salaries and Related Expenses	334,007	78,862	51,029	129,891	463,899	465,698
Client education and events	3,384	-	-	-	3,384	7,483
Client financial assistance and scholarships	10,989	-	-	-	10,989	6,911
Client transportation	1,408	-	-	-	1,408	2,298
Food	13,232	-	-	-	13,232	18,933
Fundraisers	1,390	-	26,302	26,302	27,692	50,156
Household supplies	4,072	-	-	-	4,072	5,266
Insurance	40,273	2,238	2,237	4,475	44,748	43,551
Maintenance and repairs	30,732	809	809	1,618	32,351	20,213
Miscellaneous	-	2,381	-	2,381	2,381	-
Office	26,838	3,355	3,355	6,710	33,547	26,547
Professional services	25,289	21,789	3,500	25,289	50,578	38,199
Utilities	53,725	549	548	1,097	54,822	53,306
<b>Subtotal</b>	<b>545,339</b>	<b>109,983</b>	<b>87,780</b>	<b>197,763</b>	<b>743,102</b>	738,561
Depreciation	99,626	5,535	5,535	11,070	110,696	110,381
<b>Total Functional Expenses</b>	<b>\$ 644,965</b>	<b>\$ 115,518</b>	<b>\$ 93,315</b>	<b>\$ 208,833</b>	<b>\$ 853,798</b>	<b>\$ 848,942</b>
<b>2016 Percent of Total</b>	<b>76%</b>	<b>14%</b>	<b>11%</b>	<b>24%</b>	<b>100%</b>	-
<b>2015 Percent of Total</b>	<b>75%</b>	<b>13%</b>	<b>12%</b>	<b>25%</b>	-	100%

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

## THE HAVEN OF GRACE

### Statements of Cash Flows

For The Years Ended 30, 2016

(With comparative totals for 2015)

(See Independent Auditor's Report)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 20,034	\$ 34,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,696	110,381
Unrealized gains on investments	(31,405)	(42,917)
(Increase) Decrease in operating assets:		
Grants receivable	(6,684)	149
Promises to give	34,088	56,434
Prepaid expenses	(1,618)	(157)
Increase (Decrease) in operating liabilities:		
Accounts payable	(10,496)	12,030
Accrued expenses	13,744	1,241
Other current liabilities	1,465	(119,031)
<b>Net Cash Provided by Operating Activities</b>	<b>129,824</b>	<b>52,379</b>
<b>Cash flows from investing activities:</b>		
Acquisition of equipment	-	(8,202)
Investment purchases	(80,602)	(132,443)
<b>Net Cash Used in Investing Activities</b>	<b>(80,602)</b>	<b>(140,645)</b>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>49,222</b>	<b>(88,266)</b>
<b>Cash and equivalents, beginning of year</b>	<b>283,441</b>	<b>371,707</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 332,663</b>	<b>\$ 283,441</b>

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



## THE HAVEN OF GRACE

### Notes to Financial Statements

June 30, 2016

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#### Note A - Nature of Activities

The Haven of Grace (the “Organization”), a not-for-profit corporation, provides support services to single, homeless women between the ages of eighteen and twenty-four who have children and/or are expecting a child. The Organization’s major revenue sources include individual and corporate contributions, private and governmental grants, and fundraisers.

#### Note B - Summary of Significant Accounting Policies

The following summary of significant accounting policies of the Organization is presented to assist in the understanding of the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who are responsible for their integrity and objectivity.

##### **Basis of Accounting**

The financial statements of the Organization are prepared on the accrual basis of accounting.

##### **Comparative Data**

Data for the year ended June 30, 2015, is included to provide a basis for comparison with 2016 and presents summarized totals only. Accordingly, the 2015 totals are not intended to provide all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

##### **Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Cash and Equivalents**

Cash and equivalents include all cash balances and highly liquid investments purchased with a maturity of three months or less.

The Organization maintains its cash deposits at high quality financial institutions. Balances, at times, may exceed federally insured limits. Management believes no risk of loss exists.

## THE HAVEN OF GRACE

### Notes to Financial Statements - Continued

JUNE 30, 2016

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#### Note B - Summary of Significant Accounting Policies (Continued)

##### Grants Receivable

Grants receivable are the result of billings to grantors under specific contract agreements. In the opinion of management, no allowance for uncollectible grants receivable is considered necessary for the years ended June 30, 2016 and 2015.

##### Promises to Give

Legally enforceable promises to give are recorded as a receivable in the year made. Management expects to collect all remaining promises to give; therefore, they did not consider an allowance for uncollectible promises to give necessary as of June 30, 2016.

##### Investments

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted market prices in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

##### Fair Value Measurements

The Fair Value Measurement and Disclosure Topic of the FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable, and when determination of the fair value requires significant management judgment or estimation.

## THE HAVEN OF GRACE

### Notes to Financial Statements

June 30, 2016

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#### Note B - Summary of Significant Accounting Policies (Continued)

##### **Property and Equipment**

Property and equipment are valued at cost. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to forty years. An asset is capitalized if it has a cost of \$5,000 or more and is used in operations. Routine repairs and maintenance are expensed as incurred.

##### **Impairment of Long Lived Assets**

The Organization evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed for the years ended June 30, 2016 and 2015.

##### **Donated Services**

Donated services are recorded as public support only if they create or enhance non-financial assets, require specialized services, or represent an integral part of the Organization's programs.

A substantial number of unpaid volunteers contributed their time to the Organization's program services and fundraising campaigns. The value of these services is not reflected in the financial statements because the criteria for recognition were not met.

##### **Net Assets**

The financial statements are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by classifying beginning net assets and current year transactions into three classes of net assets: unrestricted, temporarily restricted, or permanently restricted.

##### **Unrestricted net assets**

"Unrestricted" means those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources the Board has set aside for a particular purpose. Unrestricted net assets are not subject to donor-imposed stipulations. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is met in the reporting period in which the support is recognized.

# THE HAVEN OF GRACE

## Notes to Financial Statements

June 30, 2016

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### Note B - Summary of Significant Accounting Policies (Continued)

#### Temporarily restricted net assets

This category represents net assets subject to donor-imposed stipulations that may or may not be met by actions of the Organization and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, the Organization reclassifies temporarily restricted net assets to unrestricted net assets and reports them within the statement of activity as net assets released from restrictions.

#### Permanently restricted net assets

These assets represent contributions subject to donor-imposed stipulations requiring that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for specific purposes. The Organization did not have permanently restricted net assets at June 30, 2016 or 2015.

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the program services, management and general, and fundraising.

#### Federal Income Tax Status

The Internal Revenue Service issued a determination ruling exempting the Organization from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization has addressed the provisions of FASB ASC 740, *Accounting for Income Taxes*. In that regard, the Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

#### Subsequent Events

The Organization has evaluated subsequent events through \_\_\_\_\_, 2016, the date the financial statements were available to be issued. No events require recognition in the financial statements or disclosures of the Organization per the definitions and requirements of FASB ASC Section 855-10, *Subsequent Events*.

## THE HAVEN OF GRACE

### Notes to Financial Statements

June 30, 2016

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#### Note C - Concentration of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist of cash and investments. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Realization of these items is dependent on various individual economic conditions. Cash and investments are based on quoted market prices. As of June 30, 2016, the Organization believed no significant concentrations of credit risk existed.

#### Note D - Promises to Give

At the fiscal year ended June 30, 2016 and 2015, respectively, promises to give consist of \$36,100 and \$70,188 unconditional contributions, all of which are expected to be collected within one year.

#### Note E - Investments

The following summarizes investment and interest income included in the Statement of Activities:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 34,386	\$ 29,642
Unrealized gains	<u>31,405</u>	<u>42,917</u>
Investment and Interest Income	<u>\$ 65,791</u>	<u>\$ 72,559</u>

Management determines the fair value measurement valuation policies and procedures, which are subject to Board of Directors' assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurement are still appropriate. During the year, there were no changes in the methods or assumptions utilized to derive the fair value of the Organization's assets and liabilities.

The Organization's investments are comprised entirely of mutual funds. The Organization's portfolio investments, based on their fair value, are classified as follows:

## THE HAVEN OF GRACE

### Notes to Financial Statements

June 30, 2016

#### Note E - Investments (Continued)

	Fair Value Measurements at June 30, 2016			
	Level 1 Quoted prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value
Mutual funds	\$ 1,686,150	\$ -	\$ -	\$1,686,150

	Fair Value Measurements at June 30, 2015			
	Level 1 Quoted prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value
Mutual funds	\$ 1,574,143	\$ -	\$ -	\$1,574,143

#### Note F - Board Designated Endowment

During 2012, The Haven of Grace established the Sally S. Lemkemeier Endowment to support the Organization's operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In the absence of donor restrictions, under the terms of the Organization's governing documents, the Board of Directors, in its sole discretion, has the ability to distribute so much of the original principal of any trust, separate gift or fund as they shall determine necessary. Therefore, the endowment is classified as unrestricted net assets for financial statement purposes.

The endowment funds are currently held in a separate investment account segregated from the Organization's other investment account. However, the endowment's investments may be added to the other investment assets as long as the Organization separately identifies the fund assets, including their respective returns.

## THE HAVEN OF GRACE

### Notes to Financial Statements

June 30, 2016

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#### Note F - Board Designated Endowment (Continued)

The investment objective of the Organization is to provide a return on investments that supports the Organization both in the short-term for annual income and the long-term for maintenance and growth of the endowment's purchasing power. Achievement of the return will be sought from an investment strategy which provides an opportunity for superior returns within acceptable levels of risk and volatility of returns.

The Organization has adopted a distribution policy stating that distributions from the endowment fund in any fiscal year shall not exceed 4% of the average fair market value of the endowment as of the last business day of the previous three fiscal years, unless approved by the Executive Committee and the Board of Directors.

Changes in board designated endowment net assets:

	<u>2016</u>	<u>2015</u>
Beginning of year	\$ 1,361,886	\$ 1,267,445
Contributions	35,600	33,640
Interest	29,095	24,912
Unrealized gains	26,844	35,889
Releases	(45,350)	-
End Of Year	<u>\$ 1,408,075</u>	<u>\$ 1,361,886</u>

#### Note G - Property and Equipment

	<u>2016</u>	<u>2015</u>
Land	\$ 214,401	\$ 214,401
Buildings	3,982,372	3,982,372
Furniture and equipment	72,736	72,736
Computer equipment and software	72,480	72,480
Sculpture	37,515	37,515
	4,379,504	4,379,504
Less accumulated depreciation and amortization	<u>1,104,895</u>	<u>994,199</u>
Net Book Value	<u>\$ 3,274,609</u>	<u>\$ 3,385,305</u>

## THE HAVEN OF GRACE

### Notes to Financial Statements

June 30, 2016

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#### Note H - Net Assets

Temporarily restricted net assets subject to the following donor-imposed restrictions:

	<u>2016</u>	<u>2015</u>
Landscaping	\$ -	\$ 13,575
Programs	54,359	55,859
Special event	-	3,000
Time-restricted	<u>36,100</u>	<u>46,100</u>
Total Temporarily Restricted Net Assets	<u>\$ 90,459</u>	<u>\$ 118,534</u>

Net assets released from donor-imposed restrictions:

	<u>2016</u>	<u>2015</u>
Employment training	\$ -	\$ 47,606
Mentoring of women	-	12,511
Passage of time	10,000	130,987
Special event	3,000	-
Programs	1,500	-
Landscaping	<u>13,575</u>	<u>-</u>
Net Assets Released from Restrictions	<u>\$ 28,075</u>	<u>\$ 191,104</u>

#### Note I - Retirement Plan

The Organization provides a 403(b) Employee Retirement Plan for all full-time employees. The Organization matches employee contributions at a rate of 50% for each dollar contributed up to \$1,000 per employee. Matching contributions totaled \$2,996 and \$5,179 for the years ended June 30, 2016 and 2015, respectively.