

**2017**  
**Financial Statements**  
**With**  
**Auditor's Letters**

**THE LADIES OF CHARITY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

(With Independent Auditor's Report Thereon)

**THE LADIES OF CHARITY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**PATTERSON, HARDEE & BALLENTINE, P.C.**

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
of The Ladies of Charity

We have audited the accompanying financial statements of The Ladies of Charity (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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 of 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 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 The Ladies of Charity as of December 31, 2017, 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.

*Patterson Hardee & Ballentine*

March 30, 2018

**THE LADIES OF CHARITY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

**ASSETS**

Current Assets:

Cash	\$ 102,246	
Inventory	12,047	
Certificates of deposit	40,190	
Total current assets		\$ 154,483

Property and equipment, net		185,386
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Asset Whose Use is Limited:

Cash		125,970
		<u>\$ 465,839</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Payroll taxes payable	\$ 1,128	
Deferred revenue	2,551	
Due to nationals	1,951	
Total current liabilities		\$ 5,630

Net Assets:

Unrestricted	334,239	
Unrestricted - board-designated	45,456	
Total unrestricted net assets		379,695

Temporarily restricted		80,514
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Total net assets		460,209
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\$ 465,839

**THE LADIES OF CHARITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenues:			
Gross special events revenue	\$ 201,873	\$ -	\$ 201,873
Less direct costs of special events	(88,197)	-	(88,197)
Net special events revenue	113,676	-	113,676
Contributions	155,470	19,340	174,810
Grant	196	27,500	27,696
Membership dues	6,929	-	6,929
United Way	33	-	33
In-kind	12,597	-	12,597
Interest income	25	-	25
Other income	973	-	973
Net unrealized and realized loss on long-term investments	(234)	-	(234)
Net assets released from restrictions	37,092	(37,092)	-
Total public support and revenues	326,757	9,748	336,505
Expenses:			
Program services			
Welfare Agency	201,400	-	201,400
Other Charitable Programs	105,134	-	105,134
Total program services	306,534	-	306,534
Management and general	21,175	-	21,175
Fundraising	30,533	-	30,533
Total expenses	358,242	-	358,242
Increase (decrease) in net assets	(31,485)	9,748	(21,737)
Net assets - beginning of year	411,180	70,766	481,946
Net assets - end of year	\$ 379,695	\$ 80,514	\$ 460,209

See accompanying notes to financial statements.



**THE LADIES OF CHARITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services			Supporting Services		
	Welfare Agency	Other Charitable Programs	Total Program Services	Management and General	Fundraising	Total
Compensation Expense:						
Salaries	\$ -	\$ 41,824	\$ 41,824	\$ 13,942	\$ -	\$ 55,766
Payroll taxes	-	3,281	3,281	1,094	-	4,375
	-	45,105	45,105	15,036	-	60,141
Other Expenses:						
Advertising expense	-	-	-	-	1,175	1,175
Assistance to clients	179,756	-	179,756	-	-	179,756
Bank fees	-	129	129	-	10	139
Christmas basket expense	-	14,967	14,967	-	-	14,967
Depreciation	680	3,822	4,502	1,529	9,937	15,968
Donations	-	1,195	1,195	-	-	1,195
In-kind expense	-	550	550	-	-	550
Insurance	-	1,081	1,081	433	2,812	4,326
Licenses and permits	50	-	50	-	-	50
Miscellaneous	-	41	41	512	-	553
National dues and subscriptions	-	3,704	3,704	-	-	3,704
Printing and postage	196	3,080	3,276	-	-	3,276
Professional fees	-	15,000	15,000	1,111	-	16,111
Repairs and maintenance	-	1,678	1,678	671	4,362	6,711
Scholarship	-	8,000	8,000	-	-	8,000
Direct costs of special events	-	-	-	-	88,197	88,197
Supplies	3,258	2,076	5,334	-	-	5,334
Telephone	5,374	-	5,374	-	-	5,374
Utilities	12,086	4,706	16,792	1,883	12,237	30,912
Total expenses by function	201,400	105,134	306,534	21,175	118,730	446,439
Less expenses included with revenues on the statement of activities:						
Direct costs of special events	-	-	-	-	(88,197)	(88,197)
Total expenses included in the expense section on the statement of activities	\$ 201,400	\$ 105,134	\$ 306,534	\$ 21,175	\$ 30,533	\$ 358,242

See accompanying notes to financial statements.

**THE LADIES OF CHARITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Cash Flows From Operating Activities:		
Decrease in net assets	\$	(21,737)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation		15,968
Changes in:		
Inventory	\$	(12,047)
Asset whose use is limited		(55,204)
Accounts payable		(720)
Payroll tax payable		(300)
Deferred revenue		1,158
Due to nationals		885
Accrued vacation		(1,428)
Total adjustments		<u>(67,656)</u>
Net cash used in operating activities		<u>(73,425)</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment		(649)
Proceeds from sale of securities		484
Loss on sale of securities		234
Net cash provided by investing activities		<u>69</u>
Net decrease in cash		<u>(73,356)</u>
Cash - beginning of year		<u>175,602</u>
Cash - end of year	\$	<u><u>102,246</u></u>

See accompanying notes to financial statements.



**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms "we", "us", "our", or "the Organization" are used throughout these notes to the financial statements to identify The Ladies of Charity, a not-for-profit organization. We are a Catholic women's civic and social club which engages in philanthropic activities. Our motto is, "to serve rather than be served."

We provide emergency assistance to individuals and families who cannot be serviced immediately by other social service agencies. We provide services without regard to race, creed, or nationality.

Program Services

The following program and supporting services are included in the accompanying financial statements:

Welfare Agency - provides assistance with utilities (electricity, gas, and water), rent, clothing, and food to individuals in need who meet specific qualifications. Limited amounts of funding are given to qualified individuals once every three years.

Other Charitable Programs

Christmas Baskets - provides Christmas baskets to individuals in need

Scholarships - provides scholarships to high school students

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations, which may or will be met, either by our actions and/or by the passage of time. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of December 31, 2017.

Contribution Revenue

We receive contributions from the general public and donations from private organizations to fund our operations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contribution Revenue (continued)

We recognize this revenue as it is received or promised to the Organization in accordance with generally accepted accounting principles for nonprofit organizations. See NOTE 7 for discussion of restricted revenue.

Membership Dues

We also receive membership dues as a source of revenue. Normal dues are \$30 and consist of two parts, \$17 are our member dues and \$13 are national dues. We also collect lifetime member dues which consist of national dues only (\$13). Any national dues collected but not remitted to nationals at the end of the year are included in the current liabilities section of the Statement of Financial Position. The amount due to nationals balance at December 31, 2017, is \$1,951.

Membership dues are due from the "active" members on January 31. The collection period for the 2017 year was December 1, 2016, to November 30, 2017. The dues received in December of 2017, for 2018 membership dues, are recorded as deferred revenue as of December 31, 2017, on the Statement of Financial Position. The deferred revenue balance at December 31, 2017, is \$2,551.

There are no penalties for members who do not pay dues until they have not paid for three years. At that time, they are moved to an "inactive" membership status. The member may return to an "active" membership status if they pay the current year's membership dues. There is no obligation for the member to pay previous unpaid dues. It is for this reason there are no receivables for previously unpaid dues.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2017, we had no cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight line basis over the estimated useful lives of the respective assets. Purchases or donations of equipment over \$500 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2017, no assets were considered to be impaired.

Advertising

Advertising is expensed as incurred. During the year ended December 31, 2017, total advertising expense was \$1,175.

Donated Goods, Facilities, and Services

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.



**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Donated Goods, Facilities, and Services (continued)

Donated Information Technology services, which amounted to \$550 in 2017, are recorded at their estimated fair value at the date of donation and have been included in the appropriate categories of revenue and expenses.

Members of the Board of Directors have provided substantial assistance to us by donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Occasionally clothes are donated for sale in the thrift shop and recorded as inventory. These items are valued using fair market value at the date of donation. At December 31, 2017, the value of these donated items were \$12,047.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets, current liabilities, and restricted cash approximate fair values due to the short maturities of these instruments. All are considered Level 1 in the fair value hierarchy. See NOTE 4.

Concentrations

At December 31, 2017, we had no significant concentrations for credit risk.

Compensated Absences

The employees of the Organization are entitled to paid vacation, and personal days off, depending on the length of service and other factors. The Organization's policy is to recognize the liability as it is earned in accrued expenses. At December 31, 2017, there was no accrued expense related to compensated absences.

**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 3 - Certificates of Deposit**

A summary of the certificates of deposits held at December 31, 2017, is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificate of deposit	.050%	5/10/18	\$ 22,038
Certificate of deposit	.050%	3/28/18	12,567
Certificate of deposit	.050%	11/28/17	5,585
			<u>\$ 40,190</u>

The carrying amounts of the certificates of deposit approximate fair values at December 31, 2017.

**NOTE 4 - Fair Value Measurements**

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data

All investments use level 1 valuation inputs.

**NOTE 5 - Property and Equipment**

A summary of property and equipment at December 31, 2017, is as follows:

Land and buildings	\$ 606,100
Building improvements	104,902
Land improvements	26,345
Fixtures	13,462
Equipment	18,254
Furniture	240
	<u>769,303</u>
Less: accumulated depreciation	<u>(583,917)</u>
	<u>\$ 185,386</u>

**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 6 - Board-Designated Unrestricted Net Assets**

A summary of board-designated unrestricted net assets at December 31, 2017, is as follows:

Memorial fund	\$ 576
Replacement fund	15,000
Welfare agency program	<u>29,880</u>
Total board designated - unrestricted net assets	<u>\$ 45,456</u>

**NOTE 7 - Temporarily Restricted Net Assets**

Restricted donations are restricted for donor selected purposes. These donor selected purposes include a Replacement Fund, used for large purchases to update or restore buildings. The Christmas Basket program is restricted by donors for use of supplies to fill Christmas Baskets. The NES Project Help is restricted by the grant agreement to pay past due electric bills for individuals in extreme need. All amounts received for these projects are recorded as temporarily restricted revenue when received or promised and are released from restriction in accordance with generally accepted accounting principles for nonprofit organizations as the restrictions are fulfilled. A summary of temporarily restricted net assets at December 31, 2017, is as follows:

Replacement Fund	\$ 51,095
Christmas Basket Program	17,738
NES Project Help	<u>11,681</u>
Total temporarily restricted net assets	<u>\$ 80,514</u>

**NOTE 8 - Leases**

In November 2013, we entered into a lease for dumpster services that expires November 2018. Expense incurred under this operating lease for the year ended December 31, 2017, was \$4,504 which is included in utilities expense.

A schedule of future minimum lease payments required under this non-cancelable operating lease as of December 31, 2017, is as follows:

**Year Ending December 31,**

2018	<u>\$ 1,070</u>
	<u>\$ 1,070</u>

**NOTE 9 - New Pronouncements**

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.



**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 9 - New Pronouncements (continued)**

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

**NOTE 10 - Subsequent Events**

We have evaluated events subsequent to the year ending December 31, 2017. As of March 30, 2018, the date the financial statements were available to be issued, no events subsequent to December 31, 2017, are considered necessary to be included in the financial statements.