



CUMMINGS-GRAYSON & CO., P.A.

MEMBER AICPA & FICPA

*Certified Public Accountants*

Since 1979

**REVIEW REPORT OF**

**GRACE INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**GRACE INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013**

**Assets**

Cash and Cash Equivalents	\$42,589
Net Fixed Assets	3,300,745
Other Assets	<u>257,702</u>

**Total Assets**

3,601,036

**Liabilities**

**\$0**

**Net Assets**

Unrestricted Net Assets	3,601,036	
Temporarily Restricted	<u>0</u>	<u>3,601,036</u>

**Net Assets**

\$3,601,036

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

**GRACE INTERNATIONAL, INC.  
STATEMENT OF ACTIVITIES  
AS OF DECEMBER 31, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues</b>			
Donations - Operational	\$42,678	\$400,386	\$443,064
Donations - Haitian Ministries & Villages	349,741	0	349,741
Corporate Contributions	0	223,102	223,102
Contributed Services, Supplies & Materials	664,500	0	664,500
Interest Income	41	0	41
	1,056,960	623,488	1,680,448
<b>Net assets released from restrictions</b>	<b>623,488</b>	<b>(623,488)</b>	<b>0</b>
<b>Total Revenues</b>	<b>1,680,448</b>	<b>0</b>	<b>1,680,448</b>
<b>Expenses</b>			
Program Services	1,507,172	0	1,507,172
Supporting Services	96,417	0	96,417
Fundraising	61,574	0	61,574
<b>Total Expenses</b>	<b>1,665,163</b>	<b>0</b>	<b>1,665,163</b>
<b>Increase in net assets</b>	<b>15,286</b>	<b>0</b>	<b>15,286</b>
<b>Net assets, beginning of the year</b>	<b>3,579,689</b>	<b>0</b>	<b>3,579,689</b>
Prior period adjustment	6,061		6,061
<b>Adjusted Net assets, beginning of the year</b>	<b>3,585,750</b>	<b>0</b>	<b>3,585,750</b>
<b>Net assets, end of year</b>	<b>\$ 3,601,036</b>	<b>\$ -</b>	<b>\$3,601,036</b>

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

**GRACE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. Nature of Operation**

Grace international Inc (the church) was organized in 1999, and is a not-for-profit organization located in Miami FL. The church is dedicated to establishing and maintaining the public worship of God and to promoting the evangelical faith in accordance with the principles and doctrines of the Holy Scriptures. The church is supported primarily through contributions from the congregation, national and international organizations, and provides various programs to its members and community, including Christian education, pastoral care, missions, and other special programs. The bulk of its ministry is performed in Haiti, and focuses on the healthcare, education, nutritional and feeding of the Haitian people, including the preaching of the Word to the refugees located on the land in Haiti.

**2. Summary of Significant Accounting Policies**

*Codification – Basis of Accounting*

Effective July 1, 2009, the Financial Accountant Standards Board's (FASB) Accountant Standards Codification (ASC) became the single official source of authoritative, non governmental U.S generally accepted accounting principle (GAAP). The historical GAAP hierarchy was eliminated, and the ASC became the only level of authoritative GAAP. The Churches' accounting policies were not affected by the conversation to ASC.

*Basis of Presentation*

The financial statements of the church have been prepared on the accrual basis of accounting, whereby revenues and expense are recorded as they are earned or incurred.

*Use of Estimates*

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, liabilities, net assets, and change therein, and disclosure of contingent assets and liabilities, if any. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents*

Cash equivalents include short- term, highly liquid investments which are readily convertible into cash within three months or less, and would consist of certificates of deposit, money market accounts and repurchase agreements. Cash equivalents, if applicable, would be carried at cost, which approximate fair value.

*Concentrations of Credit Risk*

Financial instruments which potentially could subject the Church to concentrations of credit risk consist principally of cash. The Church places its cash in highly rated financial institutions. On January 1, 2010, the Federal Deposit Insurance Corporation coverage returned to \$100,000 per depositor for all deposits except certain retirement account, which will continue to be insured to \$250,000 per owner. The Church has not experienced any losses in such accounts and believes that it



**GRACE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**2. Summary of Significant Accounting Policies (Continued)**

is not exposed to any significant credit risk on cash and cash equivalents, since the cash accounts average balance are not greater than \$250,000.

*Accounts and Grants Receivable*

Receivables represent amounts due from affiliated agencies and other charitable organizations that are stated at the amount the Church expects to collect from outstanding balances, however, at year end, there no receivables to be reflected.

*Property and Equipment*

Property and equipment is valued at cost at the time of purchase or estimated fair value at the date of donation, if received as support. Depreciation expense is computed using the straight-line method over the estimated useful lives of the individual assets as follows:

- Computers, furniture and equipment                      3-7 years
- Buildings and building improvements                      27.5-39 years

*Capitalization Policy*

The Church capitalizes all fixed assets with an economic benefit longer than one year and cost of over \$500. All other items are expensed in the year purchased.

*Revenue Recognition*

In accordance with Statement ASC 958, *Not- For- Profit Entities*, contributions are recognized as revenue at their fair value when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restriction. Program revenue Is recognized in the period in which the supported work is completed. Rental income is recognized in the period in which it is earned.

*Restricted and unrestricted support*

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**GRACE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**2. Summary of Significant Accounting Policies (Continued)**

*Donated goods and services*

Donations of goods are recorded at their estimated fair market value on the date of gift, provided the fair market value is reasonably determinable. For the year ending December 31, 2013, donated goods included contributed food, supplies, and vehicles. Donations of professional services are recorded as both unrestricted contributions and as expense, in accordance with ASC 958. For the year ending December 31 2013, these amounts reflect contributed professional medical services and medical support services.

GAAP also requires that unconditional promises to give (pledges) be recorded as receivables and revenues, and requires that organizations distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

*Classes of Net Asset*

In accordance with ASC 958, *Not-For-Profit Entities*, the Church reports information regarding its financial position and activities according to three classes of net assets:

**Unrestricted Net Assets** - Net assets that are not restricted by donors' stipulations. This may include net assets whose use is limited by internally imposed restrictions.

**Temporarily Restricted Net Assets** - Include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.

**Permanently Restricted Net Assets** - Include those assets which are subject to a non-expiring donor restriction, or where it is stipulated by donors that the principal remain in perpetuity, and only the income is available as unrestricted or temporarily restricted, as per the terms of the endowment. There were no permanently restricted net assets at December 31, 2013.

*Tax Exempt Status*

The church is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code as a public charity. The Church does not have income from debt- financed property; but if it did, and if income exceeded expenses, then profits would be subject to corporate income tax rates.

*Fair Value Measurement for Financial assets and Financial Liabilities*

ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. Effective January 1, 2008, the Church adapted the disclosures requirement for financial assets and liabilities, and effective January 1, 2009 the Church adopted the disclosure requirements for nonfinancial assets and liabilities. The Church has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value.



**GRACE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**2. Summary of Significant Accounting Policies (Continued)**

In addition to classifying net assets as unrestricted, temporarily restricted or permanently restricted, the Church classifies its expenses as:

- **Program Services**, which includes Worship and Church Services, Ministry, Community Assistance, Discipleship, Outreach and Orphanages, World Missions.
- **Support Services**, which includes Management and General, Building maintenance and Depreciation.
- **Fundraising**, which includes fundraising, grant writing, and specific marketing to increase funds available for operations?

*Functional Allocation of Expenses*

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statements of activity and of functional expenses. Accordingly, certain costs have been allocated among the programs and supported services benefited, based upon an analysis of personnel time allocated between programs and supporting services.

*Subsequent Events*

Subsequent events were evaluated through June 26, 2014, which is the date the financial statements were available for issuance.

**3. Property and Equipment**

Property and equipment consists of the following at December 31, 2013:

Building and improvements	\$3,247,740
Construction in progress - Orphanage	185,000
Furniture, fixtures, and equipment	50,230
Vehicles	<u>63,093</u>
<b>Total Property</b>	<b>\$3,546,063</b>
Less accumulated depreciation	<u>(511,470)</u>
<b>Subtotal</b>	<b>\$3,034,593</b>
Land with well	<u>266,152</u>
<b>Property and equipment, net</b>	<b><u>\$3,300,745</u></b>

Building and improvements account include the hospital and the medical guest house.

**GRACE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**4. Other Assets**

Other Assets consist of the land donated for the construction of the community center for Grace Lambi.

**5. Prior Period Adjustment**

The cash as of December 2012 was understated in the amount of \$6,061. This adjustment was made during the year ended December 31, 2013.

**6. Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the satisfaction of donor requirements: Purpose restrictions accomplished:

Operation of the Boy's Orphanage	\$ 2,615
Operation of the Girl's Home	20,300
Operation of the Hospital	89,689
Ministerial Support	90,963
Haiti Hospital, Guest House	28,400
Guest Home – Medical	38,962
Grace Villages & Carrefour	223,102
Schools & Sponsorships	<u>138,531</u>
Total purpose restrictions accomplished	<u>\$ 623,488</u>



**GRACE INTERNATIONAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**8. Donated Services and Materials (reflected at management's estimated fair value amount)**

<b>Services or Materials</b>	<b>Dollar Value of Item</b>
<b>Dental</b>	<b>\$ 45,838</b>
<b>Empowerment</b>	<b>25,097</b>
<b>Boys Orphanage</b>	<b>8,815</b>
<b>Girls' Orphanage</b>	<b>11,096</b>
<b>Christmas Events</b>	<b>89,810</b>
<b>Construction - Villages</b>	<b>358,721</b>
<b>Ministry and Crusades</b>	<b>101,425</b>
<b>Food Ministry – Lord's Kitchen</b>	<b>21,208</b>
<b>Total</b>	<b>\$ 664,500</b>

Both FASB (SFAS) 116 and 117 require specific disclosures for not-for-profit entities, particularly, contributed services. Per FASB 116, in the year received, contributed services are recognized as a contribution and an expense if the service received (a) create or enhance non-financial assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation.

This determination of the contributed amounts is management's best estimate as to their value, and utilization of the United States standard volunteer hourly rate. All services and materials were donated for the purposes identified in the above table. FASB 117 and 116 encourages entities to disclose the fair value of contributed services received as operating revenues, the above amounts are reflected in the financial statements.

**GRACE INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Program</u>	<u>Support</u>	<u>Fundraising</u>	<u>Total</u>
<b>Operational Expenditures</b>				
Advertising and Promotion	1,289			1,289
Auto Expenses	7,656			7,656
Bank Service Charges	3,263			3,263
Business Expense	855			855
Computer		777		777
Depreciation Expense	44,086	44,086		88,172
Donation & Gift	5,060			5,060
Fundraising			61,574	61,574
Gospel Crusades	101,425			101,425
Haiti - Guest House	28,400			28,400
Haiti - Churches	90,963			90,963
Haiti - Christmas Party	89,810			89,810
Haiti - Boys Home	11,430			11,430
Haiti - Hospital	135,527			135,527
Haiti - Girls Home	31,397			31,397
Haiti Food Ministry	51,096			51,096
Haiti - Empowerment Program	25,097			25,097
Haiti Missions Operating Expenses	10,200	4,126		14,326
Haiti - Orphanages	126,220			126,220
Haiti - Schools	94,227			94,227
Haiti - Sponsorships	37,830			37,830
Haiti - Grace Fuller Village/Village Buildings	581,823			581,823
Independent Contractors	800			800
Insurance	2,399	1,294		3,693
Internet	53			53
License & Permits	61			61
Maintenance and Repair	100	200		300
Management General		23,148		23,148
Meals & Entertainment	676			676
Office Security		2,619		2,619
Office Supplies	2,441			2,441
Office Expense		227		227
Operating Expenses	8,091	0		8,091
Pastor Allowance	2,164			2,164
Postage & Delivery	493			493
Professional Service	0	6,650		6,650
Rent	9,750	9,750		19,500
Staff Development		1,050		1,050
Utilities	2,490	2,490		4,980
<b>Total Operational Expenses</b>	<u>1,507,172</u>	<u>96,417</u>	<u>61,574</u>	<u>1,665,163</u>
<b>Total Expenses</b>	<u><b>\$1,507,172</b></u>	<u><b>\$96,417</b></u>	<u><b>\$61,574</b></u>	<u><b>\$1,665,163</b></u>

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