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EFFORTS OF GRACE, INC.
FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT ACCOUNTANTS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED COMPILATION)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors
Efforts of Grace, Inc.
New Orleans, Louisiana

We have compiled the accompanying statement of assets, liabilities and net assets—cash basis of **Efforts of Grace, Inc. (EGI)** as of December 31, 2006, and the related statements of revenues, expenses, and changes in net assets—cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of **EGI**. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As described in NOTE 2, **EGI's** policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements referred to above are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 25, 2007

EFFORTS OF GRACE, INC.
STATEMENT OF ASSETS, LIABILITIES
AND NET ASSETS- CASH BASIS
DECEMBER 31, 2006

ASSETS

Current Assets:	
Cash in bank	\$ 700,033
Cash with credit union	<u>62,894</u>
Total current assets	<u>762,927</u>
Building, equipment and fixtures (net) (NOTE 3)	<u>62,400</u>
Total assets	<u>\$ 825,327</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Current Liabilities:	
Current maturities of notes payable (NOTE 4)	\$ 8,626
Accrued liabilities	<u>3,413</u>
Total current liabilities	<u>12,039</u>
Notes payable (NOTE 4)	<u>58,586</u>
Total liabilities	<u>70,625</u>
Net Assets:	
Unrestricted net assets	<u>754,702</u>
Total liabilities and net assets	<u>\$ 825,327</u>

See accountants' report and notes to financial statements.

EFFORTS OF GRACE, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS— CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>
Revenues:	
Grant revenue - Federal	\$ 12,463
Grant revenue - State	170,454
Grant revenue - Local	4,425
Grant revenue - Nonprofit organizations	191,210
Grant revenue - Foundations	902,812
Rental income	1,000
Event revenue	46,226
Contributions	187,908
Other income	<u>126,777</u>
Total revenues	<u>1,643,275</u>
Expenses:	
Salaries and benefits	99,211
Professional fees	394,266
Equipment repairs	3,604
Event costs	82,581
Occupancy	68,992
Supplies	87,576
Travel	24,943
Catering	17,916
Membership dues	8,330
Printing	4,790
Advertising	3,653
Equipment rental	8,707
Other expenses	46,624
Interest expense	6,497
Depreciation	<u>5,000</u>
Total expenses	<u>862,690</u>
Change in net assets	780,585
Net assets—beginning of year	<u>(25,883)</u>
Net assets—ending of year	<u>\$ 754,702</u>

See accountants' reports and notes to financial statements.

EFFORTS OF GRACE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Nature of Operation:

Efforts of Grace, Inc. (EGI) was organized exclusively for religious, charitable and educational purposes. One of the most visible aspects of **EGI** is the operation of Ashé Cultural Arts Center (Ashé). Ashé 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.

NOTE 2 - Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of **EGI** have been prepared on the cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles.

Use of Estimates

In preparing financial statements, management uses 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.

Income Taxes

EGI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.

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

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Building, Equipment and Fixtures

Building, equipment and fixtures are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Revenues and Support Recognition

Revenues received under government grant programs are recognized when received. Contributions are recognized as revenue when they are received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

NOTE 3 - Building, Equipment and Fixtures:

Building, equipment, and fixtures consisted of the following at December 31, 2006:

Land and buildings	\$ 60,000
Equipment and fixtures	<u>27,400</u>
	87,400
Less accumulated depreciation	<u>(25,000)</u>
Total	<u>\$ 62,400</u>

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

NOTE 4 - Notes Payable:

A summary of notes payable as of December 31, 2006 is as follows:

6.5% note payable to a mortgage corporation in \$432 monthly installments of principal and interest based on a 240-month amortization schedule and balloon payment of \$45,647, payable through August 11, 2010, secured by real estate.	\$ 60,000
4% note payable to a bank in varying monthly installments of interest only and balloon payment of principal, payable on demand, unsecured.	<u>7,212</u>
Total notes payable	67,212
Less: Current maturities included in current liabilities	<u>8,626</u>
	<u>\$ 58,586</u>

Following are maturities of notes payable for each of the next four (4) years:

<u>Year Ending December 31</u>	<u>Amount</u>
2007	\$ 8,626
2008	1,506
2009	1,604
2010	<u>55,476</u>
	<u>\$ 67,212</u>

NOTE 5 - Commitments and Contingencies:

Rental expense resulting from a facility operating lease approximates \$26,400 per year. The contract agreement is under a non-cancelable operating lease, which expired in 2006.

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

NOTE 5 - Commitments and Contingencies, Continued

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 Federal, State and local government funds. These grants are governed by various Federal, State and local government guidelines, regulations, and contractual agreements. Also, **EGI** is a recipient of grants from private foundation and non-profit 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.

At December 31, 2006, approximately seventy-eight percent (78%) of **EGI** operating revenues was derived from grants.

NOTE 6 - Risk Management:

EGI is exposed to various risk of loss related to torts, theft, or damage 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 7 - Concentration of Credit Risk:

EGI maintains cash balances at local banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.