

Report to Management

February 21, 2023

Board of Directors
Grace After Fire
2929 McKinney Street
Houston, Texas 77003

Dear Board Members:

In planning and performing our audit of the financial statements of Grace After Fire as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Grace After Fire'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 Grace After Fire's internal control. Accordingly, we do not express an opinion on the effectiveness of Grace After Fire'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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

We consider the following deficiencies to be material weaknesses:

Cash Receipts

Observation: Effective internal control requires that certain responsibilities such as authorization of transactions, recording of transactions in the accounting records, custody of and access to assets, and supervisory reviews be assigned to separate individuals. Such duties have not been segregated with respect to cash receipts and could result in errors or misappropriations of cash.

Background: The Chief Executive Officer opens mail, restrictively endorses incoming checks, makes the deposit and records the transaction in the general ledger. She has the primary relationship with individuals and foundations and thus, is involved in soliciting contributions. The organization does not utilize an independent check log or a donor database.

Recommendation: Strengthen internal controls by reassigning incompatible duties and implementing an independent log of receipts that is reconciled to the general ledger.

Contributions

Observation: Grace After Fire has not established a process to accurately track contributions by restricted purpose in the general ledger. Such controls are required to ensure that the donor's restrictions are properly met and for reporting in accordance with generally accepted accounting principles.

Background: Grace After Fire does not have a consistent process in place to track the use of restricted gifts. During the year ended December 31, 2021, QuickBooks' P&L by class function was not used consistently.

Recommendation: Develop procedures to track restricted gifts and the expenditures related to the use of those gifts.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. We would be pleased to discuss these matters and recommendations with you further.

Yours truly,

Blazek & Vetterling