THE HAVEN OF GRACE FINANCIAL STATEMENTS JUNE 30, 2014

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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, 2014, 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 entity'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 entity'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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the The Haven of Grace's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bergman, Schraier & Co., P.C.

St. Louis, Missouri September 9, 2014

THE HAVEN OF GRACE STATEMENTS OF FINANCIAL POSITION JUNE 30, 2014 AND 2013

		2014	 2013
<u>ASSETS</u>			
CURRENT ASSETS Cash and equivalents Accounts receivable Promises to give - current Prepaid expenses Deposits Total Current Assets	\$	371,614 149 111,622 6,131 2,313 491,829	\$ 1,289,396 439 281,075 5,205 2,313 1,578,428
		•	
PROMISES TO GIVE - LONG-TERM		15,000	112,650
INVESTMENTS Capital replacement Endowment Total Investments		230,423 1,168,453 1,398,876	 174,432 - 174,432
PROPERTY AND EQUIPMENT, NET		3,487,484	 3,596,391
TOTAL ASSETS	\$	5,393,189	\$ 5,461,901
LIABILITIES AND NET A	SSE	TS	
CURRENT LIABILITIES Accounts payable Accrued expenses Insurance proceeds Other current liabilities Total Current Liabilities	\$	5,743 12,442 117,655 3,110 138,950	\$ 19,363 9,544 700 29,607
NET ASSETS Unrestricted: Investment in equipment and improvements, net Board designated endowment Available for general use Total Unrestricted Net Assets		3,487,484 1,267,445 317,106 5,072,035	 3,596,391 1,229,425 145,552 4,971,368
Temporarily restricted		182,204	460,926
Total Net Assets		5,254,239	 5,432,294
TOTAL LIABILITIES AND NET ASSETS	\$	5,393,189	\$ 5,461,901

The accompanying notes should be read in conjunction with the financial statements.

THE HAVEN OF GRACE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

(With comparative totals for 2013)

			Ten	nporarily	rily To		tal	
	Un	restricted	Re	estricted		2014	2	2013
REVENUE AND SUPPORT								
Contributions	\$	220,175	\$	25,349	\$	245,524	\$ 1,	482,050
Private grants		121,055		30,000		151,055		112,384
Fundraisers (net of \$30,715								
in direct benefit to donors)		135,515		-		135,515		330,284
Governmental grants		74,491				74,491		28,719
Other		16,242		-		16,242		20,165
Investment and interest income		142,893		-		142,893		17,589
Net assets released								
from restrictions		234,071		(234,071)		Ent.		
Total Revenue and Support		944,442		(178,722)		765,720	1,	991,191
EXPENSES								
Program services		647,314		-		647,314		638,843
Management and general		83,540		_		83,540		74,952
Fundraising		112,921		_		112,921		102,110
Total Expenses		843,775		-		843,775		815,905
UNCOLLECTIBLE PLEDGE		-		100,000		100,000		
CHANGE IN NET ASSETS		100,667	***************************************	(278,722)		(178,055)	1,	175,286
NET ASSETS								
Beginning of year		4,971,368		460,926		5,432,294	4,	257,008
End of year	\$:	5,072,035	\$	182,204	\$:	5,254,239	\$ 5,	432,294

THE HAVEN OF GRACE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

(With comparative totals for 2013)

Supporting Services

								Total		
	Program		Management Fr			Fund	Su	pporting	 Total Expe	enses
		Services	and	General	1	Raising	S	Services	 2014	2013
Salaries	\$	303,082	\$	39,693	\$	55,540	\$	95,233	\$ 398,315 \$	384,462
Payroll taxes and benefits		45,249		5,926		8,292		14,218	 59,467	62,638
Total Salaries and Related Expenses		348,331		45,619		63,832		109,451	457,782	447,100
Client education and events		6,773		-		-		-	6,773	6,416
Client financial assistance and scholarships		7,089		-		_			7,089	8,987
Client transportation		4,064		-		-		-	4,064	4,040
Food		21,039		_		-		-	21,039	19,725
Fundraisers		-		-		30,995		30,995	30,995	20,127
Household supplies		6,848		-		_		_	6,848	5,522
Insurance		25,904		5,181		3,454		8,635	34,539	32,712
Maintenance and repairs		28,230		-		_			28,230	37,723
Miscellaneous		· <u>-</u>		10,060		_		10,060	10,060	97
Office		24,836		4,967		3,312		8,279	33,115	31,896
Professional services		25,873		7,961		5,971		13,932	39,805	40,112
Utilities	H	42,855		5,357		5,357		10,714	 53,569	50,956
Subtotal		541,842		79,145		112,921		192,066	733,908	705,413
Depreciation		105,472		4,395		<u></u>		4,395	109,867	110,492
Total Expenses	\$	647,314	\$	83,540	\$	112,921	\$	196,461	\$ 843,775 \$	815,905
2014 Percent of Total		77%		10%		13%		23%	100%	_
2013 Percent of Total		78%		9%		13%		22%	-	100%

The accompanying notes should be read in conjunction with the financial statements.

THE HAVEN OF GRACE STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013		
OPERATING ACTIVITIES				
Change in net assets	\$ (178,055)	\$ 1,175,286		
Adjustments to reconcile change in net assets				
to net cash provided by operating activities:				
Depreciation	109,867	110,492		
Unrealized gains on investments	(120,874)	(13,567)		
(Increase) Decrease in operating assets:				
Accounts receivable	290	(393)		
Promises to give	267,103	(331,225)		
Prepaid expenses	(926)	176		
Increase (Decrease) in operating liabilities:				
Accounts payable	(13,620)	10,252		
Accrued expenses	2,898	(1,171)		
Insurance proceeds	117,655	-		
Other current liabilities	2,410	(805)		
Net Cash Provided by Operating Activities	186,748	949,045		
INVESTING ACTIVITIES				
Acquisition of equipment	(960)	(16,993)		
Investment purchases	(1,103,570)	(33,193)		
Net Cash Used in Investing Activities	(1,104,530)	(50,186)		
CASH AND EQUIVALENTS	•			
Net increase (decrease)	(917,782)	898,859		
Beginning of year	1,289,396	390,537		
	\$ 371,614	\$ 1,289,396		
End of year	Φ 5/1,014	Ψ 1,207,390		

THE HAVEN OF GRACE NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

Concentrations of 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, 2014, the Organization believed no significant concentrations of credit risk existed.

Accounts Receivable

The Organization states accounts receivable at the amount management expects to collect from individual balances outstanding at year-end. Management considers accounts receivable to be fully collectible and, accordingly, did not provide an allowance for doubtful accounts.

Promises To Give

Legally enforceable promises to give are recorded as a receivable in the year made. Management wrote-off one uncollectible promise to give in the amount of \$100,000 during 2014. There were no write-offs in 2013. 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, 2014.

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 Organization's portfolio investments, based on their fair value, are classified as follows:

	<u> </u>	2014		2013	
Level 1	\$	1,398,876	\$	174,432	
Level 2		-		-	
Level 3		-		-	
Total Portfolio Investments	\$_	1,398,876	\$	174,432	

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. Routine repairs and maintenance are expensed as incurred.

Revenue Recognition

The Organization reports revenues as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions and reports expenses as decreases in unrestricted net assets. Unconditional promises to give are recognized in the period in which the pledge is made.

The Organization records temporarily restricted contributions whose restrictions are met in the period received as changes in unrestricted net assets.

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 develop the Organization's program services and fundraising campaigns. The value of these services is not reflected in the financial statements since their valuation is not susceptible to an objective measurement.

Net Asset Classifications

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 expires in the reporting period in which the support is recognized.

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, 2014 or 2013.

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. Costs common to several functions are allocated based on periodic time and expense studies.

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 Internal Revenue Service does not consider the Organization a private foundation; therefore, income from certain unrelated business activities not directly related to its exempt purpose, if any, is subject to income tax.

The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Exempt Organization Business Returns are subject to examination by the IRS for the statutory period.

Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Subsequent Events

As required by the Subsequent Events Topic of the FASB Accounting Standards Codification the Organization has evaluated subsequent events through September 9, 2014, the date which the financial statements were available to be issued.

2. PROMISES TO GIVE

Promises to give consist of unconditional contributions collectible as follows:

	2014			2013	
Less than one year One to five years	\$	111,622 15,000	\$	281,075 112,650	
Total Promises to Give	\$	126,622	\$	393,725	

3. CONDITIONAL PROMISE TO GIVE

In February 2014, the Organization received a conditional promise to give of \$20,000 from the City of St. Louis to be utilized for the residential maternity shelter and requires the Organization to submit project expenses for reimbursement. No expenses have been submitted in 2014; therefore, no revenue has been recorded.

4. INVESTMENTS

The Organization's investments, recorded at fair value, are comprised entirely of mutual funds. Investments totaled \$1,398,876 and \$174,432 at June 30, 2014 and June 30, 2013, respectively.

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

		<u>2014</u>				
	Cash Evalents		Capital lacement	En	dowment	 Total
Dividends and interest Unrealized gains	\$ 48	\$	4,082 26,910	\$	17,889 93,964	\$ 22,019 120,874
Investment and Interest Income	\$ 48	\$	30,992	\$	111,853	 142,893
		<u>2013</u>				
Dividends and interest Unrealized gains	\$ 149	\$	3,192 13,567	\$	681	\$ 4,022 13,567
Investment and Interest Income	 149	\$	16,759	\$	681	\$ 17,589

5. BOARD DESIGNATED ENDOWMENT

During September 2012, The Haven of Grace established the Sally S. Lemkemeier Endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, 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 and all restricted funds, including their respective returns.

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:

	2014	2013
Beginning of year Contributions Interest Unrealized gains Investment fees Write-off of uncollectible pledge	\$ 1,229,425 26,349 17,889 93,964 (182) (100,000)	\$ - 1,228,841 681 - (97)
End of year	\$ 1,267,445	\$ 1,229,425
6. PROPERTY AND EQUIPMENT Land Buildings Furniture and equipment Computer equipment and software Sculpture	\$ 214,401 3,982,372 64,534 72,480 37,515	\$ 214,401 3,981,412 64,534 72,480 37,515
Less accumulated depreciation and amortization	4,371,302 883,818	4,370,342 773,951
Net Book Value	\$ 3,487,484	\$ 3,596,391

7. INSURANCE PROCEEDS

During 2014, the Organization received insurance proceeds totaling \$117,655 relating to water damage. No amounts were expended during 2014.

8. NET ASSETS

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

	2014			2013
Employment training	\$	47,606	\$	47,606
Salaries and client assistance		-		37,500
Mentoring of women		12,511		12,511
Time-restricted		122,087		363,309
Total Temporarily Restricted Net Assets	\$	182,204	\$	460,926
Net assets released from donor-imposed restrictions:				
Passage of time	\$	196,571	\$	_
Salaries and client assistance		37,500		15,000
Mentoring of women		-		1,400
Net Assets Released from Restrictions	\$	234,071	\$	16,400

9. 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 \$6,405 and \$3,922 for the year ended June 30, 2014 and 2013, respectively.