

# 2018

## Financial Statements

**THE LADIES OF CHARITY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

(With Independent Auditor's Report Thereon)

**THE LADIES OF CHARITY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor's Report .....	1
Audited Financial Statements:	
Statement of Financial Position .....	2
Statement of Activities .....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6 – 12



## 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, 2018, 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 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 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 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 The Ladies of Charity as of December 31, 2018, 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.

#### **Emphasis of Matter**

As discussed in Note 7 to the financial statements, there is a contingency for repayments that is related to the inappropriate use of grant funds that did not comply with the grantor's or the Organization's policies and procedures. Our opinion is not modified with respect to that matter.

*Patterson Hardee & Ballentine*

May 2, 2019

1889 General George Patton Drive, Suite 200

Franklin, TN 37067

phone: 615-750-5537

fax: 615-750-5543

**THE LADIES OF CHARITY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

ASSETS

Current Assets:

Cash	\$ 175,343	
Inventory	12,047	
Certificates of deposit	40,190	
Total current assets		\$ 227,580

Property and equipment, net 177,652

Asset Whose Use is Limited:

Cash		89,087
		<u>\$ 494,319</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 24,418	
Deferred revenue	2,311	
Total current liabilities		\$ 26,729

Net Assets:

Without donor restrictions	378,503	
With donor restrictions	89,087	
Total net assets		467,590
		<u>\$ 494,319</u>

**THE LADIES OF CHARITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Gross special events revenue	\$ 214,121	\$ -	\$ 214,121
Less direct costs of special events	(89,705)	-	(89,705)
Net special events revenue	124,416	-	124,416
Contributions	161,625	27,167	188,792
Grant	-	17,529	17,529
Membership dues	9,642	-	9,642
United Way	71	-	71
In-kind	400	-	400
Interest income	30	-	30
Other income	467	-	467
Net assets released from restrictions	36,123	(36,123)	-
Total public support	208,358	8,573	216,931
Total public support and revenues	332,774	8,573	341,347
Expenses:			
Program Services:			
Welfare Agency	163,806	-	163,806
Other Charitable Programs	90,245	-	90,245
Total program activities	254,051	-	254,051
Supporting Services:			
Management and general	47,262	-	47,262
Fundraising	32,653	-	32,653
Total supporting services	79,915	-	79,915
Total expenses	333,966	-	333,966
Change in net assets	(1,192)	8,573	7,381
Net assets - beginning of year	379,695	80,514	460,209
Net assets - end of year	\$ 378,503	\$ 89,087	\$ 467,590

See accompanying notes to financial statements.



**THE LADIES OF CHARITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services			Supporting Services		
	Welfare Agency	Other Charitable Programs	Total Program Services	Management and General	Fundraising	Total
Compensation Expense:						
Salaries	\$ -	\$ 42,226	\$ 42,226	\$ 14,076	\$ -	\$ 56,302
Payroll taxes	-	3,230	3,230	1,077	-	4,307
	-	45,456	45,456	15,153	-	60,609
Other Expenses:						
Advertising expense	-	282	282	-	1,175	1,457
Assistance to clients	145,307	-	145,307	-	-	145,307
Bank fees	-	42	42	-	30	72
Christmas basket expense	-	10,893	10,893	-	-	10,893
Depreciation	488	3,955	4,443	1,582	10,284	16,309
Donations	-	2,572	2,572	-	-	2,572
In-kind expense	-	400	400	-	-	400
Insurance	-	1,132	1,132	453	2,945	4,530
Licenses and permits	50	-	50	-	-	50
Miscellaneous	-	1,121	1,121	77	-	1,198
National dues and subscriptions	-	3,772	3,772	-	-	3,772
Printing and postage	200	3,263	3,463	-	-	3,463
Professional fees	420	1,030	1,450	27,154	-	28,604
Repairs and maintenance	-	1,631	1,631	652	4,241	6,524
Scholarship	-	8,000	8,000	-	-	8,000
Direct costs of special events	-	-	-	-	89,705	89,705
Supplies	2,573	1,320	3,893	40	-	3,933
Telephone	3,796	-	3,796	-	-	3,796
Utilities	10,972	5,376	16,348	2,151	13,978	32,477
Total expenses by function	163,806	90,245	254,051	47,262	122,358	423,671
Less expenses included with revenues on the statement of activities:						
Direct costs of special events	-	-	-	-	(89,705)	(89,705)
Total expenses included in the expense section on the statement of activities	\$ 163,806	\$ 90,245	\$ 254,051	\$ 47,262	\$ 32,653	\$ 333,966

See accompanying notes to financial statements.

**THE LADIES OF CHARITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Flows From Operating Activities:

Increase in net assets	\$	7,381
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Adjustments to reconcile decrease in net assets  
to net cash provided by operating activities:

Depreciation		16,309
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Changes in:

Asset whose use is limited	\$	36,883
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Accounts payable and accrued expenses		21,339
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Deferred revenue		(240)
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Total adjustments		57,982
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Net cash provided by operating activities		81,672
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Cash Flows From Investing Activities:

Purchase of property and equipment		(8,575)
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Net cash used in investing activities		(8,575)
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Net increase in cash		73,097
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Cash - beginning of year		102,246
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Cash - end of year	\$	175,343
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See accompanying notes to financial statements.



**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes, therein, are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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

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 accounts payable and accrued expenses on the Statement of Financial Position. The amount due to nationals at December 31, 2018, is \$1,767.

**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

Membership dues are due from the "active" members on January 31. The collection period for the 2018 year was December 1, 2017, to November 30, 2018. The dues received in December of 2018, for 2019 membership dues, are recorded as deferred revenue as of December 31, 2018, on the Statement of Financial Position. The deferred revenue balance at December 31, 2018, is \$2,311.

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, 2018, 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, 2018, no assets were considered to be impaired.

**Advertising**

Advertising is expensed as incurred. During the year ended December 31, 2018, total advertising expense was \$1,457.

**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.

Donated Information Technology services, which amounted to \$400 in 2018, 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, 2018, the value of these donated items was \$12,047.



**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs or supporting functions are allocated based on various relationships. Advertising, bank fees, in-kind, professional fees, supplies, and miscellaneous expenses are allocated on an expenditure by expenditure basis and allocated to the direct program benefited or to management and general if no programs are benefited. Payroll expenses are allocated based on time and effort. Depreciation, insurance, repairs and maintenance, and utilities are allocated based on the use of office space.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires from a previous reporting period (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

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.

**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

Concentrations

At December 31, 2018, 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 their length of service and other factors. The Organization's policy is to recognize the liability in accrued expenses as it is earned. At December 31, 2018, there was no accrued expense related to compensated absences.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended:

Cash	\$ 102,638
Certificates of deposit	40,190
Assets limited to use:	
Board designated	<u>72,705</u>
	<u>\$ 215,533</u>

The Organization has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. Additionally, the Organization has certain donor imposed assets limited to use that are not available within one year in the normal course of business and are described further in Note 8.

In the next fiscal year, we plan to receive the same level of contributions and revenue from the thrift store. We consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts. This cash is readily available with the exception of the restricted amounts referenced in Note 8. We manage our liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.



**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3 - Certificates of Deposit**

A summary of the certificates of deposits held at December 31, 2018, is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificate of deposit	1.00%	1/10/2030	\$ 22,038
Certificate of deposit	.050%	1/10/2030	12,567
Certificate of deposit	.050%	8/25/2019	5,585
			<u>\$ 40,190</u>

The carrying amounts of the certificates of deposit approximate fair values at December 31, 2018.

**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, 2018, is as follows:

Land and buildings	\$ 606,100
Building improvements	104,902
Land improvements	26,345
Fixtures	13,462
Equipment	26,829
Furniture	240
	<u>777,878</u>
Less: accumulated depreciation	<u>(600,226)</u>
	<u>\$ 177,652</u>

**THE LADIES OF CHARITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 - Accounts Payable and Accrued Expenses**

A summary of accounts payable and accrued expenses at December 31, 2018, is as follows:

Accounts payable	\$ 5,000
Payroll taxes payable	497
Due to nationals	1,767
Accrued expenses (see NOTE 7)	<u>17,154</u>
	<u>\$ 24,418</u>

**NOTE 7 - Concentrations and Contingencies**

At various times throughout the year, we had cash balances at one bank which exceeded \$250,000, which is the maximum amount insured by the FDIC.

As of December 31, 2018, we have accrued \$17,154 for investigative fees and anticipated repayments of restricted grants funds for financial assistance that were not used in accordance with the grantor's policies and procedures. It is possible our losses could exceed this amount.

**NOTE 8 - Net Assets**

Net assets without donor restrictions, but designated by the board were as follows for the year ended December 31, 2018:

Memorial fund	\$ 1,214
Welfare agency program	<u>71,491</u>
Total (See NOTE 2)	<u>\$ 72,705</u>

Net assets with donor restrictions were as follows for the year ended December 31, 2018:

Specific Purpose:	
Replacement Fund	\$ 45,015
Christmas Basket Program	31,541
NES Project Help	<u>12,531</u>
Total	<u>\$ 89,087</u>

**NOTE 9 - Leases**

In November 2013, we entered into a lease for dumpster services that expired in November 2018. Expense incurred under this operating lease for the year ended December 31, 2018, was \$3,017 which is included in utilities expense.

**NOTE 10 - 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, 2018**

**NOTE 10 - 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 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 11 - Subsequent Events**

We have evaluated events subsequent to the year ending December 31, 2018. As of May 2, 2019, the date the financial statements were available to be issued, other than the following matter, no events subsequent to December 31, 2018, are considered necessary to be included in the financial statements.