

EFFORTS OF GRACE, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020	4
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020.....	5
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020	6
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020	7
NOTES TO THE FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION:	
Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer	22
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 <u>GOVERNMENT AUDITING STANDARDS</u>	23
SCHEDULE OF FINDINGS AND RESPONSES	26
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	29



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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, 2020 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.
Page 2

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, 2020 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 October 1, 2021 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.

Page 3

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 Officer 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

October 1, 2021



EFFORTS OF GRACE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Cash (NOTES 6 and 13)	\$ 555,081
Promises to give (NOTE 4)	1,200,000
Accounts receivable	18,765
Prepaid expenses and other assets	27,902
Investments	3,185
Property and equipment, net (NOTES 5 and 8)	<u>3,848,522</u>
Total assets	<u>\$5,653,455</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued liabilities	\$ 92,887
Security deposits	11,154
Custodial accounts (NOTE 6)	54,966
Other liabilities (NOTE 7)	175,231
Mortgage and notes payable (NOTE 8)	<u>1,335,707</u>
Total liabilities	<u>1,669,945</u>
Net Assets:	
Without donor restrictions	2,783,510
With donor restrictions (NOTE 9)	<u>1,200,000</u>
Total net assets	<u>3,983,510</u>
Total liabilities and net assets	<u>\$5,653,455</u>

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

EFFORTS OF GRACE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues:			
Grant revenue (NOTE 10)	\$ 492,333	\$ -0-	\$ 492,333
Event revenue	58,702	-0-	58,702
Contributions (NOTE 10)	810,556	800,000	1,610,556
Rental income	215,618	-0-	215,618
Ticket sales	6,490	-0-	6,490
Gift sales	7,021	-0-	7,021
Other income	49,426	-0-	49,426
Net assets released from time and purpose restrictions (NOTE 9)	<u>305,000</u>	<u>(305,000)</u>	<u>-0-</u>
Total revenues	<u>1,945,146</u>	<u>495,000</u>	<u>2,440,146</u>
Expenses:			
Program services	1,350,333	-0-	1,350,333
Management and general	518,951	-0-	518,951
Fundraising	<u>46,095</u>	<u>-0-</u>	<u>46,095</u>
Total expenses	<u>1,915,379</u>	<u>-0-</u>	<u>1,915,379</u>
Change in net assets	29,767	495,000	524,767
Net assets - beginning of year	<u>2,753,743</u>	<u>705,000</u>	<u>3,458,743</u>
Net assets - end of year	<u>\$2,783,510</u>	<u>\$1,200,000</u>	<u>\$3,983,510</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, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 481,472	\$249,350	\$ -0-	\$ 730,822
Insurance	43,952	23,667	-0-	67,619
Equipment rental and maintenance	11,137	-0-	-0-	11,137
Depreciation expense	135,901	58,243	-0-	194,144
Fees, dues and subscriptions	914	9,644	-0-	10,558
Interest expense	46,617	31,123	-0-	77,740
Other expenses	9,513	16,459	-0-	25,972
Postage and printing	1,771	1,834	-0-	3,605
Donations	3,976	-0-	-0-	3,976
Supplies	31,932	1,756	-0-	33,688
Events	5,787	4,569	-0-	10,356
Grants to others	165,720	-0-	-0-	165,720
Meeting, conferences and travel	12,052	3,567	-0-	15,619
Professional services	239,428	65,433	46,095	350,956
Occupancy	<u>160,161</u>	<u>53,306</u>	<u>-0-</u>	<u>213,467</u>
 Total expenses	 <u>\$1,350,333</u>	 <u>\$518,951</u>	 <u>\$46,095</u>	 <u>\$1,915,379</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 524,767
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	194,144
Increase in promises to give	(495,000)
Increase in accounts receivable	(15,098)
Increase in prepaid expenses and other assets	(3,141)
Decrease in accounts payable and accrued liabilities	(67,600)
Decrease in custodial accounts	(1,336)
Decrease in security deposits	(345)
Increase in other liabilities	<u>175,231</u>
Net cash provided by operating activities	<u>311,622</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to property and equipment	(3,988)
Acquisition of investments	<u>(3,185)</u>
Net cash used in investing activities	<u>(7,173)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from notes payable	499,822
Principal payments on mortgage, note payable and line of credit	<u>(310,463)</u>
Net cash provided by financing activities	<u>189,359</u>
Net increase in cash	493,808
Cash - beginning of year	<u>61,273</u>
Cash - end of year	<u>\$ 555,081</u>
Interest paid	<u>\$ 77,740</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.

Statement of Cash Flows

For purposes of the statement of cash flows, **EGI** considers all highly liquid investments with original maturities of three months or less that are not restricted for specific purposes to be cash equivalents. At December 31, 2020, **EGI** had no cash equivalents.

Investments

In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Support and Revenues, Continued

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, 2020.

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** 2017, 2018 and 2019 tax years are open for examination by the IRS.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through October 1, 2021, 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.

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, 2020, \$1,200,000 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>
2021	\$ 500,000
2022	500,000
2023	<u>200,000</u>
	<u>\$1,200,000</u>

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

NOTE 5 - PROPERTY AND EQUIPMENT:

As of December 31, 2020, property and equipment and related depreciation consist of the following:

Land	\$ 60,000
Building	5,532,288
Furniture and equipment	<u>72,901</u>
	5,665,189
Less: accumulated depreciation	<u>(1,816,667)</u>
Total	<u>\$ 3,848,522</u>

Certain property and equipment serve as collateral for a mortgage and a note payable. (See NOTE 8)

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, 2020 totaled \$54,966.

NOTE 7 - OTHER LIABILITIES:

On January 1, 2021 an agreement was reached between EGI and EGI's Co-Founder and Former Executive Director to retroactively provide a Retirement Package upon her retirement and leadership of EGI which was effective as of December 31, 2019 (retirement date). This agreement provided for payment of \$24,769 in December 2020 and subsequent monthly payments of \$5,558 beginning January 15, 2021 terminating August 15, 2023 totaling \$175,231, which is included other liabilities, for a total retirement package of \$200,000. This liability is non-interest bearing and any imputed interest is deemed immaterial.

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

NOTE 8 - MORTGAGE AND NOTES PAYABLE:

A summary of the mortgage and notes payable as of December 31, 2020 is as follows:

Mortgage payable to a bank bears interest at a variable rate currently at 7.000% and requires fourteen (14) regular payments of \$8,831 and one (1) irregular payment estimated at \$937,340 including interest. The mortgage matures on July 7, 2021, at which time a balloon principal payment and accrued interest are due. The loan is secured by real estate. Subsequent to year end this agreement was extended under comparable terms maturing on September 30, 2021 and currently EGI is negotiating the refinancing of this mortgage payable. \$952,146

Total mortgage payable 952,146

An unsecured 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, 2020, EGI is in default under the terms of the note payable. Subsequent to year-end the maturity date of this note payable was extended to August 1, 2022. (see NOTE 15). 22,611

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

NOTE 8 - MORTGAGE AND NOTES PAYABLE, CONTINUED:

An unsecured 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, 2020 **EGI** is in default under the terms of the note payable. Subsequent to year-end the maturity date of this note payable was extended to August 1, 2022. (see NOTE 15). \$ 20,000

Note payable (Secured Disaster Loan) to the Small Business Administration (SBA) dated May 21, 2020 with an annual interest rate of 2.75%. **EGI** must make all payments at the place the SBA designates. **EGI** must pay principal and interest payments of \$641 every month beginning twelve (12) months from the date of the note payable. The SBA will apply each installment payment first to pay interest accrued to the date the SBA receives the payment and will then apply any remaining balance to reduce principal. This note payable is secured by real estate. All remaining principal and accrued interest is due and payable thirty (30) years from the date of the note payable. 149,900

An unsecured note payable to a financial institution dated April 14, 2020 with an interest rate of 1.000%. **EGI** must make equal monthly payments of principal and interest, beginning six (6) months from the date of the note payable, and all subsequent payments are due on the same day of each month after that, until the maturity date, which is two (2) years from the date of the note payable. 93,300

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

NOTE 8 - MORTGAGE AND NOTES PAYABLE, CONTINUED:

An unsecured note payable to a foundation bearing interest at 5.0% payable at maturity on October 8, 2019. At December 31, 2020 EGI is in default under the terms of that agreement. Management is currently re-negotiating the terms of the note payable. \$ 97,750

Total notes payable 383,561

Total mortgage and notes payable \$1,335,707

Following are scheduled principal payments due on the mortgage and notes payable to maturity:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$1,144,154
2022	51,647
2023	4,997
2024	4,997
2025	4,997
Thereafter	<u>124,915</u>
	<u>\$1,335,707</u>

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

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS:

As of December 31, 2020, net assets with restrictions are available for the following uses:

Purpose and time restrictions for operations and various projects	<u>\$1,200,000</u>
Total net assets with restrictions	<u>\$1,200,000</u>

For the year ended December 31, 2020, net assets of \$305,000 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, 2020:

<u>Grants</u>	<u>Amount</u>
Federal	\$180,404
State and local grants	19,007
United Way	180,000
Others	<u>112,922</u>
Total grants	<u>\$492,333</u>
 <u>Contributions</u>	
Private foundations, trusts and others	<u>\$1,610,556</u>
Total contributions	<u>\$1,610,556</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, 2020, **EGI** had uninsured bank balances of \$308,932.

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, 2020 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$91,250
2022	91,250
2023	91,250
2024	91,250
2025	<u>59,250</u>
	<u>\$424,250</u>

Rental expense under the non-cancelable operating lease for the year ended December 31, 2020 was \$88,974.

NOTE 15 - RELATED PARTY:

Included in EGI's liabilities at December 31, 2020 are two (2) notes payable in the aggregate amount of \$42,611 to EGI's former Executive Director. Additionally, included in other liabilities is \$175,231 also due to EGI's former Executive Director. Total amounts due to EGI's former Executive Director was \$217,842 at December 31, 2020 (see NOTES 7 and 8).

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, promise to give and accounts receivable.

Financial assets at year end	\$1,777,031
Less those unavailable for general expenditures within one year due to:	
Security deposit	11,154
Custodial accounts	54,966
Other liabilities	175,231
Donor-restricted net assets	<u>1,200,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>335,680</u>

NOTE 17 - 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, 2021.

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

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

NOTE 18 - SUBSEQUENT EVENT:

EGI's operations may be continued to 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, 2020

Chief Executive Officer: Ms. Asali Devan Ecclesiastes - Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$88,678
Benefits - insurance	-0-
Benefits - retirement	-0-
Benefits - other	-0-
Car allowance	-0-
Vehicle provided by organization	-0-
Per diem	-0-
Reimbursements	1,118
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
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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Society of Louisiana
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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)** (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 1, 2021.

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) as a basis for designing 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
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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 of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

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
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(CONTINUED)

EGI's Response to Finding

EGI's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. EGI's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

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

October 1, 2021

EFFORTS OF GRACE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

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: **Yes.** material weaknesses: **None Reported.**
- 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, 2020

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

Finding Classification: Noncompliance
Finding Number: 2020-001
Finding Type: Internal Control
Finding Title: Default on Loan Agreements

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, 2020 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, 2020

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, 2020.

Management's Response and Planned Corrective Action

On March 26, 2021 a loan extension agreement associated with the two (2) promissory notes to an individual was executed extending the due date of those notes. Additionally, management has re-engineered 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:	Two (2)
Financial Impact:	Less than \$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, 2020

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

	<u>Resolved</u>	<u>Unresolved</u>
2019-001 Revenue Recognition	X	
2019-002 Default on Loan Agreement		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
Mr. Victor Robinson, CPA	--	Accountant

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

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