

Grace International Educational Foundation

Financial Statements together
with Independent Auditor's Report

December 31, 2016

Grace International Educational Foundation
Financial Statements
December 31, 2016

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Ratloff & Associates, P.C.
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Grade International Educational Foundation

We have audited the accompanying financial statements of Grace International Educational Foundation (an Arkansas nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 Educational Foundation as of December 31, 2016, 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.

Ratloff & Associates, P.C.

April 24, 2017

Grace International Educational Foundation

Statement of Financial Position
December 31, 2016

Assets

Current assets	
Cash and cash equivalents	\$ 121,359
Total current assets	121,359
Property and equipment	
Furniture and equipment	2,143
Less: accumulated depreciation	(2,143)
Net property and equipment	-
Other assets	
Cash held for capital expansion fund	789,328
Total Assets	\$ 910,687

Net Assets

Net assets	
Unrestricted	72,160
Unrestricted - board designated	39,481
Temporarily restricted net assets	799,046
Total Net Assets	\$ 910,687

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

Grace International Educational Foundation

Statement of Activities
For the Year Ended December 31, 2016

Change in Unrestricted Net Assets

Revenues	
General contributions and grants	\$ 46,318
In-kind donated services	80,000
Interest income	1,120
	127,438
Net assets released	372
Total Revenues and Support	127,810
Expenses	
Program activities	76,414
Support services	
Fundraising	8,297
General and administrative	18,248
	102,959
Total Operating Expenses	102,959
Increase in Unrestricted Net Assets	24,851
 Change in Temporarily Restricted Net Assets	
Restricted contributions and grants	571,319
Net assets released	(372)
	570,947
Increase in Temporarily Restricted Net Assets	570,947
Increase in Net Assets	595,798
Net Assets, Beginning of the Year	314,889
Net Assets, End of the Year	\$ 910,687

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

Grace International Educational Foundation

Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities	
General contributions and grant income	\$ 46,318
Interest income	1,120
Cash paid for operations and programs	<u>(22,959)</u>
Net cash provided by operating activities	<u>24,479</u>
Cash Flows from Financing Activities	
Contributions restricted for capital expansion projects	<u>571,319</u>
Net cash provided by financing activities	<u>571,319</u>
Net Increase in Cash and Cash Equivalents	595,798
Cash and cash equivalents, beginning of the year	<u>314,889</u>
Cash and cash equivalents, end of the year	<u><u>\$ 910,687</u></u>
 Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities	
Increase in Net Assets	<u>\$ 595,798</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Contributions restricted for capital expansion projects	<u>(571,319)</u>
Total adjustments	<u>(571,319)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 24,479</u></u>
 Reconciliation of Cash to Statement of Financial Position	
Cash and cash equivalents	\$ 121,359
Cash held for capital expansion fund	<u>789,328</u>
	<u><u>\$ 910,687</u></u>

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

Grace International Educational Foundation

Notes to Financial Statements

December 31, 2016

1 - Nature of Organization

Grace International Educational Foundation (“Grace”) is a 501(c)(3), Arkansas nonprofit corporation founded in 2008. Grace exists to generate awareness of and financial support for quality affordable education for the children of Christian missionaries in Asia. This focuses on the work of Grace International School (“GIS”), a separate non-controlled Christian international school, located in Chiang Mai, Thailand. Grace also supports similar educational program in Bangladesh and the Philippines.

2 - Summary of Significant Accounting Policies

A summary of Grace’s significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting - The financial statements of Grace are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Revenues and Support - Revenues and support for Grace are primarily derived from donor contributions and grants from supporters. A portion of Grace’s revenues are tied to the local economy. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions.

Recognition of Donor Restrictions - Grace reports gifts of cash, other assets and investment income as temporarily restricted support if they are received with donor stipulations limiting the use of the donated assets if the restrictions are not met in the period of receipt. A donor restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished. At that time temporarily restricted net assets are reclassified to unrestricted net assets. If a stipulated time restriction ends or a purpose restriction is accomplished during the year the donation is received, the donation is recognized as unrestricted revenue.

Programs - Grace pursues its mission through the execution of the following programs:

Program activities - raising awareness and providing financial support for quality affordable education, primarily through GIS, for the children of Christian missionaries in Asia.

Fundraising - encouraging additional contributions and grants for GIS and similar programs.

General and Administrative - providing administrative support to the above functional areas.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates included in these financial statements and disclosures are the valuations of in-kind donated services and the allocation of functional expenses.

Grace International Educational Foundation

Notes to Financial Statements

December 31, 2016

2 - Summary of Significant Accounting Policies (continued)

In-kind Donated Services and Assets - Contributed services are recognized as unrestricted revenues if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributed services that do not meet these criteria are not recognized as revenue. For the year ended December 31, 2016 in-kind services consist of staff services valued at \$80,000. These valuations are based upon market compensation for equivalent staff positions.

A substantial number of volunteers have also donated significant amounts of their time to Grace's programs. However, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition.

Donated assets of equipment or supplies that are material are recorded at fair market value as revenue and to the appropriate asset or expense account on the date of receipt. In the absence of donor restrictions, donated assets are reported as unrestricted revenue. For the year ended December 31, 2016, there are no material donated assets reported.

Functional Allocation of Expenses - The costs of providing Grace's programs and supporting services are presented on a functional basis. Accordingly, certain costs, including in-kind staff services, have been allocated among the programs and supporting services benefited.

Cash Equivalents - For purposes of the statements of cash flows, Grace considers all short-term investments and other current assets with an original maturity of three months or less as well as cash held for long-lived assets to be cash and cash equivalents.

Concentration of Credit Risk - Financial instruments that potentially subject Grace to credit risk include cash on deposit with a financial institution exceeding \$250,000 at various times during the year. The U.S. Federal Deposit Insurance Corporation insures amounts up to \$250,000.

Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Grace capitalizes assets with a cost greater than \$1,000. Repairs and maintenance are expensed as incurred unless they materially extend the useful life of the related asset, in which case they are capitalized and depreciated. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed, and a gain or loss, if any, is included in operations. Depreciation is computed using a straight-line method over the estimated useful lives. Furniture and equipment have estimated useful lives ranging from 3 to 10 years.

Income Tax Status - Grace is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation, except on net income derived from unrelated business activities. For the year ended December 31, 2016, Grace has not conducted unrelated business activities that are material to the financial statements taken as a whole. Accordingly, no provision for income taxes is included in the financial statements. Grace believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Tax returns of Grace are open to examination by the relevant taxing authorities for a period of three year from the date the returns are filed.

Grace International Educational Foundation

Notes to Financial Statements

December 31, 2016

3 - Net Assets

Net assets for the year ended December 31, 2016, are presented as follows:

	<u>Unrestricted</u>	<u>Unrestricted board- designated</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance, December 31, 2015	\$ 83,785	\$ 3,005	\$ 228,099	\$ 314,889
Increase	24,851	-	570,947	595,798
Transfer	<u>(36,476)</u>	<u>36,476</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2016	<u>\$ 72,160</u>	<u>\$ 39,481</u>	<u>\$ 799,046</u>	<u>\$ 910,687</u>

For the year ended December 31, 2016, unrestricted board-designated net assets funds are retainage that Grace has internally reserved for future programs.

For the year ended December 31, 2016, net assets temporarily restricted by donors are for the following purposes:

Capital Expansion	\$ 789,328
Teacher Assistance	9,377
Bangladesh Fund	<u>341</u>
Total	<u>\$ 799,046</u>

The capital expansion fund is for GIS who is planning to build a new school facility in Thailand.

4 - Subsequent Events

Grace has evaluated subsequent events through the date of the Independent Auditor's Report on page one, which is the date the statements were available to be issued.