

THE HAVEN OF GRACE

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

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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 statements of financial position as of June 30, 2018, 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, 2018, 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 Haven of Grace 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Brown Smith Wallace, LLP

St. Louis, Missouri
August 21, 2018

THE HAVEN OF GRACE

Statements of Financial Position

June 30, 2018 and 2017

(See Independent Auditor's Report)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and equivalents	\$ 368,558	\$ 241,095
Grants receivable	2,575	33,226
Promises to give	-	34,154
Prepaid expenses	7,942	10,858
Deposits	2,345	2,311
Total Current Assets	381,420	321,644
Investments, at fair value		
Capital replacement	264,706	327,806
Endowment	1,701,079	1,573,689
Total Investments	1,965,785	1,901,495
Property and Equipment, net	3,266,586	3,163,914
TOTAL ASSETS	\$ 5,613,791	\$ 5,387,053
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 12,837	\$ 18,614
Accrued expenses	34,066	21,761
Deferred revenue	44,862	-
Other current liabilities	5,959	3,758
Total Current Liabilities	97,724	44,133
Net Assets		
Unrestricted:		
Investment in equipment and improvements, net	3,266,586	3,163,914
Board designated endowment	1,709,977	1,592,753
Available for general use	539,504	529,143
Total Unrestricted Net Assets	5,516,067	5,285,810
Temporarily restricted	-	57,110
Total Net Assets	5,516,067	5,342,920
TOTAL LIABILITIES AND NET ASSETS	\$ 5,613,791	\$ 5,387,053

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

THE HAVEN OF GRACE

Statements of Activities

For The Year Ended June 30, 2018

(With comparative totals for 2017)

(See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
Revenues and Support				
Contributions	\$ 513,017	\$ -	\$ 513,017	\$ 447,441
In-kind contributions	45,758	-	45,758	-
Fundraisers (net of direct expenses of \$33,186 and \$11,381, respectively)	92,210	-	92,210	138,503
Governmental grants	411,613	-	411,613	187,379
Other income (loss)	15,993	-	15,993	17,883
Investment and interest income	157,697	-	157,697	180,787
Net assets released from restrictions	57,110	(57,110)	-	-
Total Revenue and Support	1,293,398	(57,110)	1,236,288	971,993
Expenses				
Program services	740,217	-	740,217	672,101
Management and general	168,928	-	168,928	168,168
Fundraising	153,996	-	153,996	97,326
Total Expenses	1,063,141	-	1,063,141	937,595
CHANGE IN NET ASSETS	230,257	(57,110)	173,147	34,398
Net assets, beginning of year	5,285,810	57,110	5,342,920	5,308,522
Net assets, end of year	\$ 5,516,067	\$ -	\$ 5,516,067	\$ 5,342,920

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

THE HAVEN OF GRACE

Statements of Functional Expenses

For The Year Ended June 30, 2018

(With comparative totals for 2017)

(See Independent Auditor's Report)

	Supporting Services				Total Expenses	
	Program Services	Management and General	Fund Raising	Supporting Services	Total Expenses	
					2018	2017
Salaries	\$ 322,259	\$ 59,454	\$ 50,138	\$ 109,592	\$ 431,851	\$ 442,470
Payroll taxes and benefits	51,748	9,547	8,051	17,598	69,346	71,912
Total Salaries and Related Expenses	374,007	69,001	58,189	127,190	501,197	514,382
Client education and events	10,109	-	-	-	10,109	6,556
Client financial assistance and scholarships	8,085	-	-	-	8,085	8,789
Client transportation	648	-	-	-	648	1,095
Food	7,154	-	-	-	7,154	10,197
Fundraisers	-	-	23,841	23,841	23,841	20,227
Household supplies	7,767	-	-	-	7,767	3,649
Insurance	43,049	2,392	2,392	4,784	47,832	45,954
In-kind expenses	45,758	-	-	-	45,758	-
Maintenance and repairs	24,984	657	657	1,314	26,299	36,941
Miscellaneous	17,476	4,339	-	4,339	21,815	100
Office	8,306	10,639	35,277	45,916	54,221	43,527
Professional services	30,684	75,560	27,300	102,860	133,544	81,597
Utilities	58,892	601	601	1,202	60,094	53,885
Subtotal	636,919	163,189	148,257	311,446	948,365	826,899
Depreciation	103,298	5,739	5,739	11,478	114,776	110,696
Total Functional Expenses	\$ 740,217	\$ 168,928	\$ 153,996	\$ 322,924	\$ 1,063,141	\$ 937,595
2018 Percent of Total	70%	16%	14%	30%	100%	-
2017 Percent of Total	72%	18%	10%	28%	-	100%

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

THE HAVEN OF GRACE

Statements of Cash Flows

For The Years Ended June 30, 2018 and 2017
 (See Independent Auditor's Report)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 173,147	\$ 34,398
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	114,776	110,696
Unrealized gains on investments	(115,398)	(142,704)
(AIncrease) Decrease in operating assets:		
Grants receivable	30,651	(26,542)
Promises to give	34,154	1,946
Prepaid expenses	2,916	(2,952)
Increase (Decrease) in operating liabilities:		
Accounts payable	(5,777)	11,337
Accrued expenses	12,305	(5,666)
Deferred revenue	44,862	-
Other current liabilities	2,201	559
Net Cash Provided by (Used in) Operating Activities	293,837	(18,928)
Cash flows from investing activities:		
Purchases of fixed assets	(217,446)	-
Investment purchases	(147,011)	(72,640)
Proceeds from sale of investments	198,083	-
Net Cash Used in Investing Activities	(166,374)	(72,640)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	127,463	(91,568)
Cash and equivalents, beginning of year	241,095	332,663
Cash and equivalents, end of year	\$ 368,558	\$ 241,095

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

THE HAVEN OF GRACE

Notes to Financial Statements

June 30, 2018

(See Independent Auditor's Report)

Note A - Nature of Activities

The Haven of Grace (the “Organization”), a not-for-profit corporation located in St. Louis, Missouri, 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, 2017, is included to provide a basis for comparison with 2018 and presents summarized totals only. Accordingly, the 2017 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, 2017, 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, 2018

(See Independent Auditor's Report)

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, 2018 and 2017.

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 in the short-term; therefore, they did not consider an allowance for uncollectible promises to give necessary as of June 30, 2018 and 2017.

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 - Continued

June 30, 2018

(See Independent Auditor's Report)

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, 2018 and 2017.

Donated Goods and 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. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

Deferred revenue

The Organization receives various cost reimbursement grants. Revenue is recognized for these grants as the expenses are incurred. Deferred revenue relates to payments received from grantors in excess of allocable grant expenses incurred for the grant period. These excess funds will be applied to Haven's future grant allocation.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2018

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

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.

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 activities 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, 2018 or 2017.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2018

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement 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.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Subsequent Events

The Organization has evaluated subsequent events through August 21, 2018, the date the financial statements were available to be issued.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2018

(See Independent Auditor's Report)

Note C - Concentrations 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, 2018, the Organization believed no significant concentrations of credit risk existed.

The Organization is dependent upon its grantors and donors to provide support through grants and contributions. Support from one grantor represented 33% and 14% of total revenues during the years ended June 30, 2018 and 2017, respectively.

Note D - Investments and Fair Value Measurements

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

	2018	2017
Dividends and interest	\$ 42,299	\$ 38,083
Unrealized gains	<u>115,398</u>	<u>142,704</u>
Investment and Interest Income	<u>\$ 157,697</u>	<u>\$ 180,787</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 HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2018

(See Independent Auditor's Report)

Note D - Investments and Fair Value Measurements (Continued)

The Organization's investments are comprised entirely of mutual funds. Fair value is determined based on net asset value of shares held at year end. The Organization's portfolio investments, based on their fair value, are classified as follows:

Fair Value Measurements at June 30, 2018				
	Level 1	Level 2	Level 3	Total
Quoted prices in Active Markets for Identical Assets	Significant Other Observable		Significant Unobservable	
	Inputs		Inputs	Fair Value
Mutual funds	\$ 1,965,785	\$ -	\$ -	\$ 1,965,785

Fair Value Measurements at June 30, 2017				
	Level 1	Level 2	Level 3	Total
Quoted prices in Active Markets for Identical Assets	Significant Other Observable		Significant Unobservable	
	Inputs		Inputs	Fair Value
Mutual funds	\$ 1,901,495	\$ -	\$ -	\$ 1,901,495

Note E - 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 HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2018

(See Independent Auditor's Report)

Note E - Board Designated Endowment (Continued)

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 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>2018</u>	<u>2017</u>
Beginning of year	\$ 1,592,753	\$ 1,408,075
Contributions	45,000	35,000
Interest	35,132	31,087
Unrealized gains	94,998	118,691
Investment fees	(40)	(100)
Releases	<u>(57,866)</u>	-
End of year	<u>\$ 1,709,977</u>	<u>\$ 1,592,753</u>

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2018

(See Independent Auditor's Report)

Note F - Property and Equipment

	2018	2017
Land	\$ 214,401	\$ 214,401
Buildings and improvements	4,048,576	3,982,371
Furniture and equipment	218,011	72,736
Computer equipment and software	77,731	72,480
Sculpture	37,515	37,515
	4,596,234	4,379,503
Less accumulated depreciation and amortization	1,329,648	1,215,589
	\$ 3,266,586	\$ 3,163,914

Note G - Net Assets

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

	2018	2017
Programs	\$ -	\$ 22,956
Time-restricted	-	34,154
Total Temporarily Restricted Net Assets	\$ -	\$ 57,110

Net assets released from donor-imposed restrictions:

	2018	2017
Passage of time	\$ 34,154	\$ 27,300
Programs	22,956	33,403
Net Assets Released from Restrictions	\$ 57,110	\$ 60,703

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2018

(See Independent Auditor's Report)

Note H - 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 \$3,282 and \$5,324 for the years ended June 30, 2018 and 2017, respectively.