

MANAGEMENT LETTER

January 30, 2025

Board of Elders
Grace Chapel, Inc.
Lexington, Massachusetts

In planning and performing our audit of the financial statements of Grace Chapel, Inc. (Church) for the year ended April 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Church's internal control over financial reporting (internal control) as a basis for designing 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 the Church's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.

Professional standards define a material weakness and a significant deficiency as follows:

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 comments concerning internal control and other significant matters are presented as follows:

- Current Year Matters
- Status of Prior Year Comments—Other Matter
- Governance Communication Matters

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This communication is intended solely for the information and use of management, the board of elders, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

The Church's written responses to the deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on them.

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to Mark MacDonald, Kurt Drescher and Courtney Daniel, as well as many other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve Grace Chapel, Inc.

Sincerely yours,

A handwritten signature in black ink that reads "Capin Crouse LLP". The script is cursive and fluid, with the letters "Capin" and "Crouse" written in a larger, more prominent style than the "LLP" which is smaller and more compact.

CAPIN CROUSE LLP

CURRENT YEAR MATTERS

Bank Reconciliation Review

We noted during the audit that while the Church has a process in place for timely completion of bank reconciliations, the review and approval of bank reconciliations was not consistently performed and documented. The review and approval of bank reconciliations is intended for the purpose of detecting and addressing fraud or error in a timely manner.

We recommend that the Church implement a process for the review and approval of bank reconciliations, including keeping documentary evidence of that review.

Management Response

Subsequent to year end, the Church modified the bank reconciliation process such that review and approval is being performed timely and documentation of that review and approval is kept on file.

Cybersecurity and Risk Assessment

The audit process includes specific procedures performed by members of our information technology (IT) team to assess the Church's financial statement IT controls. We had provided management with a summary of our review. With increased reliance on information systems for all aspects of operations, as well as pervasive concerns about cybersecurity, all organizations are facing an increasing business risk in this area that is significant. Risks include loss of sensitive and confidential data, loss of assets, damage to reputation, and many others. How risks are managed can be the difference between a minor inconvenience and a major public relations event.

We continue to recommend the Church work on addressing the items that were identified on the *IT Controls Risk Assessment Summary* previously sent to management.

Management Response

The Church has forwarded the results of the review to the IT team, who will consider the findings in the overall IT plan for the Church.

STATUS OF PRIOR YEAR COMMENTS—OTHER MATTER

Cybersecurity and Risk Assessment

See Current Year Other Matters for current year status of this comment.

AUDIT COMMITTEE MATTERS

The following information about our audit, as required by professional standards, is considered to be significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

Auditors' Responsibility under U.S. Generally Accepted Auditing Standards

As independent auditors of the financial statements, we are responsible for:

- Performing the audit in accordance with U.S. generally accepted auditing standards.
- Designing the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of those charged with governance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting.

Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is the risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

Independence

Under professional standards, including Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings, we are required to communicate all relationships between CapinCrouse LLP and the board that, in our professional judgment, may reasonably be thought to bear on independence.

We are not aware of any relationships or services that would jeopardize this condition. We affirm our objectivity and independence in performing our audit services in conformity with professional standards.

Qualitative Aspects of Accounting Practices

Accounting policies—Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have evaluated the appropriateness of accounting policies and their application. The significant accounting policies used are described in Note 2 to the financial statements.

Changes in accounting policies—The Church adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* as described in Note 2 to the financial statements.

Significant and unusual transactions—Under professional standards, we are required to inform you about transactions we noted that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. We noted no such transactions entered into by the organization during the year. All significant transactions have been recognized in the financial statements in the proper period.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Uncorrected misstatements—The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying those uncorrected misstatements could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Material corrected misstatements—There were no material corrected misstatements identified during the audit.

Other corrected misstatements—The attached schedule summarizes the other misstatements detected as a result of audit procedures that were corrected by management.

Accounting estimates—Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most significant estimates include:

- Depreciation of property and equipment based upon estimated useful life of each asset and straight-line depreciation methods
- Present value of finance and operating right-of-use assets and lease liabilities based upon the lease terms and discount rate using the risk-free rate
- Valuation of gifts-in-kind investment contributions based upon quoted market prices at the date of contribution
- Allocation of expenses on a functional basis based upon time and effort, square footage, and asset utilization
- Estimate of eligibility for and amount of Employee Retention Credit funds earned based on an understanding of the underlying legislation and eligibility requirements.

We reviewed the process and basis for management's judgments and estimates impacting key accounting and financial reporting areas and concluded they are reasonable in relation to the financial statements taken as a whole.

Financial statements disclosures and related matters—We considered issues involved and related judgments made, in formulating sensitive financial statements disclosures and believe they are presented with overall neutrality, consistency, and clarity.

Representations requested from management—A copy of the letter containing representations requested from management is attached.

Significant Difficulties Encountered During the Audit

We are pleased to report that there were no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Professional standards define disagreements with management, whether or not resolved to our satisfaction, as a matter concerning financial accounting, reporting, or auditing that could be significant to the financial statements or the independent auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

AUDIT COMMITTEE MATTERS, continued

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Significant Issues Discussed with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the independent auditors. However, any discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

January 30, 2025

Capin Crouse LLP
Middleton, MA

This representation letter is provided in connection with your audit of the financial statements of Grace Chapel, Inc., which comprise the statements of financial position as of April 30, 2024 and 2023, and the related statements of activities, functional expenses, 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 January 30, 2025, 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 April 22, 2024, 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. 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.
- 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) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is below:
 - An entry to correct prior year credit card contributions recorded in the current year for approximately \$66,000. Had this entry been made, it would have reduced revenue and change in net assets by that amount.
 - An entry to correct net asset releases that should have been made in prior years but were made in the current year for approximately \$48,000. This entry had no effect on change in net assets.

In addition, you have proposed adjusting journal entries that have been posted to the Organization's accounts. A list of the adjusting journal entries is below. We are in agreement with those adjustments.

- An entry to correct grant revenue for approximately \$66,000. This entry increased both revenue and expense, with no impact on change in net assets.

- An entry to adjust depreciation expense for approximately \$27,000. This entry decreased expenses and increased change in net assets by that amount.
 - An entry to adjust lease right-of-use assets and liabilities for approximately \$115,000. This entry had no effect on change in net assets.
 - An entry to adjust fixed assets for approximately \$130,000. This entry decreased expenses and increased change in net assets by that amount.
- 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) Significant estimates and 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.
 - 12) We have implemented ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, during the audit period. We have implemented the new accounting standard in accordance with the transition guidance prescribed in the ASU. We have sufficient and appropriate documentation supporting.
 - 13) Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been reduced to their estimated net realizable value.
 - 14) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
 - 15) Loans to executive officers have been properly accounted for and disclosed, if any.
 - 16) We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment, if any.
 - 17) We have no plans or intentions to discontinue the operations of any program or discontinue any significant services or activities.
 - 18) We are in compliance with, or have obtained waivers for, all relevant loan covenants.
 - 19) We have applied for and received reimbursable grants during fiscal year 2024. As of April 30, 2024 we have spent approximately \$66,000 of these funds that are reimbursable by these grants.
 - 20) In regard to the nonattest services performed by you, we have—
 - Assumed all management responsibilities.
 - Designated Courtney Daniel, Director of Finance, who has suitable skill, knowledge, or experience to oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.

The nonattest services include the following:

- Preparation of the financial statements and related notes
- Preparation of church financial health index ratio analysis for the purpose of comparing key ratios to peer group data

Information Provided

21) We have provided you with:

- 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.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
- Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

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

23) 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.

24) 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.

25) 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.

26) 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.

27) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

28) We have disclosed to you the names of all of the Organization's related parties and all the related-party relationships and transactions, including any side agreements.

29) Except as made known to you, 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.

30) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

31) Grace Chapel, 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.

32) We have developed processes and controls to identify and evaluate whether conditions or events exist that raise substantial doubt about the organization's ability to continue as a going concern. We have performed this assessment and there are no material uncertainties that may cast significant doubt about the organization's ability to continue as a going concern through one year after the financial statement issuance date.

Signature: Courtney Daniel

Name: Courtney Daniel

Title: Director of Finance

Signature: Mark MacDonald

Name: Mark MacDonald

Title: Executive Pastor