

2021
Financial Statements
With
Auditor's Letters

THE LADIES OF CHARITY

FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Independent Auditor's Report Thereon)

THE LADIES OF CHARITY
FINANCIAL STATEMENTS
DECEMBER 31, 2021

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of 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, 2021, and the related statements of activities 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, 2021, 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.

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, including omissions, 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.

Patterson Handee & Ballentine

March 22, 2022

THE LADIES OF CHARITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current Assets:		
Cash	\$	378,914
Restricted cash		70,057
Inventory		12,047
Certificates of deposit		40,512
Total current assets		<u>\$ 501,530</u>
Property and equipment, net		<u>156,545</u>
Total assets		<u><u>\$ 658,075</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accrued payroll taxes	\$	134
Deferred revenue		4,358
Due to national		3,333
Total current liabilities		<u>\$ 7,825</u>
Total liabilities		7,825
Net Assets:		
Without donor restrictions		580,193
With donor restrictions		70,057
Total net assets		<u>650,250</u>
Total liabilities and net assets		<u><u>\$ 658,075</u></u>

See accompanying notes to financial statements.

THE LADIES OF CHARITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Gross special events revenue	\$ 123,641	\$ -	\$ 123,641
Less direct costs of special events	(31,683)	-	(31,683)
Net special events revenue	<u>91,958</u>	<u>-</u>	<u>91,958</u>
Contributions	159,080	23,333	182,413
Grant	2,000	-	2,000
Membership dues	10,293	-	10,293
Interest income	295	-	295
Other income	248	-	248
Net assets released from restrictions	19,082	(19,082)	-
Total public support	<u>190,998</u>	<u>4,251</u>	<u>195,249</u>
Total public support and revenues	<u>282,956</u>	<u>4,251</u>	<u>287,207</u>
Expenses:			
Program Services:			
Welfare Agency	83,026	-	83,026
Other Charitable Programs	68,888	-	68,888
Total program services	<u>151,914</u>	<u>-</u>	<u>151,914</u>
Supporting Services:			
Management and general	26,200	-	26,200
Fundraising	32,042	-	32,042
Total supporting services	<u>58,242</u>	<u>-</u>	<u>58,242</u>
Total expenses	<u>210,156</u>	<u>-</u>	<u>210,156</u>
Change in net assets	<u>72,800</u>	<u>4,251</u>	<u>77,051</u>
Net assets - beginning of year	<u>507,393</u>	<u>65,806</u>	<u>573,199</u>
Net assets - end of year	<u>\$ 580,193</u>	<u>\$ 70,057</u>	<u>\$ 650,250</u>

See accompanying notes to financial statements.

THE LADIES OF CHARITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services		
	Welfare Agency	Other Charitable Programs	Total Program Services	Management and General	Fundraising	Total
Compensation Expense:						
Salaries	\$ -	\$ 20,749	\$ 20,749	\$ 6,916	\$ -	\$ 27,665
Payroll taxes	-	1,587	1,587	529	-	2,116
	-	22,336	22,336	7,445	-	29,781
Other Expenses:						
Advertising expense	-	665	665	-	-	665
Assistance to clients	53,319	-	53,319	-	-	53,319
Bank fees	-	-	-	47	223	270
Christmas basket expense	-	19,082	19,082	-	-	19,082
Depreciation	-	4,310	4,310	1,724	11,207	17,241
Donations	21,000	375	21,375	-	-	21,375
Insurance	-	1,199	1,199	480	3,118	4,797
Licenses and permits	49	-	49	-	-	49
Miscellaneous	-	-	-	508	-	508
National dues and subscriptions	-	4,519	4,519	-	-	4,519
Printing and postage	113	-	113	1,453	-	1,566
Professional fees	-	-	-	11,851	-	11,851
Repairs and maintenance	907	2,702	3,609	1,081	7,025	11,715
Scholarship	-	9,000	9,000	-	-	9,000
Direct costs of special events	-	-	-	-	31,683	31,683
Supplies	87	674	761	-	-	761
Telephone	2,001	-	2,001	-	-	2,001
Utilities	5,550	4,026	9,576	1,611	10,469	21,656
Total expenses by function	83,026	68,888	151,914	26,200	63,725	241,839
Less expenses included with revenues on the statement of activities:						
Direct costs of special events	-	-	-	-	(31,683)	(31,683)
Total expenses included in the expense section on the statement of activities	<u>\$ 83,026</u>	<u>\$ 68,888</u>	<u>\$ 151,914</u>	<u>\$ 26,200</u>	<u>\$ 32,042</u>	<u>\$ 210,156</u>

See accompanying notes to financial statements.

THE LADIES OF CHARITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows From Operating Activities:		
Change in net assets		\$ 77,051
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		17,241
Changes in:		
Accounts payable and accrued expenses	\$ (341)	
Deferred revenue	4,035	
Due to nationals	3,090	
Total adjustments		<u>6,784</u>
Net cash provided by operating activities		<u>101,076</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(2,951)</u>	
Net cash used in investing activities		<u>(2,951)</u>
Net change in cash and restricted cash		98,125
Cash and restricted cash - beginning of year		<u>350,846</u>
Cash and restricted cash - end of year		<u><u>\$ 448,971</u></u>

See accompanying notes to financial statements.

THE LADIES OF CHARITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, is \$3,333.

THE LADIES OF CHARITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Membership dues are due from the "active" members on January 31. The collection period for the 2021 year was December 1, 2020, to November 30, 2021. The dues received in December of 2021, for 2022 membership dues, are recorded as deferred revenue as of December 31, 2021, on the Statement of Financial Position. The deferred revenue balance at December 31, 2021, is \$4,358.

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, 2021, 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, 2021, no assets were considered to be impaired.

Revenue Recognition

The Organization recognizes contributions when cash or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional promises to give as of December 31, 2021.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The adoption of this ASU did not have an effect on the financial statements.

Revenue from Contracts with Customers

The Organization recognizes income from Thrift Store sales at the point of sale. Revenue from Membership dues is recognized over the membership period.

The Organization has adopted Accounting Standard Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The adoption of this ASU did not have a material effect on the financial statements.

Advertising

Advertising is expensed as incurred. The organization incurred \$665 in marketing expenses for the year ended December 31, 2021.

THE LADIES OF CHARITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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, 2021, the value of these donated items was \$0.

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.

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.

THE LADIES OF CHARITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

Concentrations

At December 31, 2021, 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, 2021, 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	\$ 181,915
Certificates of deposit	40,512
Assets limited to use:	
Board designated cash	<u>196,999</u>
	<u>\$ 419,426</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 7.

In the next fiscal year, we plan to receive the same level of contributions. 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 7. 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, 2021

NOTE 3 - Certificates of Deposit

A summary of the certificates of deposits held at December 31, 2021, is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificate of deposit	0.3%	7/10/2022	\$ 22,298
Certificate of deposit	0.3%	9/21/2022	12,610
Certificate of deposit	0.3%	8/28/2022	5,604
			<u>\$ 40,512</u>

The carrying amounts of the certificates of deposit approximate fair values at December 31, 2021.

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 - 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.

NOTE 6 - Property and Equipment

A summary of property and equipment at December 31, 2021, is as follows:

Land and buildings	\$ 606,100
Building improvements	132,125
Land improvements	26,345
Fixtures	13,462
Equipment	29,780
Furniture	<u>240</u>
	808,052
Less: accumulated depreciation	<u>(651,507)</u>
	<u>\$ 156,545</u>

THE LADIES OF CHARITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 - Net Assets

Net assets without donor restrictions, but designated by the board were as follows for the year ended December 31, 2021:

Memorial fund	\$ 4,417
Welfare agency program	<u>192,582</u>
Total (See NOTE 2)	<u>\$ 196,999</u>

Net assets with donor restrictions were as follows for the year ended December 31, 2021:

Specific Purpose:

Replacement Fund	\$ 26,824
Christmas Basket Program	<u>43,233</u>
Total	<u>\$ 70,057</u>

NOTE 8 - New Pronouncements

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, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, issued in September 2020, requires new presentation and disclosure standards for gifts in-kind. The new standards are effective for fiscal years beginning after June 15, 2021 (and for those who do interim reporting, interim periods beginning the following year). Gifts in-kind, referred to as contributed nonfinancial assets, are items such as food, supplies, used clothing and household items, intangibles, medical equipment, pharmaceuticals, and contributed services.

The amendments in ASU No. 2020-07 address certain stakeholders' concerns regarding the lack of transparency surrounding the valuation of gifts in-kind. Some stakeholders were concerned about the amounts of gifts in-kind that NFPs receive and use to conduct programs and other activities and how those amounts affect ratios reported. Other stakeholders expressed concerns about certain aspects of gifts in-kind fair value determinations.

NOTE 9 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2021. As of March 22, 2022, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.