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

Financial Statements

May 31, 2017 and 2016

CRI CARR RIGGS & INGRAM
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CRI CARR RIGGS & INGRAM
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of G.R.A.C.E. Scholars, Inc. (the Organization), which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 Organization'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 Organization'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 G.R.A.C.E. Scholars, Inc. as of May 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

Atlanta, Georgia
September 7, 2017

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

Statements of Financial Position

May 31,		**2017**		2016
Assets				
Cash	**$**	**2,016,891**	$	270,943
Cash, restricted		**11,437,263**		9,966,684
Investments, restricted		**-**		3,246,367
Other assets		**-**		14,948
Total assets	**$**	**13,454,154**	$	13,498,942
Liabilities and net assets				
Liabilities				
Accounts payable	**$**	**1,072**	$	1,589
Accrued expenses		**19,850**		17,000
Due to related party		**29,997**		25,447
Scholarships payable		**11,541,038**		11,981,593
Total liabilities		**11,591,957**		12,025,629
Net assets				
Unrestricted		**643,694**		406,565
Temporarily restricted		**1,218,503**		1,066,748
Total net assets		**1,862,197**		1,473,313
Total liabilities and net assets	**$**	**13,454,154**	$	13,498,942

The accompanying notes are an integral part of these statements.

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

Statement of Activities

Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and other support			
Program revenue - scholarship contributions	$ -	$ 3,013,767	$ 3,013,767
Administrative	255,964	(255,964)	-
Investment income	204,362	-	204,362
Realized and unrealized gain on investments	4,903	-	4,903
Net assets released from restrictions	2,606,048	(2,606,048)	-
Total revenues, gains, and support	3,071,277	151,755	3,223,032
Expenses			
Program expense - scholarship awards	2,525,646	-	2,525,646
General and administrative	308,502	-	308,502
Total expenses	2,834,148	-	2,834,148
Change in net assets	237,129	151,755	388,884
Net assets at beginning of year	406,565	1,066,748	1,473,313
Net assets at end of year	$ 643,694	$ 1,218,503	$ 1,862,197

The accompanying notes are an integral part of this statement.

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

Statement of Activities

Year Ended May 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and other support			
Program revenue - scholarship contributions	$ -	$ 3,064,569	$ 3,064,569
Administrative	259,520	(259,520)	-
Investment income	213,039	-	213,039
Realized and unrealized loss on investments	(20,074)	-	(20,074)
Net assets released from restrictions	2,669,574	(2,669,574)	-
Total revenues, gains, and support	3,122,059	135,475	3,257,534
Expenses			
Program expense - scholarship awards	2,796,928	-	2,796,928
General and administrative	310,190	-	310,190
Total expenses	3,107,118	-	3,107,118
Change in net assets	14,941	135,475	150,416
Net assets at beginning of year	391,624	931,273	1,322,897
Net assets at end of year	$ 406,565	$ 1,066,748	$ 1,473,313

The accompanying notes are an integral part of this statement.

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

Statements of Cash Flows

Years Ended May 31,	**2017**	2016
Operating activities		
Change in net assets	**$ 388,884**	$ 150,416
Adjustments to reconcile change in net assets to cash used in operating activities		
Realized and unrealized (gain) loss on investments	**(4,903)**	20,074
Net present value adjustment	**(160,614)**	319,087
Changes in assets and liabilities		
Restricted cash	**(1,470,579)**	(1,057,295)
Other assets	**14,948**	616
Accounts payable	**(517)**	(1,655)
Accrued expenses	**2,850**	-
Due to related party	**4,550**	(4,452)
Scholarship payable	**(279,941)**	(212,890)
Net cash used in operating activities	**(1,505,322)**	(786,099)
Investing activities		
Purchase of investments	**(131,344)**	(566,896)
Proceeds from sale of investments	**3,382,614**	1,383,217
Net cash provided by investing activities	**3,251,270**	816,321
Net increase in cash and cash equivalents	**1,745,948**	30,222
Cash and cash equivalents, beginning of year	**270,943**	240,721
Cash and cash equivalents, end of year	**$ 2,016,891**	$ 270,943

The accompanying notes are an integral part of these statements.

NOTE 1 - 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 to ninety-five percent of the scholarship contributions that SSO's receive must be used to fund scholarships, with the remaining percentage available to cover administrative and operating expenses. The required percentage used for scholarships increases as annual revenues increase.

Basis of Reporting

The preparation of the 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 amounts reported in the financial statements. Actual results could differ from those estimates.

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.

A summary of the significant accounting principles of the Organization applied in the preparation of the accompanying financial statements follows.

Cash and Cash Equivalents

For purposes of the statements 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

The Organization reports gifts of cash and other assets as restricted support to the extent that, under Georgia law as amended in 2013, the Organization is required to obligate at least ninety to ninety-five percent of its annual revenue received from donations for scholarship awards or tuition grants. When a scholarship or tuition grant is awarded, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and as net assets released from restrictions.

Other assets acquired by gift are recorded at their fair market value on the date of receipt. A number of volunteers have donated their time to the Organization's programs and supporting 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. There were no donated services for the years ended May 31, 2017 and 2016.

Income Taxes

The Organization is considered to be an integrated auxiliary of the Archdiocese of Atlanta and is, therefore, not required to file federal or state income tax returns. The Internal Revenue Service and State of Georgia have the right to examine the Organization from its inception, but have not indicated any intent to do so. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization considers all of its activities to be directly related to its exempt purpose in 2017 and 2016, and does not believe it has any uncertain tax positions through the year ended May 31, 2017.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are recognized as changes in net assets in the periods they occur. Investment income and realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarships Payable

The Organization awards student scholarships based on financial need and the scholarships normally cover multiple years. In accordance with financial accounting standards, scholarship awards are considered to be unconditional promises to give when there are no significant conditions associated with the scholarship awards and there are no provisions preserving a right of return of the scholarship award. As such, the scholarship awards are considered to be unconditional promises to give and are recorded at the cumulative award amount in the year the unconditional promise was made, discounted to the net present value of the future cash flows.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Cash consists of demand deposits with financial institutions. Restricted cash consists of funds on deposit with the Archdiocese of Atlanta (Note 7). The Federal Deposit Insurance Company (FDIC) coverage is limited to $250,000 for all funds in non-interest bearing bank accounts. Funds on deposit with the Archdiocese of Atlanta are not FDIC insured.

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

Georgia law requires that SSO's use at least ninety percent of the scholarship contributions they receive to fund scholarships and that the scholarship funds be maintained in separate accounts from the organization's general operating funds. The Organization deposits into a separate interest bearing investment account, the required percentage of all contributions received plus any additional portion of contributions that the Organization intends to use for scholarship awards. Restricted cash and investment balances at May 31, 2017 and 2016, were $11,437,263 and $13,213,051, respectively.

NOTE 4 - INVESTMENTS

At May 31, 2017 and 2016, investments consisted of the following:

	2017		2016	
	Fair Value	**Cost**	Fair Value	Cost
Short-term investment and money market funds	**$ -**	**$ -**	$ 1,064	$ 1,064
U.S. government and agency bonds	**-**	**-**	1,871,755	1,864,851
Corporate obligations	**-**	**-**	1,373,548	1,427,437
	$ -	**$ -**	$ 3,246,367	$ 3,293,352

The Organization pays fees for the management of its investments. These fees are netted against investment income and totaled approximately $6,000 and $16,000 for the years ended May 31, 2017 and 2016, respectively.

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets of $772,800 and $612,186 at May 31, 2017 and 2016, respectively, were restricted for the net present value adjustment to scholarships payable as described in Note 6.

Temporarily restricted net assets of $445,703 and $454,562 at May 31, 2017 and 2016, respectively, are restricted for scholarships to be awarded in the subsequent year.

NOTE 6 - SCHOLARSHIPS PAYABLE

Scholarships payable are reflected in the statements of financial position as of May 31, 2017 and 2016, in the amount of $11,541,038 and $11,981,593, respectively.

NOTE 6 - SCHOLARSHIPS PAYABLE (CONTINUED)

Remaining commitments associated with these scholarships are as follows:

Year ending May 31,	Scheduled Cash Outlay	Discount Component	Net Present Value
2018	$ 3,009,353	$ -	$ 3,009,353
2019	2,529,140	107,241	2,421,899
2020	2,086,808	131,311	1,955,497
2021	1,538,780	127,728	1,411,052
2022	1,061,712	108,993	952,719
Thereafter	2,088,045	297,527	1,790,518
	$ 12,313,838	$ 772,800	$ 11,541,038

The schedule below is a reconciliation of scholarships awarded and scholarships payable. The amounts below do not include the discount required to reflect future scholarships payable at net present value.

	2017	2016
Scholarships payable, beginning of year	**$ 12,593,779**	$ 12,806,669
Scholarships awarded	**2,686,260**	2,477,841
Scholarships payments	**(2,966,201)**	(2,690,731)
Scholarships payable, end of year	**$ 12,313,838**	$ 12,593,779

NOTE 7 - RELATED PARTY TRANSACTIONS

Restricted Cash

A portion of the scholarship funds (Note 3) are invested with the Archdiocese of Atlanta in the Archdiocese Deposit and Loan Fund (an interest-bearing deposit account). The Organization's funds invested in the Deposit and Loan Fund earned interest at the rate of 1.75% (2.25% prior to October 1, 2016). Funds on deposit in the Archdiocese of Atlanta Deposit and Loan Fund total $11,437,263 and $9,966,684, at May 31, 2017 and 2016, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS (CONTINUED)

Management Services

During the year ended May 31, 2010, the Organization entered into a Management Agreement (the Agreement) with the Archdiocese whereby the Organization will be billed annually by the Archdiocese for the following services:

Financial reporting	$ 7,000
Cash management	3,500
Accounts payable	3,500
Payroll	3,500
Office space	5,400
IT and telephone usage	1,100
Total	$ 24,000

The Agreement covered the twenty-four month period June 1, 2009 through May 31, 2011, and automatically renews for twelve months on June 1 of each succeeding year unless either party wishes to cancel the Agreement by giving notice to the other party.

As part of the Agreement, the Archdiocese hired onto its payroll full-time employees who work one-hundred percent of the time for the Organization. These employees are employed by the Archdiocese and receive all pay and benefits other full-time employees of the Archdiocese in similar positions receive. The Archdiocese processes all payroll and related costs for these employees and charges the Organization one-hundred percent of the actual cost. Payroll and related costs charged to the Organization for the employees are billed on a monthly basis. During the years ended May 31, 2017 and 2016, there were two employees covered under this arrangement.

The amounts due to related party totaled $29,997 and $25,447 as of May 31, 2017 and 2016, respectively.

NOTE 8 - CERTIFICATION FOR GEORGIA DEPARTMENT OF REVENUE

For the years ended May 31, 2017 and 2016, the Organization has met all the requirements under Georgia law O.C.G.A. § 20-2A-2, and is a SSO as defined in O.C.G.A. § 20-2A-1. The 2016 and 2015 calendar year reports submitted to the Georgia Department of Revenue pursuant to O.C.G.A. § 20-2A-3 are correct in all material respects.

NOTE 9 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be measured at fair value on a recurring basis. For the Organization, assets and liabilities that are adjusted to fair value on a recurring basis are investments and scholarships payable. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Cash, restricted cash, other assets, accounts payable, accrued expenses, and related party payables - reported at carrying value which approximates fair value based upon the nature of the instruments.

Investments - reported at fair value utilizing Level 1 and 2 inputs utilizing quoted market prices, if available. If quoted prices are not available, fair values are based on observable data that may include dealer quotes, market spreads, cash flows, U.S. Treasury yield curve, credit information and other similar attributes.

Scholarships payable - reported at fair value utilizing Level 3 inputs, based on the present value of expected future cash flows and a discount rate of 2.19% and 1.64% at May 31, 2017 and 2016, respectively. A decrease in the discount rate would increase the scholarships payable obligation. The valuation of the scholarships payable is determined annually by management.

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level within the fair value hierarchy, the Organization's financial assets and liabilities measured at fair value on a recurring basis as of May 31, 2017 and 2016:

May 31, 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
Scholarships payable	**$ 11,541,038**	**$ -**	**$ -**	**$ 11,541,038**

May 31, 2016	Total	Level 1	Level 2	Level 3
Investments				
Short-term investment and money market funds	$ 1,064	$ 1,064	$ -	$ -
U.S. government and agency bonds	1,871,755	-	1,871,755	-
Corporate obligations	1,373,548	-	1,373,548	-
	$ 3,246,367	$ 1,064	$ 3,245,303	$ -
Scholarships payable	$ 11,981,593	$ -	$ -	$ 11,981,593

The following is a reconciliation of the change in fair value for the years ended May 31, 2017 and 2016, for Level 3:

	2017	2016
Beginning of period	**$ 11,981,593**	$ 11,875,396
Scholarship awards	**2,686,260**	2,477,841
Scholarship payments	**(2,966,201)**	(2,690,731)
Discount to net present value	**(160,614)**	319,087
	$ 11,541,038	$ 11,981,593

Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 7, 2017, which is the date that the financial statements were available to be issued.

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September 7, 2017

Members of the Board of Directors
G.R.A.C.E. Scholars, Inc.

Dear Members of the Board of Directors:

We are pleased to present the results of our audit of the 2017 financial statements of G.R.A.C.E. Scholars, Inc. (the Organization).

This report to the members of the Board of Directors summarizes our audit, the report issued and various analyses and observations related to the Organization's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the Organization's 2017 financial statements. We considered the Organization's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the members of the Board of Directors, expect. We received the full support and assistance of G.R.A.C.E. Scholar's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the members of the Board of Directors and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 770-457-6606 or jleslie@cricpa.com.

Very truly yours,

John Leslie

John Leslie, CPA
Partner

As discussed with the members of the Board of Directors during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Organization. Specifically, we planned and performed our audit to:

- Perform our audit in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the Organization's financial statements for the year ended May 31, 2017;

- Communicate directly with the members of the Board of Directors regarding the results of our procedures;

- Address with the members of the Board of Directors any accounting and financial reporting issues;

- Anticipate and respond to concerns of the members of the Board of Directors; and

- Other audit-related projects as they arise and upon request.

We have audited the financial statements of G.R.A.C.E. Scholars, Inc. (the Organization) for the year ended May 31, 2017, and have issued our report thereon dated September 7, 2017. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	As stated in our engagement letter dated June 15, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the Organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the Organization and how they are disclosed.*	No such risks or exposures were noted.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the Organization's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Organization in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. There were no new accounting policies adopted by the Organization for the year ended May 31, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	None.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.*	None.
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	None.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None.
Corrected and uncorrected misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the Organization, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Committee about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	Please see the following section titled "Summary of Audit Adjustments."
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	None.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	None of which we are aware.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Fraud and illegal acts *Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements *The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.

We are required to communicate our judgments about the quality, not just the acceptability, of the Organization's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Net present value adjustment for scholarships payable	The Organization considers scholarship awards to be unconditional, and as such, future scholarships are recorded at the discounted values in the year the unconditional promise to give was made.	X	The Organization awards scholarships to cover multiple years and discounts the obligation using the 10 year treasury rate as an estimate of the fair value of these future scholarships payable.	The Organization’s policies are in accordance with all applicable accounting guidelines.
Fair value of financial instruments	The Organization follows the provisions of ASC 820, *Fair Value Measures*, when reporting investments and financial instruments.	X	The allocation between levels 1-3 under ASC 820 is based on a detailed management review of the underlying investments and financial instruments.	The Organization’s policies are in accordance with all applicable accounting guidelines.

During the course of our audit, we accumulate differences between amounts recorded by the Organization and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Organization or passed (uncorrected).

We have provided all adjustments to management and we have been informed that management has corrected all such misstatements. We noted no uncorrected passed adjustments during our audit for the year ended May 31, 2017.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Organization's operating environment that has been identified as playing a significant role in the Organization's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

Carr, Riggs & Ingram, LLC
4360 Chamblee Dunwoody Rd.
Suite 420
Atlanta, GA 30341

This representation letter is provided in connection with your audits of the financial statements of G.R.A.C.E. Scholars, Inc. (the Organization), which comprise the statements of financial positions as of May 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 31, 2017, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 15, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3) We acknowledge our responsibility for 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Organization's accounts.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

11) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

12) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15) We have no knowledge of any fraud or suspected fraud that affects the organization and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.

19) We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.

20) The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

22) G.R.A.C.E. Scholars, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

23) In regard to the assistance you provided with financial statement preparation, related notes including preparation of journal entries to conform with GAAP and any other non-attest services, we have-

    a) Assumed all management responsibilities

    b) Designated and individual who has suitable skill, knowledge, or experience to oversee the services.

    c) Evaluated the adequacy and results of the services performed.

    d) Accepted responsibility for the results of the services.

24) We have reviewed the draft of the audited financial statements prepared by Carr, Riggs & Ingram, LLC, and acknowledge our approval of, and responsibility for, those statements to be issued as drafted.

Elsa Rullan, Chief Financial Officer	Date
David Brown, Executive Director	Date