# GRACE AFTER FIRE

## FINANCIAL STATEMENTS
## AND
## INDEPENDENT AUDITORS' REPORT

## YEAR ENDED DECEMBER 31, 2016

# GRACE AFTER FIRE
# TABLE OF CONTENTS
# YEAR ENDED DECEMBER 31, 2016

CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

Board of Directors
Grace After Fire
Houston, Texas

We have audited the accompanying financial statements of Grace After Fire which comprise the statement of financial position as of December 31, 2016, 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.

### *Auditors' 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 auditors' 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 Grace After Fire as of December 31, 2016, and the changes in its net assets and it's cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Worth, Texas
July 24, 2017

# GRACE AFTER FIRE
# STATEMENT OF FINANCIAL POSITION
# DECEMBER 31, 2016

## ASSETS

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash | $ | 1,702 |
| Grants Receivable | | 56,388 |
| In-Kind Lease Receivable | | 85,933 |
| Total Assets | $ | 144,023 |

## LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **LIABILITIES** | | |
| Accounts Payable | $ | 2,914 |
| Accrued Liabilities | | 12,799 |
| Total Liabilities | | 15,713 |
| **NET ASSETS** | | |
| Unrestricted | | 24,248 |
| Temporarily Restricted | | 104,062 |
| Total Net Assets | | 128,310 |
| Total Liabilities and Net Assets | $ | 144,023 |

*See accompanying Notes to Financial Statements.*

**GRACE AFTER FIRE**
**STATEMENT OF ACTIVITIES**
**YEAR ENDED DECEMBER 31, 2016**

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| **REVENUES AND SUPPORT** | | | |
| Contributions | $ 97,495 | $ 10,000 | $ 107,495 |
| Grant Revenue | 258,201 | - | 258,201 |
| Program Revenue | 10,000 | - | 10,000 |
| In-Kind Lease Revenue | 13,200 | 85,933 | 99,133 |
| In-Kind Facility Rental Revenue | 27,500 | - | 27,500 |
| Release of Restrictions | 3,000 | (3,000) | - |
| Total Revenues and Support | 409,396 | 92,933 | 502,329 |
| **EXPENSES** | | | |
| Program Services | 392,418 | - | 392,418 |
| General and Administrative | 39,167 | - | 39,167 |
| Fundraising | 13,603 | - | 13,603 |
| Total Expenses | 445,188 | - | 445,188 |
| **CHANGE IN NET ASSETS** | (35,792) | 92,933 | 57,141 |
| Net Assets - Beginning of Year | 60,040 | 11,129 | 71,169 |
| **NET ASSETS - END OF YEAR** | $ 24,248 | $ 104,062 | $ 128,310 |

*See accompanying Notes to Financial Statements.*

**GRACE AFTER FIRE**
**STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED DECEMBER 31, 2016**

| | Program Services | General and Administrative | Fund Raising | Total |
|---|---|---|---|---|
| Accounting | $ - | $ 15,840 | $ - | $ 15,840 |
| Bank and Credit Card Charges | - | 1,366 | - | 1,366 |
| Business Registration Fees | - | 75 | - | 75 |
| Business Development and Marketing | 563 | 37 | - | 600 |
| Call Network Services | 1,215 | - | - | 1,215 |
| Insurance | 5,004 | 330 | - | 5,334 |
| Meals and Entertainment | 592 | 187 | - | 779 |
| Payroll and Benefits | 284,930 | 19,325 | 7,730 | 311,984 |
| Postage and Mailing | 127 | 9 | 3 | 139 |
| Printing and Copying | 168 | 11 | - | 179 |
| Professional Fees | 3,916 | 950 | 5,700 | 10,567 |
| Staff Development | 6,849 | 451 | - | 7,300 |
| Supplies | 4,910 | 126 | - | 5,036 |
| Telephone and Internet | 6,279 | 425 | 170 | 6,874 |
| Travel | 36,642 | - | - | 36,642 |
| Rent Expense | 13,200 | - | - | 13,200 |
| In-Kind Expenses | 27,500 | - | - | 27,500 |
| Rental of Storage Space | 523 | 34 | - | 557 |
| Total Expenses | $ 392,418 | $ 39,167 | $ 13,603 | $ 445,188 |

*See accompanying Notes to Financial Statements.*

**GRACE AFTER FIRE**
**STATEMENT OF CASH FLOWS**
**YEAR ENDED DECEMBER 31, 2016**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ | 57,141 |
| Adjustments to Reconcile Change in Net Assets to Net Cash | | |
| Used by Operating Activities: | | |
| Effects of Changes in Operating Assets and Liabilities | | |
| Grants Receivable | | (7,737) |
| In-Kind Lease Receivable | | (85,933) |
| Prepaid Expenses | | 801 |
| Accounts Payable | | 2,364 |
| Accrued Liabilities | | 5,766 |
| Net Cash Used by Operating Activities | | (27,598) |
| **NET DECREASE IN CASH** | | (27,598) |
| Cash - Beginning of Year | | 29,300 |
| **CASH - END OF YEAR** | $ | 1,702 |
| **NONCASH TRANSACTIONS** | | |
| In-Kind Lease Revenue on Long-Term Lease Agreements | $ | 99,133 |
| In-Kind Lease Expense on Long-Term Lease Agreements | $ | 13,200 |

*See accompanying Notes to Financial Statements.*

## NOTE 1 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.

GAF began operating in 2008 under the name The Woman's Heart, attracting hundreds of women in search of crisis support services. 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.

In 2013, a new organization named Discovering Their Grace was created to replace The Woman's Heart. Registration of The Woman's Heart was withdrawn effective December 31, 2014. Effective January 1, 2015; Discovering Their Grace was renamed Grace After Fire and continues operations as normal.

This summary of significant accounting policies of GAF is presented to assist in understanding GAF's financial statements. The financial statements and notes are representations of GAF's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

**Financial Statement Presentation**

GAF is required by U.S. GAAP to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, GAF is required to present a statement of cash flows.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of GAF and changes therein are classified and reported as follows:

Unrestricted net assets includes net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets are assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are assets required to be maintained in perpetuity with only the income used for operating activities due to donor-imposed restrictions. As of December 31, 2016, GAF did not have any permanently restricted net assets.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Income Taxes

GAF is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. This section exempts GAF from taxes on income. Accordingly, no provision for income taxes has been made in the financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the year ended December 31, 2016.

GAF's tax returns are subject to review and examination by federal and state authorities.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, GAF considers any short-term investment convertible to cash within three months or less with little or no change in the principal amount to be a cash equivalent. GAF places its cash with high-credit-quality financial institutions and periodically maintains deposits in amounts that exceed FDIC insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote. As of December 31, 2016, GAF had no cash equivalents.

### Grants Receivable

GAF's receivables consist principally of program service fees from governmental agencies. GAF utilizes the allowance method for recognition of bad debts. Based on management's assessment of the credit history of grantors, no allowance for doubtful accounts was deemed necessary as of December 31, 2016.

### Contributions Received and Contributions Made

Contributions are recognized when unconditional commitments are received and recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property and Equipment

Expenditures for buildings and equipment in excess of $5,000 and having a useful life of one year or more are capitalized and recorded on GAF's books at cost. Donations of significant property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, GAF reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GAF reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in income.

Depreciation of buildings and equipment is computed on the straight-line basis over their estimated useful lives.

### Revenue and Recognition

Program fees are recorded in the period in which the fees were earned from the grants provided by the state and federal government. Receipts received in advance of when the fees are earned are reflected as deferred revenue.

### Donated Services

A number of volunteers donate significant amounts of their time to GAF. However, these services do not meet the criteria for recording under generally accepted accounting principles in the United States, and therefore have not been reflected in the financial statements.

### Functional Allocation of Expenses

The costs of providing program, fund-raising and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

## NOTE 2 ECONOMIC DEPENDENCY

GAF received grant revenue of $253,929 which was derived from two governmental agencies, which constituted 53% of total revenue for the year ended December 31, 2016.

## NOTE 3 DEFERRED COMPENSATION PLANS

GAF has a nonqualified 403(b)(1) plan covering all employees immediately upon employment. Employees may elect to make pre-tax deferrals in an amount not to exceed the annual limitations of Code section 402(g)(1)(B). GAF did not make any matching contributions to the plan for the year ended December 31, 2016.

## NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 were restricted for the following purposes:

| | | |
|---|---|---|
| **Purpose Restrictions** | | |
| Peer to Peer Support | $ | 8,129 |
| Total Purpose Restricted Net Assets | $ | 8,129 |
| **Time Restrictions** | | |
| Veterans Service Grant - 2017 | $ | 10,000 |
| In-Kind Lease Receivable | | 85,933 |
| Total Time Restricted Net Assets | $ | 95,933 |
| Total Temporarily Restricted Net Assets | $ | 104,062 |

## NOTE 5 IN-KIND LEASE RECEIVABLE

During the year ended December 31, 2016, GAF entered into a non-cancelable arrangement whereby GAF is provided office space for program use at substantially less than market value. Accordingly, a lease receivable was recorded for the present value of future minimum rentals with a corresponding increase to in-kind revenue.

In-kind lease receivable is amortized over the life of the lease. Future amounts due are recorded at their net present value utilizing the GAF's prime interest rate of 3.25%. When amortized, the in-kind lease expense is recognized as occupancy expense. The following is an estimated future amortization of the in-kind lease receivable as of December 31, 2016:

| Year Ending December 31, | | Amount |
|---|---|---|
| 2017 | $ | 25,569 |
| 2018 | | 24,764 |
| 2019 | | 23,985 |
| 2020 | | 11,615 |
| Total | $ | 85,933 |

Total in-kind lease expense was $13,200 for the year ended December 31, 2016.

## NOTE 6 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 24, 2017, the date on which the financial statements were available to be issued.