

LANEY
BOTELER &
KILLINGER

Certified Public Accountants

Independent Auditors' Report

Board of Directors
G.R.A.C.E. Scholars, Inc.
Atlanta, Georgia

We have audited the accompanying statement of financial position of G.R.A.C.E. Scholars, Inc. (a nonprofit organization) as of May 31, 2009, and the related statements of activities and cash flows for the period then ended. These financial statements are the responsibility of G.R.A.C.E. Scholars, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of G.R.A.C.E. Scholars, Inc. as of May 31, 2009, and the changes in its net assets and cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Laney, Boteler, & Killinger

Atlanta, Georgia
July 23, 2009

G.R.A.C.E. SCHOLARS, INC.

Financial Statements

For The Period Ended May 31, 2009

G.R.A.C.E. Scholars, Inc.

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G.R.A.C.E. Scholars, Inc.
Statement of Financial Position

May 31, 2009

Assets

Cash	<u>\$10,991</u>
Total assets	<u>\$10,991</u>

Liabilities and Net Assets

Liabilities	
Accounts payable	<u>\$ 7,025</u>
Total liabilities	<u>7,025</u>
Net assets	
Unrestricted	1,496
Temporarily restricted	<u>2,470</u>
Total net assets	<u>3,966</u>
Total liabilities and net assets	<u>\$10,991</u>

See notes to financial statements.

G.R.A.C.E. Scholars, Inc.

Statement of Activities

Period Ended May 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support			
Scholarship contributions	\$ -	\$ 98,300	\$ 98,300
Administrative revenue	9,830	(9,830)	-
In-kind contributions	8,000	-	8,000
Net assets released from restrictions	<u>86,000</u>	<u>(86,000)</u>	<u>-</u>
	<u>103,830</u>	<u>2,470</u>	<u>106,300</u>
Expenses			
Scholarship awards	86,000	-	86,000
General and administrative	<u>16,334</u>	<u>-</u>	<u>16,334</u>
	<u>102,334</u>	<u>-</u>	<u>102,334</u>
Increase in net assets	1,496	2,470	3,966
Net assets at beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of period	<u>\$ 1,496</u>	<u>\$ 2,470</u>	<u>\$ 3,966</u>

See notes to financial statements.

G.R.A.C.E. Scholars, Inc.

Statement of Cash Flows

Period Ended May 31, 2009

Cash flows from operating activities	
Change in net assets	\$ 3,966
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in operating assets and liabilities	
Accounts payable	7,025
Cash advance - Archdiocese of Atlanta, Inc.	25,000
Repayment of cash advance - Archdiocese of Atlanta, Inc.	<u>(25,000)</u>
Net cash provided by operating activities	<u>10,991</u>
Net increase in cash	10,991
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u>\$10,991</u>

See notes to financial statements.

Notes to Financial Statements
For the Period Ended May 31, 2009

Note 1 - Organization and summary of significant accounting policies

Organization

G.R.A.C.E. Scholars, Inc. ("the Organization") was formed on July 7, 2008, as a Georgia nonprofit Student Scholarship Organization ("SSO"). The mission of the Organization is to provide children from families with financial need throughout the state of Georgia with greater opportunities to secure a quality PK-12 Catholic education. As a qualified SSO, the Organization receives tax-deductible contributions from individuals and businesses and awards scholarships to eligible students. Under the SSO regulations, ninety percent of the scholarship contributions that SSO's receive must be used to fund scholarships, with the remaining ten percent available to cover administrative and operating expenses.

Basis of presentation

These statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United State of America.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets based on stipulations made by the donor.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions

Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions on the use of contributions to provide scholarships at the Organization's discretion at participating eligible schools.

The Organization reports gifts of cash and other assets as restricted support to the extent that, under Georgia law the Organization must obligate at least ninety percent of its annual scholarship contributions for scholarship awards or tuition grants. When a scholarship or tuition grant is paid, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and as net assets released from restrictions.

Notes to Financial Statements
For the Period Ended May 31, 2009

Other assets acquired by gift are recorded at their fair market value on the date of receipt. A substantial number of volunteers have donated significant amounts of their time to the Organization's programs and supporting services; however, with the exception of accounting services, no amounts have been reflected in the financial statements for donated services. If donated services received either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated, the value of those donated services are recorded.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax-exempt status

The Organization is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and therefore is also exempt from any state income taxes.

Note 2 - In-kind contributions

During the period ended May 31, 2009, the Organization received donated accounting services and office space from the Archdiocese of Atlanta, in the amount of \$2,500 and \$5,500, respectively. These in-kind contributions are recorded in the statement of activities for the period ended May 31, 2009.