

EFFORTS OF GRACE, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Efforts of Grace, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Efforts of Grace, Inc. (EGI)** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Efforts of Grace, Inc.
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Auditors' Responsibility, Continued

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 **Efforts of Grace, Inc.** as of December 31, 2019, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2020 on our consideration of **Efforts of Grace, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Efforts of Grace, Inc.
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Other Reporting Required by Government Auditing Standards, Continued

is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Efforts of Grace, Inc.**'s internal control over financial reporting and compliance.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Director is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

August 7, 2020

EFFORTS OF GRACE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash (NOTES 6 and 13)	\$ 61,273
Promises to give (NOTE 4)	705,000
Accounts receivable	3,667
Prepaid expenses and other assets	24,761
Property and equipment, net (NOTES 5 and 8)	<u>4,038,678</u>
Total assets	<u>\$4,833,379</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued liabilities	\$ 160,487
Security deposits	11,499
Custodial accounts (NOTE 6)	56,302
Lines of credit (NOTE 7)	280,825
Mortgage and notes payable (NOTE 8)	<u>865,523</u>

Total liabilities 1,374,636

Net Assets:

Without donor restrictions	2,753,743
With donor restrictions (NOTE 9)	<u>705,000</u>

Total net assets 3,458,743

Total liabilities and net assets \$4,833,379

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

EFFORTS OF GRACE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues:			
Grant revenue (NOTE 10)	\$ 32,400	\$ -0-	\$ 32,400
Event revenue	201,220	-0-	201,220
Contributions (NOTE 10)	734,956	705,000	1,439,956
Rental income	215,704	-0-	215,704
Ticket sales	47,374	-0-	47,374
Gift sales	58,621	-0-	58,621
Donations	27,280	-0-	27,280
Other income	78,741	-0-	78,741
Net assets released from time and purpose restrictions (NOTE 9)	<u>153,500</u>	<u>(153,500)</u>	<u>-0-</u>
Total revenues	<u>1,549,796</u>	<u>551,500</u>	<u>2,101,296</u>
Expenses:			
Program services	1,615,093	-0-	1,615,093
Management and general	437,717	-0-	437,717
Fundraising	<u>62,148</u>	<u>-0-</u>	<u>62,148</u>
Total expenses	<u>2,114,958</u>	<u>-0-</u>	<u>2,114,958</u>
Change in net assets	<u>(565,162)</u>	<u>551,500</u>	<u>(13,662)</u>
Net assets - beginning of year	<u>3,318,905</u>	<u>303,500</u>	<u>3,622,405</u>
Prior period adjustment (NOTE 17)	<u>-0-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Net assets beginning of year as restated	<u>3,318,905</u>	<u>153,500</u>	<u>3,472,405</u>
Net assets - end of year	<u>\$2,753,743</u>	<u>\$ 705,000</u>	<u>\$3,458,743</u>

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

EFFORTS OF GRACE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 562,353	\$161,792	\$ -0-	\$ 724,145
Insurance	39,447	39,447	-0-	78,894
Equipment rental and maintenance	31,828	7,957	-0-	39,785
Depreciation expense	154,931	38,733	-0-	193,664
Fees, dues and subscriptions	2,045	2,376	-0-	4,421
Interest expense	62,773	15,750	-0-	78,523
Other expenses	35,719	9,996	-0-	45,715
Postage and printing	8,694	2,489	-0-	11,183
Donations	2,304	308	-0-	2,612
Supplies	12,518	12,409	-0-	24,927
Events	45,629	-0-	-0-	45,629
Meeting, conferences and travel	9,967	2,417	-0-	12,384
Professional services	406,814	84,025	62,148	552,987
Occupancy	<u>240,071</u>	<u>60,018</u>	<u>-0-</u>	<u>300,089</u>
Total expenses	<u>\$1,615,093</u>	<u>\$437,717</u>	<u>\$62,148</u>	<u>\$2,114,958</u>

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

EFFORTS OF GRACE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (13,662)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	193,664
Adjustment to beginning net assets	(150,000)
Increase in promises to give	(401,500)
Decrease in accounts receivable	9,275
Decrease in prepaid expenses and other assets	10,941
Increase in accounts payable and accrued liabilities	100,523
Increase in custodial accounts	33,393
Decrease in security deposits	<u>(1,515)</u>
Net cash used in operating activities	<u>(218,881)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Improvements to property and equipment	<u>(4,801)</u>
Net cash used in investing activities	<u>(4,801)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from note payable	150,000
Principal payments on mortgage, note payable and line of credit	<u>(75,086)</u>
Net cash provided by financing activities	<u>74,914</u>
Net decrease in cash	(148,768)
Cash - beginning of year	<u>210,041</u>
Cash - end of year	\$ <u>61,273</u>
Interest paid	\$ <u>78,523</u>

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

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATION:

Efforts of Grace, Inc. (EGI) is a not-for-profit, 501(c)(3), organization that creates and supports programs, activities, and creative works emphasizing the contributions of people of African descent. **EGI** is a leading African-American cultural institution in New Orleans, and has evolved into an institutional presence in New Orleans advancing opportunity and possibility for people of color in their creative, cultural, social and economic pursuits.

One of the most visible projects of **EGI** is the operation of the Ashe' Cultural Arts Center (Ashe' CAC). The mission of Ashe' CAC is to use art and culture to support community development. Ashe' CAC was created in 1993 for the purposes of producing, creating, and encouraging art, images, and performances by and about African-Americans that emphasize their powerful contributions to the welfare of the community. Located in Central City, the Ashe' CAC provides opportunities for art presentations, community development, artist support, and the creation of partnerships that amplify outreach and support efforts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Accounting

The financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Basis of Reporting

EGI has implemented the guidance under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958). In accordance with the provisions of FASB Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*, which establishes standards for external financial reporting by not-for-profit organizations, **EGI** classifies resources for accounting and reporting purposes into two net asset categories, which are net assets without donor restrictions and net assets with donor restrictions.

A description of the two net asset categories is as follows:

Net assets without donor restrictions include contributions not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of **EGI** are included in this category.

Net assets with donor restrictions include realized gains and losses, investment income, gifts and contributions for which donor-imposed restrictions have not been met and contributions stipulated by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operation in accordance with the donor restrictions.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures of \$1,000 or greater that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Property and Equipment, Continued

Depreciation of buildings, automobiles, furniture, fixtures and equipment is computed as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life (years)</u>
Furniture and equipment	Straight-line	3 to 7
Buildings	Straight-line	30
Automobiles	Straight-line	5

Support and Revenues

Contract revenues and revenues from federal grants structured as exchange transactions are recognized when earned.

Contributions are recognized upon receipt or when the donor makes a promise to give EGI that is, in substance, unconditional. Grants (if considered nonexchange transactions) and contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Deferred revenues arise when resources are received by EGI before it has a legal claim to them. In subsequent periods, when EGI has legal claim to the resources, current period revenue is recognized and deferred revenue is reduced. EGI had no deferred revenues at December 31, 2019.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefitted based on time and effort, square footage utilized and full-time equivalents, as applicable.

Income Taxes

EGI is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision for income taxes is made in the accompanying financial statements. Should **EGI's** tax-exempt status be challenged in the future, **EGI's** 2016, 2017 and 2018 tax years are open for examination by the IRS.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through August 7, 2020, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring recognition or disclosure.

NOTE 3 - ECONOMIC DEPENDENCY:

The primary sources of revenues for **EGI** are grants and contributions provided through various funding agencies and donors. The continued success of **EGI** is dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - PROMISES TO GIVE:

Unconditional promises to give are recorded as receivables and revenue when received. **EGI** distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. At December 31, 2019, \$705,000 of promises to give are outstanding. Promises to give have not been discounted due to immateriality of discounts and are being reported at face value and are due as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$405,000
2021	<u>300,000</u>
	<u>\$705,000</u>

NOTE 5 - PROPERTY AND EQUIPMENT:

As of December 31, 2019, property and equipment and related depreciation consist of the following:

Land	\$ 60,000
Building	5,532,288
Furniture and equipment	<u>68,913</u>
	5,661,201
Less: accumulated depreciation	<u>(1,622,523)</u>
Total	<u>\$ 4,038,678</u>

NOTE 6 - CUSTODIAL ACCOUNTS:

The liability account "Custodial Accounts" represents funds received by **EGI** on behalf of other religious, charitable, or educational institutions. **EGI** acts as the fiscal agent for these funds. Custodial liabilities at December 31, 2019 totaled \$56,302.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - LINES OF CREDIT:

A summary of the lines of credit as of December 31, 2019 is as follows:

Revolving line of credit payable to a bank bearing interest at a rate of 8.25% payable on demand or if no demand is made payable at maturity on January 22, 2020. The line of credit is secured by real estate. Subsequent to January 20, 2020 this agreement was refinanced, under comparable terms maturing on July 7, 2021. \$ 96,126

Revolving line of credit payable to a bank bearing interest at a rate of 8.25% payable on demand or if no demand is made payable in one (1) regular payment of \$1,803 and one irregular last payment estimated at \$185,303. The line of credit matures on January 22, 2020 and is secured by real estate. Subsequent to January 20, 2020 this agreement was refinanced, under comparable terms maturing on July 7, 2021. 184,699

Total lines of credit \$280,825

NOTE 8 - MORTGAGE AND NOTES PAYABLE:

A summary of the mortgage payable as of December 31, 2019 is as follows:

Mortgage payable to a bank bears interest rate at 8.25% and requires one (1) payment of \$5,973 and one (1) irregular payment estimated at \$698,622 including interest. The mortgage matures on January 22, 2020, at which time a balloon principal payment and accrued interest are due. The loan is secured by real estate. Subsequent to January 20, 2020 this agreement was refinanced, under comparable terms maturing on July 7, 2020. \$695,523

Total mortgage payable 695,523

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - MORTGAGE AND NOTES PAYABLE, CONTINUED:

Note payable to an individual bearing interest at 0.0% payable at a maturity date of the earlier of (a) December 15, 2018 and (b) the date on which all amounts become due and payable upon default at which time the entire principal amount of the note becomes immediately due and payable. At December 31, 2019, **EGI** is in default under the terms of that agreement. (see NOTE 15). \$ 50,000

Note payable to an individual bearing interest at 0.0% payable at a maturity date of the earlier of (a) December 31, 2019 and (b) the date on which all amounts become due and payable upon default at which time the entire principal amount of the note becomes immediately due and payable. At December 31, 2019 **EGI** is in default under the terms of that agreement. (see NOTE 15) 20,000

Note payable to a foundation bearing interest at 5.0% payable at maturity on October 8, 2019. At December 31, 2019 **EGI** is in default under the terms of that agreement. Management is currently re-negotiating the terms of that agreement. 100,000

Total notes payable 170,000

Total mortgage and notes payable \$865,523

Following are scheduled maturities of the mortgage and note payable to maturity:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	<u>\$865,523</u>
	<u>\$865,523</u>

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS:

As of December 31, 2019, net assets with restrictions are available for the following uses:

Purpose and time restrictions for operations and various projects	<u>\$705,000</u>
Total net assets with restrictions	<u>\$705,000</u>

For the year ended December 31, 2019, net assets of \$153,500 were released from donor restrictions resulting from satisfaction of time and/or purpose restrictions.

NOTE 10 - GRANTS AND CONTRIBUTIONS:

Grants and contributions revenue consisted of the following for the year ended December 31, 2019:

<u>Grants</u>	<u>Amount</u>
State and local grants	<u>\$ 32,400</u>
Total grants	<u>\$ 32,400</u>
 <u>Contributions</u>	
Foundations, trusts and non-profit organizations	<u>\$1,439,956</u>
Total contributions	<u>\$1,439,956</u>

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

EGI has entered into contractual arrangements with certain individuals to provide operational assistance, tutorial, self-development and recreational assistance. Such contracts are generally for six (6) to twelve (12) month periods.

EGI is a recipient of grants from a state and local government. This grant is governed by various local government guidelines, regulations and contractual agreements. Also, **EGI** is a recipient of grants from private foundations, trusts and nonprofit organizations.

The administration of the programs and activities funded by these grants is under the control and administration of **EGI** and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions and regulations of the funding sources may be subject to recapture.

NOTE 12 - RISK MANAGEMENT:

EGI is exposed to various risks of loss related to torts, theft, or damages to and destruction of assets for which **EGI** is insured under commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 13 - CONCENTRATION OF CREDIT RISK:

EGI maintains cash balances at local banks. The Federal Deposit Insurance Corporation (FDIC) provides coverage on non-interest bearing accounts and all other deposits up to \$250,000. At December 31, 2019, **EGI** had no uninsured bank balances.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - LEASES:

EGI has an operating lease for rental of space and equipment which is non-cancelable over the remaining the term of the lease. Minimum future rental payments under the non-cancelable operating lease having rental terms in excess of one year at December 31, 2019 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	<u>\$96,950</u>
	<u>\$96,950</u>

Currently, this lease is in negotiations for renewal. Rental expense under the non-cancelable operating lease for the year ended December 31, 2019 was \$145,425.

NOTE 15 - RELATED PARTY:

Included in EGI's liabilities at December 31, 2019 are two (2) notes payable in the aggregate amount of \$70,000 to EGI's former Executive Director. Additionally, included in accounts payable and custodial accounts are \$34,244 and \$15,736 respectively also due to EGI's former Executive Director. Total amounts due to EGI's former Executive Director was \$119,980 at December 31, 2019. Subsequent to year-end EGI re-negotiated the terms of amounts due to its former Executive Director requiring monthly payments of \$3,000.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (DEFICITS):

The following reflects **EGI's** financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are available for use within one year for general purposes include cash, investments and accounts receivable.

Financial assets at year end	\$769,940
Less those unavailable for general expenditures within one year due to:	
Security deposit	11,499
Custodial accounts	56,302
Donor-restricted net assets	<u>705,000</u>
Financial (deficits) available to meet cash needs for general expenditures within one year	\$ <u>(2,861)</u>

NOTE 17 - PRIOR PERIOD ADJUSTMENT:

Net assets with donor restrictions were overstated by \$150,000 in prior years primarily resulting from weaknesses in internal control involving revenue recognition associated with unconditional promises to give and the accounting for subsequent collections (see repeated audit finding 2019-001).

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 18 - NEW PRONOUNCEMENTS:

The FASB also issued Accounting Standards Update No. 2016-02 affecting ASC 842, *Leases*, which provides guidance for any entity that enters into a lease (as defined in this Update), with some specified scope exemptions. The guidance in this Update supersedes ASC 840 *Leases*. The primary objective of this Update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020.

EGI is currently assessing the impact of these new pronouncements on its financial statements.

NOTE 19 - SUBSEQUENT EVENT:

EGI's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID 19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in an adverse impact on **EGI's** subsequent financial statements. Possible effects may include, but not limited to, disruption of **EGI's** operations and related revenue, unavailability of products and supplies used in operations and possible decline in assets held by **EGI**, including property and equipment.

SUPPLEMENTARY INFORMATION

EFFORTS OF GRACE, INC.
SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS
AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2019

Chief Executive Officer: Ms. Carol Bebelle - Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$90,000
Benefits - insurance	6,000
Benefits - retirement	-0-
Benefits - other	-0-
Car allowance	-0-
Vehicle provided by organization	-0-
Per diem	-0-
Reimbursements	94
Travel	4,975
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	13,200
Unvouchered expenses	-0-
Special meals	-0-

*Compensation, reimbursements, benefits and other payments to the Chief Executive Officer were made from private contributions to EGI.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Efforts of Grace, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Efforts of Grace, Inc. (EGI)** as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **EGI's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **EGI's** internal control. Accordingly, we do not express an opinion on the effectiveness of **EGI's** internal control.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting, Continued

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EGI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor, and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

August 7, 2020

EFFORTS OF GRACE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditors' Results

- A. The type of report issued on the financial statements: **unmodified opinion.**
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **None Reported.** material weaknesses: **Yes.**
- C. Noncompliance which is material to the financial statements: **None Reported.**
- D. Significant deficiencies in internal control over major programs: **Not Applicable** material weaknesses: **Not Applicable.**
- E. The type of report issued on compliance for major programs: **Not Applicable.**
- F. Any audit findings which are required to be reported under *the Uniform Guidance*: **Not Applicable.**
- G. Major programs: **Not Applicable.**
- H. Dollar threshold used to distinguish between Type A and Type B programs: **Not Applicable.**
- I. Auditee qualified as a low-risk auditee under *the Uniform Guidance*: **Not Applicable.**
- J. A management letter was issued: **No.**

EFFORTS OF GRACE, INC.
SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Section II - Internal Control and Compliance
Material to the Financial Statements

Finding Classification: Material Weakness
Finding Number: 2019-001
Finding Type: Internal Control
Finding Title: Revenue Recognition

Criteria

Management is responsible for establishing and maintaining internal control to achieve the objective of effective financial reporting. Controls must provide reasonable assurance that all transactions and balances that should have been reported have been included and that no unauthorized transactions or balances are included.

FASB ASC 958-605, *Revenue Recognition* requires that for revenue from grants structured as non-exchange transactions, the full amount of the award must be recognized as income in the period in which the legally enforceable pledge (such as the executed grant agreement) is received by the organization, even if the donor has delayed payment or restricted the use of funds until a future reporting period; no revenue may be deferred. As a result, contributions are recorded immediately either as an increase in net assets without donor restrictions or net assets with donor restrictions depending on the nature of the donor restrictions, if any.

Condition

During our audit we noted a material weakness in the controls over revenue recognition. **EGI** did not properly recognize promise to give related to restricted contributions and grants structured as non-exchange transactions and a material adjustment to restricted contribution revenue and promises to give for the year ended December 31, 2019 was required.

EFFORTS OF GRACE, INC.
SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Section II - Internal Control and Compliance
Material to the Financial Statements, Continued

2019-001 - Revenue Recognition, Continued

Effect

At December 31, 2019, contributions with donor restrictions were misstated by \$150,000 due to a prior year error and \$273,331 due to a current year over accrual.

Cause

EGI misinterpreted the guidance under FASB ASC 958-605 as it pertains to grants structured as non-exchange transactions. In addition, EGI does not have a policy for treatment of unspent balances of restricted contributions at year end.

Recommendation

We recommend that EGI review FASB ASC 958-605 and revise its fiscal policies to properly address the treatment of unspent balances of restricted grants, and to include the treatment of income recognition from multi-period grants structured as non-exchange transactions.

Management's Response and Planned Corrective Action

Management will revise its fiscal policies and procedures, emphasizing the proper treatment of revenue and the receipt of funds from all funding sources.

Resolution:	Unresolved
Number of Years Reported:	Seven (7)
Financial Impact:	Greater than \$150,000

EFFORTS OF GRACE, INC.
SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Section II - Internal Control and Compliance
Material to the Financial Statements, Continued

Finding Classification: Noncompliance
Finding Number: 2019-002
Finding Type: Internal Control
Finding Title: Default on Loan Agreement

Criteria

Management of **EGI** is responsible for compliance with the terms and conditions its various donations and awards and loan agreements. Management of **EGI** is also responsible for establishing and maintaining internal control to achieve the objective of compliance.

Condition

EGI has executed two (2) promissory notes with an individual and one (1) promissory note with a foundation. Under the applicable terms of these promissory notes, at December 31, 2019 **EGI** is delinquent or repayment and thus in default under the terms of the applicable promissory notes.

Effect

EGI is in default under the terms of existing promissory notes.

Cause

Slow cash flow.

EFFORTS OF GRACE, INC.
SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Section II - Internal Control and Compliance

Material to the Financial Statements, Continued

Recommendation

We recommend that **EGI** monitor operations to ease cash flow deficiencies and explore the possibility of renegotiating the terms and conditions of promissory notes or which **EGI** is in default at December 31, 2019.

Management's Response and Planned Corrective Action

Management is currently in re-negotiations with the holders of the agreements noted. **EGI** is optimistic that the mutually agreed upon terms will be advantageous to all parties. Additionally, management is currently re-engineering its process to monitor operations and cash flow with an emphasis on alerting management when outstanding notes approach their maturity.

Resolution:	Unresolved
Number of Years Reported:	One (1)
Financial Impact:	Greater the \$150,000

Section III - Internal Control and Compliance
Material to the Federal Awards

Not applicable.

EFFORTS OF GRACE, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Internal Control and Compliance
Material to the Financial Statements

	<u>Resolved</u>	<u>Unresolved</u>
2018-001 Revenue Recognition		X

Section II - Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III - Management Letter

Not applicable.

EFFORTS OF GRACE, INC.

EXIT CONFERENCE

The audit report was discussed at the conclusion of the audit and the following persons participated in the discussion of this report.

EFFORTS OF GRACE, INC.

Ms. Asali Devan Ecclesiastes	--	Executive Director
Ms. Beverly Guillory Andry	--	Board President
Ms. Lidya Araya	--	Board Member
Mr. Victor Robinson, CPA	--	Accountant

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Alcide J. Tervalon, Jr., CPA	--	Managing Partner
Mr. Armand Pinkney	--	Manager