Grace After Fire

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2021

Grace After Fire

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Independent Auditors' Report

To the Board of Directors of
Grace After Fire:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grace After Fire, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grace After Fire as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Grace After Fire and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grace After Fire's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Grace After Fire's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grace After Fire's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

February 21, 2023

Grace After Fire

Statement of Financial Position as of December 31, 2021

ASSETS

Cash	$ 151,005
Contributions receivable – Texas Veterans Commission	104,973
TOTAL ASSETS	$ 255,978

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	$ 10,434
Total liabilities	10,434
Net assets:	
Without donor restrictions	228,044
With donor restrictions for support services to women veterans in Fort Bend	17,500
Total net assets	245,544
TOTAL LIABILITIES AND NET ASSETS	$ 255,978

See accompanying notes to financial statements.

Grace After Fire

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants – Texas Veterans Commission *(Note 4)*		$ 368,451	$ 368,451
PPP loan forgiveness *(Note 2)*		40,139	40,139
Nonfinancial assets *(Note 3)*	$ 48,564		48,564
Other financial assets	170,964	35,000	205,964
Total revenue	219,528	443,590	663,118
Net assets released from restrictions:			
Program expenditures	590,683	(590,683)	
Total	810,211	(147,093)	663,118
EXPENSES:			
Program services	400,927		400,927
Management and general	148,836		148,836
Fundraising	41,182		41,182
Total expenses	590,945		590,945
CHANGES IN NET ASSETS	219,266	(147,093)	72,173
Net assets, beginning of year	8,778	164,593	173,371
Net assets, end of year	$ 228,044	$ 17,500	$ 245,544

See accompanying notes to financial statements.

Grace After Fire

Statement of Functional Expenses for the year ended December 31, 2021

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expense	$ 201,618	$ 103,724	$ 34,212	$ 339,554
Direct assistance	128,217			128,217
Supplies	34,336	11,363	868	46,567
Occupancy	17,363	9,123	2,943	29,429
Professional services and contract labor	3,046	13,189	388	16,623
Telephone and internet	6,673	3,506	1,131	11,310
Travel, meals, and entertainment	5,721	3,006	970	9,697
Insurance	3,953	2,077	670	6,700
Other		2,848		2,848
Total expenses	$ 400,927	$ 148,836	$ 41,182	$ 590,945

See accompanying notes to financial statements.

Grace After Fire

Statement of Cash Flows for the year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	$ 72,173
Changes in operating assets and liabilities:	
Contributions receivable	(36,166)
Accounts payable and accrued expenses	314
Forgiveness of PPP loan	(40,139)
Net cash used by operating activities	(3,818)
NET CHANGE IN CASH	(3,818)
Cash, beginning of year	154,823
Cash, end of year	$ 151,005

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The mission of Grace After Fire (GAF) is to provide the means for women Veterans to gain knowledge, insight, and self-renewal. GAF's vision is to help women Veterans help themselves. A significant data point was the frequency of women military Veterans disclosing their chronic use of alcohol and drugs as a means of coping or self-medicating their symptoms of post-traumatic stress disorder, traumatic brain injury and military sexual assault. GAF is designed to serve women Veterans from all eras and branches of military service and is preparing to meet the high numbers of women currently serving.

Federal income tax status – GAF is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Contributions receivable consist principally of cost reimbursement grants from governmental agencies and are due within one year. An allowance is provided when it is believed balances may not be collected in full. Based on management's assessment, no allowance was deemed necessary as of December 31, 2021.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before GAF is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as a refundable advance.

GAF has been awarded cost-reimbursable conditional government grant contributions of approximately $136,000 that have not been recognized at December 31, 2021. The contributions will be recognized as revenue when conditions are met which include performance of allowable activities and incurring allowable expenses.

Contributed nonfinancial assets are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Other allocated expenses are allocated based on the salary allocation.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2021 comprise the following:

Financial assets:	
Cash	$ 151,005
Contributions receivable	104,973
Total financial assets	$ 255,978

For purposes of analyzing resources available to meet general expenditures over a 12-month period, GAF considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of GAF's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due by maintaining a significant portion of its assets in cash. All financial assets are available for general expenditure in the next twelve months.

GAF received a $40,139 Paycheck Protection Program (PPP) loan through the Small Business Administration in April 2020. The loan was forgiven in full during 2021 and has been recognized as government grant contributions.

NOTE 3 – CONTRIBUTED NONFINANCIAL ASSETS AND VOLUNTEER HOURS

Contributions of nonfinancial assets consist of rent for the Houston and San Antonio locations and venues for program events valued based on prevailing rates.

Many individuals volunteer their time to perform a variety of tasks that assist GAF. GAF received approximately 421 volunteer hours with an estimated value of $12,015 during the year ended December 31, 2021, which were not recognized in these financial statements because they do not meet the criteria for recognition under generally accepted accounting principles. The estimated value of volunteer time per hour was obtained from Independent Sector, a leadership network for nonprofit organizations, foundations and corporate giving programs.

NOTE 4 – GOVERNMENT GRANTS

GAF government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by GAF with the terms of the contracts. Management believes such disallowances, if any, would not be material to GAF's financial position or changes in net assets.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
