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EFFORTS OF GRACE, INC.
FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT ACCOUNTANTS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005
(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.

Release Date 1/24/07

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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, 2005, 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

October 26, 2006

EFFORTS OF GRACE, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS— CASH BASIS
DECEMBER 31, 2005

ASSETS

Current Assets:

Cash	\$ 91,421
Account receivable	<u>6,250</u>

Total current assets	<u>97,671</u>
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Building, equipment and fixtures (net)	<u>67,400</u>
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Total assets	\$ <u>165,071</u>
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LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities:

Notes payable	\$ 171,212
Other payables	<u>19,742</u>

Total current liabilities	<u>190,954</u>
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Net Assets:

Unrestricted net assets	<u>(25,883)</u>
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Total liabilities and net assets	\$ <u>165,071</u>
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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, 2005

	<u>Unrestricted</u>
Revenues:	
Grant revenue - State	\$ 50,000
Grant revenue - Others	182,031
Event revenue	44,371
Contributions	6,920
Other income	<u>3,774</u>
Total revenues	<u>287,096</u>
Expenses:	
Salaries and benefits	69,203
Professional fees	103,736
Equipment repairs	3,200
Event costs	23,749
Occupancy	24,483
Supplies	27,936
Travel	21,413
Telephone	4,523
Catering	7,799
Membership dues	1,920
Insurance	2,270
Printing	2,584
Advertising	1,175
Equipment rental	5,124
Other expenses	15,913
Interest expense	174
Depreciation	<u>5,000</u>
Total expenses	<u>320,202</u>
Change in net assets	(33,106)
Net assets--beginning of year	<u>7,223</u>
Net assets--ending of year	<u>\$ (25,883)</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, 2005:

Land and buildings	\$ 60,000
Equipment and fixtures	<u>27,400</u>
	87,400
Less accumulated depreciation	<u>(20,000)</u>
Total	\$ <u>67,400</u>

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

NOTE 4 - Notes Payable:

A summary of notes payable as of December 31, 2005 is as follows:

8% note payable to a mortgage corporation in varying monthly installments of interest only and balloon payment of principal, payable on demand, 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.	7,212
6% fixed rate short-term note payable to a credit union, payable on January 31, 2006, unsecured.	<u>104,000</u>
	<u>\$171,212</u>

NOTE 5 - Commitments and Contingencies:

Rental expense resulting from a facility operating lease approximates \$11,979 per year. The contract agreement is under a non-cancelable operating lease, which expires in 2006.

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 and State funds. These grants are governed by various Federal and State guidelines, regulations, and contractual agreements. Also, **EGI** is a recipient of grants from private organizations.

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

NOTE 5 - Commitments and Contingencies, Continued:

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, 2005, approximately eighty-one percent (81%) 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.