

2021
Financial Statements
With
Auditor's Letters

GRACEWORKS MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

(With Independent Auditor's Report Thereon)

GRACEWORKS MINISTRIES, INC.
FINANCIAL STATEMENTS
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WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of GraceWorks Ministries, Inc.

We have audited the accompanying financial statements of GraceWorks Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 statements referred to above present fairly, in all material respects, the financial position of GraceWorks Ministries, Inc. as of June 30, 2021, and the changes in its net assets and its 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 GraceWorks Ministries, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

December 20, 2021

GRACEWORKS MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and restricted cash	\$ 3,034,570	\$ 1,795,256
Accounts receivable	-	74,250
Investments	83,204	-
Inventory	818,003	546,383
Prepaid expenses	8,924	15,286
Total current assets	<u>3,944,701</u>	<u>2,431,175</u>
Property and Equipment:		
Vehicles	267,387	267,387
Property and equipment	144,410	116,514
Leasehold improvements	141,586	141,586
	<u>553,383</u>	<u>525,487</u>
Less: accumulated depreciation	<u>(303,589)</u>	<u>(209,906)</u>
Total property and equipment, net	<u>249,794</u>	<u>315,581</u>
Assets Whose Use is Limited:		
Investment - endowment	563,438	515,346
Total assets whose use is limited	<u>563,438</u>	<u>515,346</u>
Total assets	<u>\$ 4,757,933</u>	<u>\$ 3,262,102</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 23,269	\$ 22,809
Payroll liabilities	40,287	57,907
Deferred revenue	69,998	109,132
Accrued expenses	7,256	15,409
Total current liabilities	<u>140,810</u>	<u>205,257</u>
Long-term Liability		
Bank loan	<u>-</u>	<u>267,500</u>
Total liabilities	<u>140,810</u>	<u>472,757</u>
Net Assets:		
Without donor restrictions	3,830,799	2,140,151
With donor restrictions	<u>786,324</u>	<u>649,194</u>
Total net assets	<u>4,617,123</u>	<u>2,789,345</u>
Total liabilities and net assets	<u>\$ 4,757,933</u>	<u>\$ 3,262,102</u>

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Public Support and Revenue:				
Gross special event revenue	\$ 525,611	\$ 75,895	\$ 601,506	\$ 444,951
Less direct cost of special events	84,077	-	84,077	107,466
Net special events revenue	441,534	75,895	517,429	337,485
Public Support:				
In-kind donations	4,128,502	4,100	4,132,602	4,209,634
Grants	703,996	90,516	794,512	352,167
Individual contributions	1,322,133	238,452	1,560,585	1,348,898
Business donations	208,116	36,918	245,034	159,400
Church contributions	335,278	28,805	364,083	389,830
Net assets released from net assets with donor restrictions	339,414	(339,414)	-	-
Total public support	7,478,973	135,272	7,614,245	6,797,414
Program and Other Revenue:				
Store income	952,026	-	952,026	815,516
Neighbor assistance payments	7,403	-	7,403	74,873
Investment income, net	116,969	-	116,969	7,663
Total program and other revenue	1,076,398	-	1,076,398	898,052
Total revenue	8,555,371	135,272	8,690,643	7,695,466
Expenses:				
Program services				
Food programs	3,506,632	-	3,506,632	4,966,567
Shelter programs	546,666	-	546,666	455,992
Other programs	1,451,580	-	1,451,580	698,986
Total program services	5,504,878	-	5,504,878	6,121,545
Supporting Services				
Management and general	1,101,370	-	1,101,370	421,401
Fundraising & special events	256,617	-	256,617	379,972
Total supporting services	1,357,987	-	1,357,987	801,373
Total expenses	6,862,865	-	6,862,865	6,922,918
Change in net assets	1,692,506	135,272	1,827,778	772,548
Net assets - beginning of year	2,138,293	651,052	2,789,345	2,016,797
Net assets - end of year	\$ 3,830,799	\$ 786,324	\$ 4,617,123	\$ 2,789,345

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

	Program Services				Supporting Services		Total	Total
	Food	Shelter	Support	Total Program	Management and General	Fundraising & Special Events	2021	2020
Salaries	\$ 263,575	\$ 202,845	\$ 573,864	\$ 1,040,284	\$ 227,104	\$ 237	\$ 1,267,625	\$ 1,103,515
Payroll taxes and benefits	21,004	16,164	45,731	82,899	184,604	-	267,503	189,003
Total payroll and related expenses	284,579	219,009	619,595	1,123,183	411,708	237	1,535,128	1,292,518
Advertising	-	-	-	-	7,883	1,194	9,077	2,931
Bad debt expense	-	-	-	-	2	-	2	7,236
Client services	194,225	315,322	-	509,547	1,087	225,536	736,170	754,256
Continuing education	-	-	-	-	374	9,717	10,091	9,528
Depreciation and amortization	-	-	-	-	93,684	-	93,684	82,081
Dues and subscriptions	-	-	-	-	8,899	-	8,899	2,068
Fundraising	-	-	-	-	-	84,077	84,077	107,466
General & IT repairs and maintenance	-	-	-	-	88,319	111	88,430	92,868
General administration expenses	-	-	-	-	46,716	716	47,432	30,742
In-kind expenses	3,027,828	-	815,516	3,843,344	-	-	3,843,344	4,196,500
Insurance	-	-	-	-	37,919	-	37,919	34,594
Licenses and fees	-	-	-	-	260	-	260	276
Merchant and bank fees	-	-	-	-	56,371	447	56,818	58,707
Mileage and expense reimbursement	-	-	-	-	9,461	-	9,461	9,433
Office supplies	-	-	-	-	15,468	283	15,751	10,608
Postage and freight	-	-	-	-	1,482	-	1,482	1,397
Printing	-	-	-	-	11,112	17,978	29,090	22,041
Professional services	-	-	-	-	101,009	-	101,009	76,003
Property taxes	-	-	-	-	270	-	270	3,772
Rent	-	-	-	-	175,874	-	175,874	175,800
Store supplies	-	-	16,469	16,469	1,877	-	18,346	13,577
Utilities	-	12,335	-	12,335	31,595	398	44,328	45,982
Total expenses by function	3,506,632	546,666	1,451,580	5,504,878	1,101,370	340,694	6,946,942	7,030,384
Less expense included with revenues on the statement of activities:								
Direct cost of special events	-	-	-	-	-	(84,077)	(84,077)	(107,466)
Total expenses included in the expense section on the statement of activities	\$ 3,506,632	\$ 546,666	\$ 1,451,580	\$ 5,504,878	\$ 1,101,370	\$ 256,617	\$ 6,862,865	\$ 6,922,918

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,827,778	\$ 772,548
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	93,683	82,081
Unrealized losses on investments	(131,296)	12,561
Changes in:		
Accounts receivable	74,250	(72,150)
Inventory	(271,620)	(13,534)
Prepaid expenses	6,362	969
Accounts payable	(7,693)	20,949
Credit card payable	-	(3,138)
Payroll liabilities	(17,620)	31,327
Sales tax payable	-	(5,063)
Deferred revenue	(39,134)	58,783
Total adjustments	<u>(293,068)</u>	<u>112,785</u>
Net cash provided by operating activities	<u>1,534,710</u>	<u>885,333</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(27,896)</u>	<u>(151,849)</u>
Net cash used in investing activities	<u>(27,896)</u>	<u>(151,849)</u>
Cash Flows From Financing Activities:		
Issuance/(Payment) of Debt	<u>(267,500)</u>	<u>267,500</u>
Net cash provided by/(used in) financing activities	<u>(267,500)</u>	<u>267,500</u>
Change in cash	1,239,314	1,000,984
Cash and restricted cash - beginning of year	<u>1,795,256</u>	<u>794,272</u>
Cash and restricted cash - end of year	<u>\$ 3,034,570</u>	<u>\$ 1,795,256</u>

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities and Program Description

In these notes, the terms "we", "us" or "our" mean GraceWorks Ministries, Inc. We are a nonprofit organization devoted to fulfilling our mission statement: Neighbor serving Neighbor, by the power of God's grace. We accomplish this through our core programs: Family Services, Instructional Support, Seasonal Needs and Hunger Prevention.

GraceWorks Thrift Store

We believe that everyone should have the ability to purchase high-quality used goods such as clothing, furniture and household items at affordable prices. Our thrift stores are open to the public. All merchandise sold is donated, including many new items, and the sales help support our mission.

Program Services

The following program services are included in the accompanying financial statements:

Food – Providing food to families experiencing crisis or poverty through four access points: a food pantry, mobile food pantries, holiday food boxes, and student fuel bags and classroom snack boxes.

Shelter – Helping families stay in their homes with rent payment assistance and utility payment assistance. Additionally, providing access to temporary shelter through hotel payments and providing household items such as furniture and air conditioners and heaters.

Support – Providing access to additional resources including financial coaching, tax assistance, Christmas gifts, medical supplies, newborn supplies, transportation, gas cards, counseling referrals, and access to our network of partners with additional resources.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2020 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended June 30, 2020, from which it was derived.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At June 30, 2021 and June 30, 2020, we had no cash equivalents.

Inventory

GraceWorks tracks inventory for its thrift store and food pantry, which are items that are donated to the organization. Accounting principles generally accepted in the United States of America require that contributions be recognized as revenue when received.

Thrift Store Inventory:

The organization considers the value of contributed merchandise to be equal to the value of the annual thrift store revenue. Management estimates that all thrift store donations exit the store within three months' time, therefore the value of the thrift store inventory equals three months of subsequent sales.

Food Pantry Inventory:

The organization considers the value of contributed food to be equal to the number of food carts and fuel bags distributed to community members (neighbors). Food cart value is based on the average weight of the food carts multiplied by \$1.62, which is a donated food value issued in the most recent RSM report from Feeding America. Fuel Bags values were determined by auditing the actual retail price of contents contained in each fuel bag. Management estimates GraceWorks maintains a month and a half of food on premises, therefore the value of the food pantry inventory equals the value of the subsequent 1.5 months of food distributed to our neighbors.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to us that is, in substance, unconditional. Unconditional promises to give are recorded as temporarily restricted revenue in the year the promise is made and released from restriction in the year received.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

We use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on our analysis of specific promises made. At June 30, 2021, and June 30, 2020, no allowance was considered necessary.

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. If equipment is donated, the donor can stipulate how long the assets must be used, and the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Our capitalization policy is to capitalize any expenditure over \$1,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions, Support and Revenue

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

Contributed Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. We receive many contributed services for our outreach programs. These services meet the requirements for recognition in the financial statements and have been recorded or reflected in the accompanying financial statements.

Compensated Absences

Full time employees are defined as those working 30 hours or more per week. Paid time off is calculated based on each employee's regularly scheduled hours per week and is granted 90 days after hire date. An employee can carry over up to 40 hours of paid time off at the end of the fiscal year into the new year.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Operating costs other than personnel and occupancy costs are allocated based on an invoice by invoice basis. Personnel costs are allocated based on the time spent in each area the employee works. Occupancy costs, such as leases and utilities are allocated based on square footage used for each functional classification.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended June 30, 2021, and June 30, 2020, was \$9,077 and \$2,931, respectively.

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Fair Values of Financial Instruments

The fair values of current assets, current liabilities, and restricted cash approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability carried at fair value be classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments, NOTE 5	\$ 646,642	\$ -	\$ -	\$ 646,642

Reclassifications

Certain accounts in the June 30, 2020, financial statements have been reclassified for comparative purposes to conform to the presentation of the June 30, 2021, financial statements.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended	
Cash	\$ 2,811,684
Investments	83,204
Inventory	818,003
	<u>\$ 3,712,891</u>

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 2 - Availability and Liquidity (continued)

The Organization has certain board-designated assets limited to use, which are available for general expenditure within one year in the normal course of operations in the amount of \$238,389. Accordingly, these assets have been included in the qualitative information above. The Organization also has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above and are described in NOTE 6.

In the next fiscal year, we plan to receive the same level of income from our donors and our thrift store, and consider this income for programs which are ongoing, major, and central to our annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts including interest bearing savings accounts. This cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures

NOTE 3 - Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivable. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. As of June 30, 2021, we have \$2,474,998 in excess of FDIC insured balances. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash.

NOTE 4 - Leases

We leased three copiers under operating leases during the year end June 30, 2021. The minimum monthly rental amount for these copiers is \$347. Additional amounts due under the lease are based on the number of copies made during the billing period. We currently lease the warehouse where our Franklin store is located for a monthly cost of \$13,200 and the administration building adjacent to the warehouse for a monthly cost of \$1,000. The total yearly rent expense was \$181,973 for the year ended June 30, 2021, which includes \$6,099 for the copiers that is in the General & IT repairs and maintenance line on the statement of functional expenses and \$182,050 for June 30, 2020, which includes 6,250 for the copiers that is in the General & IT repairs and maintenance line on the statement of functional expenses.

A schedule of future minimum lease payments required under all non-cancelable operating leases as of June 30, 2021, is as follows:

Year Ending June 30,

2022	\$ 162,564
2023	162,564
2024	4,164
2025	3,817
	<u>\$ 333,109</u>

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 5 - Investments

Investments consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Money Market Funds	\$ 18,344	\$ -
Bond Funds	286,921	266,690
Equity Funds	192,278	154,583
Exchange Traded Funds	149,099	94,273
	<u>\$ 646,642</u>	<u>\$ 515,546</u>

As of June 30, 2021, \$83,204, of the total investment balance is recorded as net assets without donor restrictions in accordance with the endowment in NOTE 7. As of June 31, 2020, the entire investment balance was recorded as net assets with donor restrictions.

NOTE 6 - Net Assets

Board-designated net assets are available for the following purposes:

Building Improvements - This account is intended to provide funds necessary for building improvements.

Endowment - This account is intended to hold the excess realized annual income and the excess of the market value of the corpus that is to remain with the endowment at all times per the investment policy.

Board designated net assets without donor restrictions consisted of the following at June 30,

	<u>2021</u>	<u>2020</u>
Building Improvements	\$ 11,632	\$ 11,632
Set Aside for Future Use	152,893	152,893
Endowment	3,811	3,811
Neighbor Services programs	98,028	27,975
	<u>\$ 266,364</u>	<u>\$ 196,311</u>

Net assets with donor restrictions consisted of the following at June 30,

	<u>2021</u>	<u>2020</u>
Specific purpose:		
Cash for Backpacks	\$ 2,296	\$ 2,095
Cash for Manger	58,358	35,757
Cash for Our Little Angels	-	1,801
Cash for Vehicles	99,695	-
Cash for Food Pantry	62,537	46,103
Endowment:		
Investment endowment fund	563,438	563,438
	<u>\$ 786,324</u>	<u>\$ 649,194</u>

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 7 - Endowment Funds

Our endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Our permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy – we have a policy of appropriating for distribution each year a maximum payout up to the total earnings from the funds in excess of the original corpus value. Withdrawal of funds cannot cause the account to fall below the original corpus. If market conditions cause the value of the account to fall below this limit, no withdrawal of funds can be made until the value exceeds this limit. Corpus balance will not be restored from general operating funds of the organization rather withdrawals will be prohibited until market growth restores balance. Withdrawn funds will only be used to enhance the Neighbor Service programs above and beyond the amounts typically spent or budgeted on such programs. Funds released for this purpose for the years ended June 30, 2021 and 2020, were \$0.

Investment return objective, risk parameters and strategies – the objective of our endowment portfolio is a balanced approach between equities and fixed income. The investment horizon is long-term and balances the need for income and growth. The portfolio allows up to 60% investment in equities and up to 40% investment in fixed income.

At June 30, 2021, our endowment funds were held in an investment account consisting of cash and investment funds, see NOTE 5.

As of June 30, 2021, the funds are shown on the statement of financial position as follows:

Cash	\$ 34,202
Investments (NOTE 5)	83,204
Assets Whose Use is Limited:	
Investments (NOTE 6)	<u>563,438</u>
	680,844
Board designated	<u>(117,406)</u>
Donor restricted - endowment	<u><u>\$ 563,438</u></u>

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2020

NOTE 7 - Endowment Funds (continued)

The following is a schedule of changes in endowment net assets for the year ended June 30, 2021:

Endowment net assets, June 30, 2020	\$ 563,438
Dividend and interest income	20,331
Administrative expenses	(4,599)
Net appreciation (realized and unrealized)	97,867
Amounts released to board designated	<u>(113,599)</u>
Endowment net assets, June 30, 2021	<u>\$ 563,438</u>

NOTE 8 - New Pronouncements

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update were recently deferred to become effective January of 2021. We are currently evaluating the impact of adopting this statement.

NOTE 9 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2021. As of December 20, 2021, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements for the year ended June 30, 2021.