

THE HAVEN OF GRACE

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019
APPROVED SEP 19 2019

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THE FIRM FOR GROWTH.®

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, 2019, and the related statement 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 statements referred to above present fairly, in all material respects, the financial position of The Haven of Grace as of June 30, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Brown Smith Wallace, LLP

St. Louis, Missouri
September 6, 2019

THE HAVEN OF GRACE

Statements of Financial Position

June 30, 2019 and 2018

(See Independent Auditor's Report)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and equivalents	\$ 320,001	\$ 368,558
Promises to give	49,683	2,575
Prepaid expenses	12,415	7,942
Deposits	2,244	2,345
Total Current Assets	<u>384,343</u>	<u>381,420</u>
Investments, at fair value		
Capital replacement	341,167	264,706
Endowment	1,894,301	1,701,079
Total Investments	<u>2,235,468</u>	<u>1,965,785</u>
Property and Equipment, net	<u>3,159,700</u>	<u>3,266,586</u>
TOTAL ASSETS	<u>\$ 5,779,511</u>	<u>\$ 5,613,791</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 16,444	\$ 12,837
Accrued expenses	28,390	34,066
Deferred revenue	20,388	44,862
Other current liabilities	5,599	5,959
Total Current Liabilities	<u>70,821</u>	<u>97,724</u>
Net Assets		
Without Donor Restrictions:		
Investment in equipment and improvements, net	3,159,700	3,266,586
Board designated endowment	1,904,284	1,709,977
Available for general use	540,228	539,504
Total Net Assets Without Donor Restrictions	<u>5,604,212</u>	<u>5,516,067</u>
With Donor Restrictions	<u>104,478</u>	<u>-</u>
Total Net Assets	<u>5,708,690</u>	<u>5,516,067</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,779,511</u>	<u>\$ 5,613,791</u>

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

THE HAVEN OF GRACE

Statements of Activities

For The Year Ended June 30, 2019

(With comparative totals for 2018)

(See Independent Auditor's Report)

	Net Assets	Net Assets	Total	
	Without Donor Restrictions	With Donor Restrictions	2019	2018
Revenues and Support				
Contributions	\$ 322,353	\$ 104,478	\$ 426,831	\$ 513,017
In-kind contributions	57,749	-	57,749	45,758
Fundraisers (net of direct expenses of \$24,544 and \$33,186, respectively)	129,074	-	129,074	92,210
Governmental grants	443,623	-	443,623	411,613
Other income (loss)	17,382	-	17,382	15,993
Investment and interest income	179,360	-	179,360	157,697
Net assets released from restrictions	-	-	-	-
Total Revenue and Support	1,149,541	104,478	1,254,019	1,236,288
Expenses				
Program services	687,980	-	687,980	740,217
Management and general	180,916	-	180,916	168,928
Fundraising	192,500	-	192,500	153,996
Total Expenses	1,061,396	-	1,061,396	1,063,141
CHANGE IN NET ASSETS	88,145	104,478	192,623	173,147
Net assets, beginning of year	5,516,067	-	5,516,067	5,342,920
Net assets, end of year	\$ 5,604,212	\$ 104,478	\$ 5,708,690	\$ 5,516,067

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, 2019

(With comparative totals for 2018)

(See Independent Auditor's Report)

	Supporting Services					Total Expenses
	Program Services	Management and General	Fund Raising	Total		
				Supporting Services	2019	
Salaries	\$ 238,228	\$ 103,382	\$ 107,877	\$ 211,259	\$ 449,487	\$ 431,851
Payroll taxes and benefits	38,284	16,614	17,336	33,950	72,234	69,346
Total Salaries and Related Expenses	276,512	119,996	125,213	245,209	521,721	501,197
Client education and events	9,244	-	-	-	9,244	10,109
Client financial assistance and scholarships	17,915	-	-	-	17,915	8,085
Client transportation	4,721	-	-	-	4,721	648
Food	9,653	-	-	-	9,653	7,154
Fundraising events	-	-	45,967	45,967	45,967	57,027
Household supplies	16,975	-	-	-	16,975	7,767
Insurance	42,507	4,758	2,501	7,259	49,766	47,832
In-kind expenses	57,749	-	-	-	57,749	45,758
Maintenance and repairs	33,600	297	297	594	34,194	33,756
Miscellaneous	11,000	-	-	-	11,000	21,815
Office	12,388	14,909	21,410	36,319	48,707	54,222
Professional services	18,211	38,127	19,187	57,314	75,525	133,544
Utilities	49,330	1,521	1,161	2,682	52,012	52,637
Total functional expenses before depreciation	559,805	179,608	215,736	395,344	955,149	981,551
Depreciation	128,175	1,308	1,308	2,616	130,791	114,776
Less: Direct special events expenses	-	-	(24,544)	(24,544)	(24,544)	(33,186)
Total functional expenses	\$ 687,980	\$ 180,916	\$ 192,500	\$ 373,416	\$ 1,061,396	\$ 1,063,141
2019 Percent of Total	65%	17%	18%	35%	100%	-
2018 Percent of Total	70%	16%	14%	30%	-	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, 2019 and 2018
(See Independent Auditor's Report)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 192,623	\$ 173,147
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,791	114,776
Unrealized gains on investments	(127,965)	(115,398)
(Increase) Decrease in operating assets:		
Grants receivable	-	30,651
Promises to give	(47,108)	34,154
Prepaid expenses	(4,473)	2,916
Increase (Decrease) in operating liabilities:		
Accounts payable	3,607	(5,777)
Accrued expenses	(5,676)	12,305
Deferred revenue	(24,474)	44,862
Other current liabilities	(360)	2,201
Net Cash Provided by Operating Activities	<u>116,965</u>	<u>293,837</u>
Cash flows from investing activities:		
Purchases of fixed assets	(23,905)	(217,446)
Investment purchases	(141,617)	(147,011)
Proceeds from sale of investments	-	198,083
Net Cash Used in Investing Activities	<u>(165,522)</u>	<u>(166,374)</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>(48,557)</u>	<u>127,463</u>
Cash and equivalents, beginning of year	<u>368,558</u>	<u>241,095</u>
Cash and equivalents, end of year	<u>\$ 320,001</u>	<u>\$ 368,558</u>

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

THE HAVEN OF GRACE

Notes to Financial Statements

June 30, 2019

(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.

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent those resources that the Board has set aside for a particular purpose.

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 satisfied by actions of the Organization or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity by the Organization.

Comparative Data

Data for the year ended June 30, 2018, is included to provide a basis for comparison with 2019 and presents summarized totals only. Accordingly, the 2018 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, 2018, from which the summarized information was derived.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2019

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

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 exist.

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, 2019 and 2018.

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 net assets without donor restrictions unless the income or loss is restricted by donor or law.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2019

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

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.

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, 2019 and 2018.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2019

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

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.

Revenue Recognition

The Organization reports revenues as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions and reports expenses as decreases in net assets without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is met in the reporting period in which the support is recognized.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Certain categories of expenses are attributed to more than one supporting function; therefore, expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated on a square footage basis include utilities and depreciation. Salaries and wages, benefits, and payroll taxes are allocated on the basis of estimates of time and effort.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2019

(See Independent Auditor's Report)

Note B - Summary of Significant Accounting Policies (Continued)

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 amounts on the 2018 financial statements have been reclassified, where appropriate, to conform to the presentation used in the 2019 financial statements. Total change in net assets is unchanged due to these reclassifications.

Change in Accounting Policy

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

For the year ended June 30, 2019, the Organization evaluated and modified their expense allocation methodologies in conjunction with the implementation of ASU 2016-14 for financial statement presentation purposes. The 2018 financial statements have not been reclassified as a result of this evaluation.

Subsequent Events

The Organization has evaluated subsequent events through September 6, 2019, the date the financial statements were available to be issued.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2019

(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, 2019, 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 35% and 33% of total revenues during the years ended June 30, 2019 and 2018, respectively.

Note D - Investments and Fair Value Measurements

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

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 51,395	\$ 42,299
Unrealized gains	<u>127,965</u>	<u>115,398</u>
Investment and Interest Income	<u>\$ 179,360</u>	<u>\$ 157,697</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, 2019

(See Independent Auditor's Report)

Note D - Investments and Fair Value Measurements (Continued)

The Organization's investments, measured at fair value on a recurring basis, 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, 2019				
	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	\$ 2,235,468	\$ -	\$ -	\$ 2,235,468
Fair Value Measurements at June 30, 2018				
	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	\$ 1,965,785	\$ -	\$ -	\$ 1,965,785

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 net assets without donor restrictions for financial statement purposes.

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2019

(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>2019</u>	<u>2018</u>
Beginning of year	\$ 1,709,977	\$ 1,592,753
Contributions	45,000	45,000
Interest	41,280	35,132
Unrealized gains	108,027	94,998
Investment fees	-	(40)
Releases	-	(57,866)
End of year	<u>\$ 1,904,284</u>	<u>\$ 1,709,977</u>

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2019

(See Independent Auditor's Report)

Note F - Property and Equipment

	<u>2019</u>	<u>2018</u>
Land	\$ 214,401	\$ 214,401
Buildings and improvements	4,048,576	4,048,576
Furniture and equipment	236,679	218,011
Computer equipment and software	82,968	77,731
Sculpture	37,515	37,515
	<u>4,620,139</u>	<u>4,596,234</u>
Less accumulated depreciation	<u>1,460,439</u>	<u>1,329,648</u>
	<u>\$ 3,159,700</u>	<u>\$ 3,266,586</u>

Note G - Net Assets

Net assets with donor restrictions subject to the following donor-imposed restrictions:

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 49,683	\$ -
Program restricted	54,795	
Total Net Assets With Donor Restrictions	<u>\$ 104,478</u>	<u>\$ -</u>

Net assets released from donor-imposed restrictions:

	<u>2019</u>	<u>2018</u>
Passage of time	\$ -	\$ 34,154
Programs	-	22,956
Net Assets Released from Restrictions	<u>\$ -</u>	<u>\$ 57,110</u>

THE HAVEN OF GRACE

Notes to Financial Statements - Continued

June 30, 2019

(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 \$4,878 and \$3,282 for the years ended June 30, 2019 and 2018, respectively.

Note I - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 320,001
Pledge receivables	49,683
Board-designated investment distributions and appropriations (4%)	<u>68,291</u>
	437,975
Less: Donor restricted funds with purpose restrictions	<u>(54,795)</u>
	<u>\$ 383,180</u>

The Organization has a board-designated investment fund with an annual spending rate of 4% as described in Note E. Although the Organization does not intend to exceed the spending policy rate, all of the funds within the board designated endowment could be made available for general expenditures, pending board approval.

The financial assets above exclude \$54,795 received as of June 30, 2019, that are restricted for specified purposes. These funds are available to be used within one year of the statement of financial position date for the specified purposes in the operations of the Organization.