



CUMMINGS-GRAYSON & CO., P.A.
MEMBER AICPA & FICPA

Costume, Value & Accuracy
Since 1979

GRACE INTERNATIONAL, INC.

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON ANNUAL AUDIT
FOR THE YEAR
ENDING DECEMBER 31, 2015**

GRACE INTERNATIONAL, INC.

Table of Contents

INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 11
STATEMENT OF FUNCTIONAL EXPENDITURES	12
INDEPENDENT AUDITOR'S 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	13-14
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15
MANAGEMENT LETTER	16-18



INDEPENDENT AUDITOR'S REPORT

Board of Trustees of Grace International, Inc.

We have audited the accompanying financial statements of Grace International, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Grace International, Inc. as of December 31, 2015, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 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.

CUMMINGS-GRAYSON & CO.

Miami, Florida

May 25, 2016

Cummings-Grayson & Co.

GRACE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

Assets

Cash and Cash Equivalents		\$43,101
Net Fixed Assets		3,032,466
Other Assets		<u>709,499</u>
Total Assets		<u>\$3,785,066</u>

Liabilities

Current Liabilities	\$7,949	
Long-term Liabilities	<u>109,400</u>	
Total Liabilities		\$117,349

Net Assets

Unrestricted Net Assets	\$3,667,718	
Temporarily Restricted	<u>0</u>	<u>3,667,718</u>
Net Assets		<u>\$3,785,066</u>

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

**GRACE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
AS OF DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Donations - Operational	\$107,618	\$399,170	\$506,788
Donations - Haitian Ministries & Villages	378,256		378,256
Tithes & Offerings	76,880		76,880
Contributed Services, Supplies & Materials	98,370		98,370
Patient Fees and Other Income	6,248		6,248
	<u>667,373</u>	<u>399,170</u>	<u>1,066,543</u>
Net assets released from restrictions	<u>399,170</u>	<u>(399,170)</u>	<u>0</u>
Total Revenues	<u>1,066,543</u>	<u>0</u>	<u>1,066,543</u>
Expenses			
Program Services	937,171	0	937,171
Supporting Services	89,781	0	89,781
Fundraising	28,803	0	28,803
Total Expenses	<u>1,055,755</u>	<u>0</u>	<u>1,055,755</u>
Increase in net assets	10,788	0	10,788
Net assets, beginning of the year	3,683,767	0	3,683,767
Prior period adjustment	<u>-26,837</u>		<u>-26,837</u>
Adjusted Net assets, beginning of the year	<u>3,656,930</u>	<u>0</u>	<u>3,656,930</u>
Net assets, end of year	<u>\$ 3,667,718</u>	<u>\$ -</u>	<u>\$3,667,718</u>

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

GRACE INTERNATIONAL, INC.
CASH FLOW STATEMENT
AS OF YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets	\$10,788
Adjustments to reconcile net income to net cash provided	
Prior Year Adjustments	-26,837
Depreciation	78,079
Increase in Note Payable	<u>7,949</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES **62,030**

CASH FLOW FROM INVESTING ACTIVITIES

Purchases and construction of Fixed Assets	<u>-132,787</u>
--	-----------------

NET CASH FLOW FROM INVESTING ACTIVITIES **-132,787**

CASH FLOW FROM FINANCING ACTIVITIES

Juerakhan Family Note Payable Increase	<u>-600</u>
--	-------------

NET CASH FLOW FROM FINANCING ACTIVITIES **-600**

NET INCREASE (DESCREASE) IN CASH **-71,358**

CASH AT THE BEGINNING OF THE YEAR 114,458

CASH AT THE END OF THE YEAR \$43,101

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, 2015

1. Nature of Operation

Grace international Inc. (the ministry) was organized in 1999, and is a not-for-profit organization located in Miami FL. The ministry 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 ministry 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 all people in Haiti and the world.

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 Ministry's' accounting policies were not affected by the conversation to ASC.

Basis of Presentation

The financial statements of the ministry 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 Ministry to concentrations of credit risk consist principally of cash. The Ministry 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 Ministry has not experienced any losses in such accounts and believes that

GRACE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. Summary of Significant Accounting Policies (Continued)

it 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 Ministry 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 Ministry 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, 2015

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, 2015, 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 2015, 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 Ministry 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, 2015.

Tax Exempt Status

The ministry is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code as a public charity. The Ministry 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 Ministry adapted the disclosures requirement for financial assets and liabilities, and effective January 1, 2009 the Ministry adopted the disclosure requirements for nonfinancial assets and liabilities. The Ministry has determined that none of its financial assets or liabilities is measured at fair value.

GRACE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. Summary of Significant Accounting Policies (Continued)

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

- **Program Services**, which includes Worship and Ministry 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 May 30, 2016, which is the date the financial statements were available for issuance, nothing was noted that would require an adjustment.

3. Property and Equipment

Property and equipment consists of the following at December 31, 2015:

Buildings	\$2,946,954
Furniture, fixtures, and equipment	11,214
Fence, Storage, Water Well	<u>36,194</u>
Total Property	\$2,994,362
Less accumulated depreciation	<u>(452,982)</u>
Subtotal	\$2,534,380
Land with well	<u>491,086</u>
Property and equipment, net	<u>\$3,032,466</u>

Fully depreciated assets in the amount of \$102,110 were written off against accumulated depreciation, reducing both gross and net fixed assets by the stated amount.

**GRACE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

4. Other Assets

Other Assets of \$709,499 consist of the construction in progress for the orphanage, land donated for the construction of the community center for Grace Lambi (\$250,000), land being purchased for the ministry located in Waney (\$194,555), and other operational assets (\$19,944) under the villages being constructed under Grace Fuller for the villages.

5. Prior Period Adjustment

Net assets were adjusted due to the following:

Beginning cash balances of programs operated by Grace Haiti in the country of Haiti	\$ 13,332
Credit card and automobile liabilities	<u>13,505</u>
Total Prior Period Adjustment	<u>\$ 26,837</u>

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 Orphanages	\$ 89,840
Christmas Events	55,710
Lord's Kitchen Feeding Program	5,366
Ministerial Support	19,549
Haiti Hospital, Guest House	27,952
Widows Home	16,000
College Education	150,753
Donated Services – Other Programs/Ministries	24,000
Sponsorships for Schools	<u>10,000</u>
Total purpose restrictions accomplished	<u>\$ 399,170</u>

GRACE INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Services	Dollar Value of Item
Grace Haiti – Construction and Development	\$ 38,573
Ministry	9,782
Food Ministry	8,305
Orphanages	16,979
Training - Empowerment	2,399
Christmas Events	10,151
Medical Center	12,181
Total	\$ 98,370

Both FASB (SFAS) 116 and 117 require specific disclosures for not-for-profit entities, particularly, contributed services, encouraging the fair value of contributed services to be disclosed. 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.

9. Leases

Two leases were executed by Grace International, Inc. and both are annual leases. One is for the office, with the lessor being Bluth Plaza, Inc., for a monthly amount of \$1,050, ending January 31, 2016; and the second premises is leased from U.S. Coven Realty, Inc., with a monthly amount of \$2,000, lease ending March 31, 2016, and half of this premises is used by the CEO, when traveling and conducting business transactions in the United States, which is considered as part of his executive compensation.

10. Related Party Transactions

The Organization has a related party relationship with a non-profit organization, Mission Eglise De Dieu Sainte Cite dba Grace Haiti, which manages and operates most of the programs in Haiti. The Executive Board includes Bishop Joel Jeune and Pastor Doris Jeune, who functions as Grace International, Inc.'s Executive Board as well. Mission Eglise De Dieu Sainte Cite has other board members consisting of pastors and leaders in Haiti. Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. The one operation that is being managed jointly is the construction and development of the villages in Haiti. The villages are donated to Grace Haiti.

**GRACE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program</u>	<u>Support</u>	<u>Fundraising</u>	<u>Total</u>
Operational Expenditures				
Accreditation	1,827			1,827
Advertising and Promotion	570		3,128	3,698
Auto Expenses	9,114			9,114
Bank Service Charges	2,955			2,955
Contractual Services	33,736			33,736
Depreciation	78,079			78,079
Donations & Gifts	8,222			8,222
Dues & Subscriptions	724			724
Executive Compensation	118,950			118,950
Fundraising			14,000	14,000
Haiti - Boys Orphanage	46,456			46,456
Haiti - Christmas Party	62,280			62,280
Haiti - Donations and Help	13,941			13,941
Haiti - Girls Orphanage	75,058			75,058
Haiti - Grace Office/Administrative		39,007		39,007
Haiti - Grace Tabernacle Lamentin	14,822			14,822
Haiti - Grace Tabernacle Waney	45,211			45,211
Haiti - Grace Village Lambi	50,619			50,619
Haiti - Guest House	43,044			43,044
Haiti - Hospital & Medical Center	42,130			42,130
Haiti - Lord's Kitchen (Feeding)	20,832			20,832
Haiti - Ministry Support & Crusades	24,603			24,603
Haiti - NCFCH (College)	144,482			144,482
Haiti - Operating Expenses	15,233			15,233
Haiti - Sponsorships	40,948			40,948
Insurance	12,100			12,100
Internet & Website	2,838			2,838
Office Expense		19,133		19,133
Pastors' Allowance	13,503			13,503
Professional Services	9,750			9,750
Maintenance & Repair	2,733			2,733
Rent		29,228		29,228
Travel			11,675	11,675
Utilities	2,413	2,414		4,828
Total Operational Expenses	<u>937,171</u>	<u>89,781</u>	<u>28,803</u>	<u>1,055,755</u>
Total Expenses	<u>\$937,171</u>	<u>\$89,781</u>	<u>\$28,803</u>	<u>\$1,055,755</u>

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



**INDEPENDENT AUDITOR'S 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
of Grace International, 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 Grace International, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grace International, Inc.'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 Grace International, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Grace International, Inc.'s internal control.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grace International, Inc.'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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CUMMINGS-GRAYSON & CO., INC.
Miami, Florida

Cummings-Grayson & Co.

May 25, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Grace International, Inc.

We have audited the financial statements of Grace International, Inc. as December 31, 2015, and have issued our report thereon dated May 25, 2016.

We conducted our audit in accordance with generally accepted auditing standards, *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 of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Grace International, Inc. is the responsibility of Grace International, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Grace International, Inc., of compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted no immaterial instances of noncompliance.

This report is intended for the information of the Board of Directors, management, and funding sources. However, this report is a matter of public record, and its distribution is not limited.

CUMMINGS-GRAYSON & CO., INC.
Miami, Florida

Cummings-Grayson & Co.
May 25, 2016



MANAGEMENT LETTER

Honorable Board of Directors,

Report on the Financial Statements.

We have audited the financial statements of the Grace International, Inc., as of and for the year ended December 31, 2015, and have issued our report thereon dated May 25, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditor's Report on Compliance based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in those reports, which are dated May 25, 2016, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Board of Directors and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

CUMMINGS-GRAYSON & CO.

Cummings-Grayson & Co.
May 25, 2016

PRIOR YEAR FINDINGS

Finding 2014-01: Adjusting Journal Entries Used to Account for Program Activities

Criteria

As part of maintaining sound internal control over accounting and financial transactions, the use of source documents should be the basis of recording all transactions. All transactions should be supported by adequate documentation, which should include proper authorization and enough detail to provide a trail for audits and reviews.

Condition

During our audit, we noted that some disbursements were accounted for as petty cash transactions, and several checks were made payable to cash for program expenses. We were able to determine that the monies were spent for the various operational expenses, per the detailed ledgers of cash disbursements per program.

Effect of Condition

It was necessary to prepare adjusting entries, which were material, during the audit, in order to accurately reflect the balances of several accounts by program. This increases the risk that errors could exist in the Organization's financial data, and not be detected in a timely manner.

Recommendation

The use of source documents in capturing accounting transactions is the foundation of all accounting systems. Generally, the Organization does utilize source documents for all expenditures; and the checks made payable to cash are supported by receipts logged into the program ledger. We recommend, therefore, that the Organization monitor its procedures and incorporate the use of source documents to record all accounting transactions, particularly, cash transactions.

Implementation Status

The recommendation was completely implemented, and no such finding was noted during the audit of the 2015 transactions.

CURRENT YEAR FINDINGS

Finding 2015-01: Budget Preparation and Monitoring

Criteria

The purposes of the section 215.97 Florida statues are to "...promote sound financial management, including effective internal controls..." Consistent with GAAP, the objective of the audit process is to assess whether the Organization's governance structure and risk management practices that pertain to budget management provide sufficient oversight to ensure sound stewardship of financial resources.

Condition

A final budget for the year of 2015 was not presented to the auditor for review, nor were there any quarterly budget reports detailing variances or monitoring activities observed.

Effect of Condition

For the purposes of this audit, budget monitoring is the process of: reviewing actual revenues and expenses for correct and timely posting, and timely correction of errors, comparing budgeted revenues and expenses with year-to-date actual and projected yearend revenues and expenses, and analyzing areas of concern. Potential budget variances and the causes should be reported to management for corrective action.

Recommendations

We recommend that the roles and responsibilities be clearly defined and communicated. The policy for budgeting needs to assign clear roles and responsibilities for the global process of budgeting planning, preparation and monitoring to a specific person. The policy also needs to assign responsibility for monitoring and reporting on the use of funds routinely. The effectiveness of the budgeting function's ability to detect material variances from the budget, when compared to actual results, and to help correct them, needs to be significantly improved.

We recommend that the budgeting personnel be provided with sufficiently detailed budgeted versus projected year-end revenue and expense information quarterly. We also recommend that significant variances between budgeted and projected revenues and expenses be explained, including any corrective action taken or planned. We recommend issuance of a general policy statement regarding action to be taken when unforeseen events cause budgets to be exceeded.

Management Response to Recommendation

We are in full agreement that the budgeting process be documented, and that expenditures should not exceed their budget appropriations. In addition, the implementation of positive incentives for budgetary performance warrants further discussion. Any proposed adjustments to either the revenue or expenditure authorizations must be approved by the Board of Trustees.