

The Ladies of Charity
AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2022

The Ladies of Charity

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Ladies of Charity

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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, 2022, and 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Ladies of Charity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ladies of Charity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ladies of Charity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ladies of Charity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

UHY LLP

Nashville, Tennessee
June 13, 2023

The Ladies of Charity
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

CURRENT ASSETS

Cash	\$	468,773
Restricted cash		<u>78,483</u>
Total current assets		547,256

PROPERTY AND EQUIPMENT

		<u>144,932</u>
Total assets	\$	<u><u>692,188</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses	\$	630
Contract liabilities		3,244
Due to national		<u>2,480</u>
Total liabilities		<u>6,354</u>

NET ASSETS

Without donor restrictions		
General operating - undesignated		524,998
Board-designated		<u>82,353</u>
Total without donor restrictions		607,351
With donor restrictions		<u>78,483</u>
Total net assets		<u>685,834</u>
Total liabilities and net assets	\$	<u><u>692,188</u></u>

The Ladies of Charity
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Gross special events revenue	\$ 348,159	-	\$ 348,159
Less direct costs of special events	(125,176)	-	(125,176)
Net special events revenue	222,983	-	222,983
Contributions	101,825	30,766	132,591
Memberships	10,675	-	10,675
Grants	2,000	-	2,000
Interest income	3,433	-	3,433
Other income	2,649	-	2,649
Net assets released from restrictions	22,340	(22,340)	-
Total public support	142,922	8,426	151,348
Total public support and revenues	365,905	8,426	374,331
EXPENSES			
Program services	272,063	-	272,063
Supporting services			
Management and general	27,356	-	27,356
Fundraising	39,328	-	39,328
Total supporting services	66,684	-	66,684
Total expenses	338,747	-	338,747
CHANGE IN NET ASSETS	27,158	8,426	35,584
NET ASSETS - BEGINNING OF YEAR	580,193	70,057	650,250
NET ASSETS - END OF YEAR	\$ 607,351	\$ 78,483	\$ 685,834

The Ladies of Charity
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services			Supporting Services		
	Welfare Agency	Other Charitable Programs	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ -	\$ 14,244	\$ 14,244	\$ 4,748	\$ -	\$ 18,992
Payroll Taxes	-	1,052	1,052	351	-	1,403
	-	15,296	15,296	5,099	-	20,395
Advertising expense	-	527	527	-	-	527
Assistance to clients	180,891	-	180,891	-	-	180,891
Bank fees	-	-	-	129	-	129
Christmas basket expense	-	22,340	22,340	-	-	22,340
Depreciation	-	4,680	4,680	1,872	12,167	18,719
Donations	-	1,850	1,850	-	-	1,850
Insurance	5,066	-	5,066	-	-	5,066
Licenses and permits	50	-	50	-	-	50
Miscellaneous	-	-	-	6,196	-	6,196
National dues and subscriptions	-	3,086	3,086	-	-	3,086
Printing and postage	232	-	232	2,992	-	3,224
Professional fees	-	-	-	6,890	-	6,890
Repairs and maintenance	16	5,425	5,441	2,170	14,106	21,717
Scholarship	-	8,000	8,000	-	-	8,000
Special events	-	-	-	-	125,176	125,176
Supplies	4,579	3,964	8,543	-	-	8,543
Telephone	1,717	-	1,717	-	-	1,717
Utilities	9,323	5,021	14,344	2,008	13,055	29,407
Total expenses by function	201,874	70,189	272,063	27,356	164,504	463,923
Less expenses included with revenues on the statement of activities:						
Direct costs special events	-	-	-	-	(125,176)	(125,176)
Total expenses included in the expense section on the statement of activities	\$ 201,874	\$ 70,189	\$ 272,063	\$ 27,356	\$ 39,328	\$ 338,747

The Ladies of Charity
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

CASH FLOWS FROM OPERATIONS	
Changes in net assets	\$ 35,584
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	18,719
Change in:	
Inventory	12,047
Accrued expenses	496
Contract liabilities	(1,114)
Due to national	(853)
Net cash provided by operating activities	<u>64,879</u>
INVESTING ACTIVITIES	
Redemption of certificates of deposits	34,908
Purchase of property and equipment	<u>(7,106)</u>
Net cash provided by investing activities	<u>27,802</u>
NET CHANGE IN CASH AND RESTRICTED CASH	92,681
CASH AND RESTRICTED CASH, Beginning	<u>454,575</u>
CASH AND RESTRICTED CASH, Ending	<u>\$ 547,256</u>

See notes to financial statements.

The Ladies of Charity
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

The Ladies of Charity (the "Organization"), is a nonprofit Catholic women's civic and social club which engages in philanthropic activities. Its motto is, "to serve rather than be served" and to serve without regard to race, creed, or nationality. The Organization provides emergency assistance to individuals and families who cannot be serviced immediately by other social service agencies. The Organization also provides scholarships to local youth and provides "Christmas Baskets" with food and household goods to those in need during the Christmas season.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis and in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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 board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions: Net assets that are subject to donor and grantor-imposed restrictions. 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 will never lapse, thus requiring that the funds be retained permanently.

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.

Cash and Restricted Cash

Cash and restricted cash consist of demand deposits held in banks. The Organization keeps cash in two financial institutions with strong credit ratings. Accounts at these banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Management has not experienced any losses in this account and does not believe there is significant credit risk.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at estimated fair market value on the date of receipt, if donated. Purchases or donations of equipment over \$500 are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

The Ladies of Charity
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation is provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Building improvements	5 - 40
Furniture, fixtures and equipment	7 - 10

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, 2022, no assets were considered to be impaired.

Revenue Recognition

The Organization records contributions when received as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished net assets with donor restrictions are reclassified to net assets without donor restrictions-board designated in the statement of activities.

Revenue Recognition for Contracts with Customers

The Organization's revenue streams under contracts with customers are comprised of membership dues and special events.

For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Organization determines whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered include the pattern of transfer, whether visitors or participants (customers) can benefit from the resources, and whether the resources are readily available. The Organization also performs an analysis to determine if membership dues constitute separate performance obligations. The Organization's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Organization recognizes revenue over a period of time if the customer receives and consumes the benefit that the Organization provided, or if the Organization's performance does not create an asset with an alternative use, and has an enforceable right to payment for the performance.

The Ladies of Charity
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition for Contracts with Customers (Continued)

The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled (such as sales price and price of membership). In some situations, the Organization bills and collects cash prior to the satisfaction of the performance obligation, which results in the Organization recognizing contract liabilities upon receipt of payment.

Membership Dues - The Organization earns dues from its members for memberships. Membership dues are earned over the course of one year, representing the period over which the Organization satisfies the performance obligation. Membership dues on the statement of activities consist only of exchange revenue.

Special Events – The Organization generates revenue from its sales generated through donated items. Special event revenue is recognized at the point in time when the event occurs.

Advertising Expenses

Advertising costs are expensed as incurred and totaled \$527 in marketing expenses for the year ended December 31, 2022.

Income Taxes

The Organization is a nonprofit entity, exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization follows the provisions of ASC 740-10-25, *Income Taxes*, requiring disclosure of uncertain tax positions. There have been no interest or penalties neither recognized in the statement of activities nor in the statement of financial position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. It does not believe that there are any uncertain tax positions and any unrelated business income, which would be subject to federal taxes.

Contribution of Nonfinancial Assets

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the Organization's financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

The Ladies of Charity
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses for the year ended December 31, 2022 presents the natural classification detail of expenses by function. 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.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through June 12, 2023, the date the financial statements were available to be issued.

NOTE 2 — LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available within one year of the statement of financial position date for operating expenditures, such as operating expenses, were as follows:

Cash	<u>\$ 468,773</u>
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The Organization has certain board-designated assets (cash) which are available for general expenditure within one year in the normal course of operations. Accordingly, this amount of \$82,353 has been included in the qualitative information above.

The Ladies of Charity
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2022:

Land and buildings	\$ 606,100
Building improvements	139,231
Land improvements	26,345
Fixtures	13,462
Equipment	29,780
Furniture	<u>240</u>
	815,158
Accumulated depreciation	<u>(670,226)</u>
	<u>\$ 144,932</u>

Depreciation expense for the year ended December 31, 2022 was \$18,719.

NOTE 4 — NET ASSETS

Net assets without donor restrictions, but designated by the board were as follows as of December 31, 2022:

Memorial fund	\$ 4,417
Welfare agency program	77,936
Total	<u>\$ 82,353</u>

Net Assets with donor restrictions are restricted for the following purposes as of December 31, 2022:

Subject to Expenditure for Specific Purpose	
Replacement Fund	\$ 26,824
Christmas Basket Program	<u>51,659</u>
Total	<u>\$ 78,483</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets were released during the year ended December 31, 2022 for the following purposes:

Christmas Basket Program	<u>\$ 22,340</u>
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