



Saving Grace, Inc.

**Financial Statements
June 30, 2023 and 2022**

(With Independent Auditor's Report Thereon)

Saving Grace, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Saving Grace, Inc.
Rogers, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Saving Grace, Inc.** (the Organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net assets – modified cash basis and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Organization as of June 30, 2023 and 2022, and its revenues, expenses and changes in net assets for the years then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinion

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

Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, as described in Note 2, 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas
December 14, 2023

Saving Grace, Inc.

Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,287,769	\$ 1,503,563
Other assets	1,227	1,546
Property and equipment, net	<u>3,673,129</u>	<u>2,712,644</u>
TOTAL ASSETS	<u>\$ 4,962,125</u>	<u>\$ 4,217,753</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Long-term debt	<u>\$ 2,000,375</u>	<u>\$ 2,042,530</u>
Total Liabilities	<u>2,000,375</u>	<u>2,042,530</u>
Net Assets		
Without donor restrictions	2,651,021	927,622
With donor restrictions	<u>310,729</u>	<u>1,247,601</u>
Total Net Assets	<u>2,961,750</u>	<u>2,175,223</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,962,125</u>	<u>\$ 4,217,753</u>

See accompanying notes to financial statements.

Saving Grace, Inc.

Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 660,652	\$ 871,249	\$ 1,531,901
Donations of nonfinancial assets	132,497	-	132,497
Fundraising	342,600	-	342,600
Investment income	2,168	-	2,168
Program income	6,274	-	6,274
Miscellaneous income	2,770	-	2,770
Net assets released from restrictions:			
Satisfaction of donor restrictions	1,808,121	(1,808,121)	-
Total Revenue and Support	2,955,082	(936,872)	2,018,210
EXPENSES			
Program services	692,015	-	692,015
General and administrative	282,474	-	282,474
Fundraising	257,194	-	257,194
Total Expenses	1,231,683	-	1,231,683
CHANGE IN NET ASSETS	1,723,399	(936,872)	786,527
NET ASSETS, BEGINNING OF YEAR	927,622	1,247,601	2,175,223
NET ASSETS, END OF YEAR	\$ 2,651,021	\$ 310,729	\$ 2,961,750

See accompanying notes to financial statements.

Saving Grace, Inc.

Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 310,308	\$ 927,457	\$ 1,237,765
Donations of nonfinancial assets	221,084	-	221,084
Fundraising	354,392	-	354,392
Investment income	2,710	-	2,710
Program income	7,325	-	7,325
Miscellaneous income	6,560	-	6,560
Net assets released from restrictions:			
Satisfaction of donor restrictions	27,375	(27,375)	-
Total Revenue and Support	929,754	900,082	1,829,836
EXPENSES			
Program services	711,861	-	711,861
General and administrative	212,711	-	212,711
Fundraising	237,700	-	237,700
Total Expenses	1,162,272	-	1,162,272
CHANGE IN NET ASSETS	(232,518)	900,082	667,564
NET ASSETS, BEGINNING OF YEAR	1,160,140	347,519	1,507,659
NET ASSETS, END OF YEAR	\$ 927,622	\$ 1,247,601	\$ 2,175,223

See accompanying notes to financial statements.

Saving Grace, Inc.

Statement of Functional Expenses – Modified Cash Basis Year ended June 30, 2023

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Advertising	\$ 11,210	\$ -	\$ 16,814	\$ 28,024
Automobiles	737	5,899	738	7,374
Background checks	1,044	-	-	1,044
Conferences	644	643	-	1,287
Depreciation	7,308	2,436	-	9,744
Donor relations	-	-	3,881	3,881
Dues and subscriptions	-	7,743	-	7,743
Fundraising	-	-	135,195	135,195
In-kind	98,527	-	-	98,527
Insurance	21,485	2,478	1,652	25,615
Interest	-	66,492	-	66,492
Loss on disposal of property and equipment	1,181	-	-	1,181
Mentors and volunteers	14,229	-	-	14,229
Miscellaneous	11,017	18,362	7,345	36,724
Office equipment and supplies	43,329	4,404	1,761	49,494
Postage	196	589	3,142	3,927
Professional services	17,214	2,720	1,814	21,748
Rent	42,221	8,444	5,629	56,294
Repair and maintenance	29,005	-	-	29,005
Resident expenses	51,334	-	-	51,334
Salaries and payroll taxes	279,666	152,545	76,272	508,483
Telephone	13,603	1,913	1,275	16,791
Training and staff development	21,167	5,292	-	26,459
Utilities	26,898	2,514	1,676	31,088
	<u>\$ 692,015</u>	<u>\$ 282,474</u>	<u>\$ 257,194</u>	<u>\$ 1,231,683</u>

See accompanying notes to financial statements.

Saving Grace, Inc.

Statement of Functional Expenses – Modified Cash Basis Year ended June 30, 2022

	Program Services	Support Services		Total
		General and Administrative	Fundraising	
Advertising	\$ 9,358	\$ -	\$ 14,037	\$ 23,395
Automobiles	659	5,270	659	6,588
Background checks	1,422	-	-	1,422
Depreciation	5,294	1,765	-	7,059
Donor relations	-	-	1,616	1,616
Dues and subscriptions	-	9,270	-	9,270
Fundraising	-	-	147,011	147,011
In-kind	213,410	-	-	213,410
Insurance	26,077	1,984	1,323	29,384
Interest	-	53,069	-	53,069
Mentors and volunteers	7,962	-	-	7,962
Miscellaneous	3,416	5,690	2,277	11,383
Office equipment and supplies	34,388	3,472	1,389	39,249
Postage	86	258	1,378	1,722
Professional services	13,254	1,826	1,217	16,297
Rent	45,600	9,120	6,080	60,800
Repair and maintenance	20,636	-	-	20,636
Resident expenses	32,956	-	-	32,956
Salaries and payroll taxes	267,750	116,691	58,346	442,787
Telephone	8,003	1,529	1,018	10,550
Training and staff development	2,978	745	-	3,723
Utilities	18,612	2,022	1,349	21,983
	\$ 711,861	\$ 212,711	\$ 237,700	\$ 1,162,272

See accompanying notes to financial statements.

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 1: NATURE OF ACTIVITIES

Saving Grace, Inc. (the Organization) was organized in 2009 as a nonprofit corporation in the state of Arkansas. The Organization's primary function is to provide transitional living and life skills education for young women ages 17-25 who have aged out of foster care/group homes and/or have been "orphaned" by critical support systems, thereby increasing the risk of homelessness.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America in that revenue and the related assets are recorded when received rather than when earned and expenses and their related liabilities are recorded when paid rather than when incurred. Modifications to the cash basis of accounting include capitalizing property and equipment, recording depreciation, and recording donations of nonfinancial assets.

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification Topic *Not-for-Profit Entities*. Under this topic, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Use of Estimates

The preparation of financial statements 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2023 and 2022, the Organization had cash equivalents of \$419,960 and \$434,721, respectively.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that have a unit cost greater than \$2,500 with useful lives greater than one year at cost, if purchased, and at fair market value on the date of donation, if contributed. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from five to forty years.

Net Assets and Contributions Revenue

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

Gifts of cash and other assets are recorded as net assets with donor restrictions or without donor restrictions, depending on the absence or existence and nature of any donor restrictions. Contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified to net assets without donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions in the same year.

Gifts of land, buildings, equipment, and donated financial assets are presented as support and revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services, which increase nonfinancial assets such as property or inventory, as well as services contributed by individuals with specialized skill which would have otherwise been purchased, are reported as support without donor restrictions. Other contributed services that enhance the Organization's programs, but are not so essential that they would otherwise be purchased, are not recorded as support.

Donated Nonfinancial Assets

In addition to receiving cash contributions, the Organization received donations of nonfinancial assets from various donors. It is the policy of the Organization to record the estimated fair value of certain donations of nonfinancial assets as an expense or fixed asset and contribution revenue in its financial statements. For the years ended June 30, 2023 and 2022, \$132,497 and \$221,084, respectively, was received in donations of nonfinancial assets. See Note 7 for additional details.

Contributed Services

The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's purpose. No amounts have been reflected in the financial statements for those services.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management's estimate of the programs and supporting services benefited.

Income Taxes and Uncertain Tax Positions

The Organization qualifies as an organization exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and a similar state statute and is not subject to tax at the entity level for federal and state income tax purposes. Therefore, no provision or liability for income taxes is reflected in the accompanying financial statements. In addition, the Organization has been classified a public charity within the meaning of section 170(b)(1)(A)(vi) of the IRC.

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

The Organization discloses uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes* for accounting for uncertain tax provisions. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Organization to disclose the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Organization and determined that no positions exist that require disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The Organization files informational “*Return of Organization Exempt from Income Tax*” (Form 990) in the U.S. federal jurisdiction.

Adoption of Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right-of-use asset and lease liability on the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis at the date of the lease commencement. All leases are classified as either financial leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis. The Organization adopted this ASU effective July 1, 2022, for the year ended June 30, 2023, using the optional new transition alternative method without restating prior periods. The Organization also elected the relief package of practical expedients of which there is no requirement to reassess existing leases, their classification, and initial direct costs as well as an exemption for short term leases with a term of less than one year. This ASU did not have a significant impact on the Organization’s financial statements. See Note 9.

NOTE 3: CONCENTRATION OF RISK

The Organization uses financial institutions in which it maintains cash, which at times may exceed the FDIC insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on cash and cash equivalents. As of June 30, 2023, the Organization had \$531,258 of uninsured cash and cash equivalents.

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 4: PROPERTY AND EQUIPMENT

Major classifications of property and equipment at June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,650,000	\$ 1,650,000
Buildings	950,000	950,000
Furniture and equipment	104,233	90,029
Leasehold improvements	45,719	45,719
Vehicles	35,523	35,523
Construction in progress	<u>990,237</u>	<u>34,631</u>
	3,775,712	2,805,902
Less accumulated depreciation	<u>102,583</u>	<u>93,258</u>
	<u>\$ 3,673,129</u>	<u>\$ 2,712,644</u>

During the year ended June 30, 2022, the Organization began construction for a new facility, Grace House, that will house all residents and include office space for employees. Construction was completed in July 2023. As a result, the existing leases associated with all residential and office space were terminated. See Note 9.

NOTE 5: LONG-TERM DEBT

Long term debt consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Note payable to Grand Savings Bank, bearing interest at 3.25%, due in monthly principal and interest payments of \$9,054, secured by real estate, maturing August 2051	<u>\$ 2,000,375</u>	<u>\$ 2,042,530</u>

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

Long-term debt maturities for each of the next five years and thereafter are as follows:

Years ending June 30,	2024	\$ 42,079
	2025	45,647
	2026	47,184
	2027	48,741
	2028	50,188
	Thereafter	1,766,536

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Counseling	\$ -	169
Equine therapy	6,735	13,886
Grace camp	7,979	10,064
Grace to Grow capital campaign	293,607	1,219,576
Resident direct services	<u>2,408</u>	<u>3,906</u>
	<u>\$ 310,729</u>	<u>\$ 1,247,601</u>

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 7: DONATIONS OF NONFINANCIAL ASSETS

During the year ended June 30, 2023, contributed nonfinancial assets recognized within the Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis included the following:

	Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
General supplies	\$ 9,348	Program/ Fundraising	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Special event gifts	72,358	Fundraising	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Small tools and equipment	6,220	Program/ Fundraising	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Resident gifts and supplies	9,800	Program	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Horses	800	Program	No associated donor restrictions	The Organization estimated the fair value on the basis of the donor's fair market value on date of contribution.
Grace Home construction and equipment	33,971	Program	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
	<u>\$ 132,497</u>			

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

During the year ended June 30, 2022, contributed nonfinancial assets recognized within the Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis included the following:

	Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
General supplies	\$ 102,056	Program/ Fundraising	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Special event gifts	57,835	Fundraising	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Small tools and equipment	39,340	Program/ Fundraising	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Resident gifts and supplies	14,860	Program	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Horses	4,950	Program	No associated donor restrictions	The Organization estimated the fair value on the basis of the donor's fair market value on date of contribution.
Vehicle	2,043	Program	No associated donor restrictions	The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
	<u>\$ 221,084</u>			

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 8: CONCENTRATIONS

During the year ended June 30, 2023, one donor provided approximately 12% of the Organization's total revenue and support. There were no concentrations for the year ended June 30, 2022.

NOTE 9: LEASING ARRANGEMENTS

The Organization leased office space under a long-term operating lease agreement with an original lease term of 60 months expiring in August 2024. The total rental expense for operating leases for the years ended June 30, 2023 and 2022 was approximately \$56,000 and \$61,000, respectively.

In April 2023, the Organization gave their 120-day notice, terminating the operating lease a year early. Therefore, the Organization's last rent payment will be made July 2023 to cover the month of August. The lease contract states that early termination of the lease will result in a penalty of four times the monthly rent payment, costing the Organization a total penalty of \$18,800.

NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,287,769	\$ 1,503,563
Total financial assets available within one year	1,287,769	1,503,563
Less amounts unavailable for general expenditure within one year:		
Restricted by donor with time or purpose restrictions	<u>310,729</u>	<u>1,247,601</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 977,040</u>	<u>\$ 255,962</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages its 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.

Saving Grace, Inc.

Notes to Financial Statements June 30, 2023 and 2022

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2023, the date that the financial statements were available to be issued.

See Note 4 for additional details related to the Grace House facility, which the Organization placed in service in July 2023.