

KATE'S CLUB, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
With Independent Auditor's Report Thereon

KATE'S CLUB, INC.
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kate's Club, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Kate's Club, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 aspects, the financial position of Kate's Club, Inc., as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "T. Kozak".

Morrow, Georgia
April 19, 2017

KATE'S CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	ASSETS	
	2016	2015
CURRENT ASSETS		
Cash	\$ 661,087	\$ 1,079,718
Pledges receivable	239,449	226,937
Grants receivable	3,000	35,450
Contributions receivable	31,081	22,037
Prepaid expenses	<u>27,125</u>	<u>45,221</u>
TOTAL CURRENT ASSETS	961,742	1,409,363
PLEDGES RECEIVABLE – LONG-TERM	-	196,490
FIXED ASSETS		
Furniture, equipment and leasehold improvements, net of accumulated depreciation	691,858	114,213
OTHER ASSETS		
Security deposit	9,845	14,120
Other	<u>291</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,663,736</u>	<u>\$ 1,734,186</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts payable	\$ 21,124	\$ 82,599
Accrued salary	10,765	26,913
Accrued expenses	<u>-</u>	<u>7,527</u>
TOTAL CURRENT LIABILITIES	<u>31,889</u>	<u>117,039</u>
DEFERRED RENT	<u>68,765</u>	<u>-</u>
TOTAL LIABILITIES	<u>100,654</u>	<u>117,039</u>
NET ASSETS		
Unrestricted	1,323,134	840,009
Temporarily restricted	<u>239,948</u>	<u>777,138</u>
TOTAL NET ASSETS	<u>1,563,082</u>	<u>1,617,147</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,663,736</u>	<u>\$ 1,734,186</u>

The accompanying notes are an integral part of these financial statements.

KATE'S CLUB, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES:			
Contributions	\$ 532,518	\$ 499	\$ 533,017
Special event, net of expenses	242,375	-	242,375
Investment revenue	1,543	-	1,543
Other revenue	<u>989</u>	<u>-</u>	<u>989</u>
Public support and revenue	777,425	499	777,924
Temporarily restricted funds utilized for purposes intended	<u>537,689</u>	<u>(537,689)</u>	<u>-</u>
Total public support and revenue	<u>1,315,114</u>	<u>(537,190)</u>	<u>777,924</u>
EXPENSES			
Program services	632,278	-	632,278
Management and general expenses	83,586	-	83,586
Fundraising expenses	<u>116,125</u>	<u>-</u>	<u>116,125</u>
TOTAL EXPENSES	<u>831,989</u>	<u>-</u>	<u>831,989</u>
CHANGE IN NET ASSETS	483,125	(537,190)	(54,065)
NET ASSETS AT BEGINNING OF YEAR	<u>840,009</u>	<u>777,138</u>	<u>1,617,147</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,323,134</u>	<u>\$ 239,948</u>	<u>\$ 1,563,082</u>

The accompanying notes are an integral part of these financial statements.

KATE'S CLUB, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES:			
Contributions	\$ 749,467	\$ 739,963	\$ 1,489,430
Special event, net of expenses	180,437	-	180,437
Investment revenue	2,134	-	2,134
Other revenue	<u>1,455</u>	<u>-</u>	<u>1,455</u>
Public support and revenue	933,493	739,963	1,673,456
Temporarily restricted funds utilized for purposes intended	<u>92,426</u>	<u>(92,426)</u>	<u>-</u>
Total public support and revenue	<u>1,025,919</u>	<u>647,537</u>	<u>1,673,456</u>
EXPENSES			
Program services	601,756	-	601,756
Management and general expenses	38,268	-	38,268
Fundraising expenses	<u>195,345</u>	<u>-</u>	<u>195,345</u>
TOTAL EXPENSES	<u>835,369</u>	<u>-</u>	<u>835,369</u>
CHANGE IN NET ASSETS	190,550	647,537	838,087
NET ASSETS AT BEGINNING OF YEAR	<u>649,459</u>	<u>129,601</u>	<u>779,060</u>
NET ASSETS AT END OF YEAR	<u>\$ 840,009</u>	<u>\$ 777,138</u>	<u>\$ 1,617,147</u>

The accompanying notes are an integral part of these financial statements.

KATE'S CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Compensation and related expenses:				
Salaries and wages	\$ 247,979	\$ 26,012	\$ 71,091	\$ 345,082
Payroll taxes	20,438	2,240	5,319	27,997
Other employee benefits	<u>20,648</u>	<u>882</u>	<u>2,095</u>	<u>23,625</u>
	286,065	29,134	78,505	396,704
Occupancy	109,531	1,888	1,888	113,307
Outing expenses	70,739	-	-	70,739
Support services	61,314	-	-	61,314
Depreciation	48,268	1,175	1,961	51,404
Consulting	19,213	20,714	8,554	48,481
Supplies	11,578	1,272	4,655	17,505
Insurance	1,837	12,696	478	15,011
Telephone	6,674	4,094	2,117	12,885
Bank charges	-	681	9,676	10,357
Accounting fees	-	8,325	-	8,325
Education and training	3,950	2,033	1,203	7,186
Volunteer training	5,001	-	-	5,001
Contact management	-	-	4,688	4,688
Marketing and promotion	2,946	-	1,456	4,402
Postage and shipping	1,456	176	571	2,203
Board development	465	1,339	9	1,813
Meetings and conferences	<u>241</u>	<u>59</u>	<u>364</u>	<u>664</u>
 TOTAL EXPENSES	 <u>\$ 632,278</u>	 <u>\$ 83,586</u>	 <u>\$ 116,125</u>	 <u>\$ 831,989</u>

The accompanying notes are an integral part of these financial statements.

KATE'S CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Compensation and related expenses:				
Salaries and wages	\$ 260,025	\$ 14,943	\$ 89,458	\$ 364,426
Payroll taxes	21,196	1,217	7,273	29,686
Other employee benefits	<u>18,680</u>	<u>1,073</u>	<u>6,410</u>	<u>26,163</u>
	299,901	17,233	103,141	420,275
Occupancy	71,058	685	1,273	73,016
Outing expenses	130,241	-	-	130,241
Support services	61,173	-	-	61,173
Depreciation	370	4	4	378
Consulting	8,490	7,757	50,217	66,464
Supplies	4,760	1,442	14,192	20,394
Insurance	7,415	425	2,544	10,384
Telephone	4,141	551	1,409	6,101
Bank charges	-	131	12,084	12,215
Accounting fees	-	7,662	-	7,662
Education and training	4,184	581	1,191	5,956
Volunteer training	5,616	-	-	5,616
Contact management	-	-	4,337	4,337
Marketing and promotion	2,992	-	1,054	4,046
Postage and shipping	956	83	2,863	3,902
Board development	301	1,671	421	2,393
Meetings and conferences	<u>158</u>	<u>43</u>	<u>615</u>	<u>816</u>
TOTAL EXPENSES	<u>\$ 601,756</u>	<u>\$ 38,268</u>	<u>\$ 195,345</u>	<u>\$ 835,369</u>

The accompanying notes are an integral part of these financial statements.

KATE'S CLUB, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (54,065)	\$ 838,087
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	51,404	378
(Increase) decrease in operating assets:		
Pledges receivable	(12,512)	(193,287)
Grants receivable	32,450	14,550
Contributions receivable	(9,044)	(16,737)
Prepaid expenses	18,096	(11,821)
Pledges receivable – long-term	196,490	(186,490)
Other assets	3,984	(9,631)
Increase (decrease) in operating liabilities:		
Accounts payable	(61,475)	64,923
Accrued salary	(16,148)	-
Accrued expenses	(7,527)	7,527
Deferred rent	<u>68,765</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	210,418	507,499
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(629,049)</u>	<u>(114,213)</u>
NET CASH USED IN INVESTING ACTIVITIES	(629,049)	(114,213)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(418,631)	393,286
CASH AT BEGINNING OF YEARS	<u>1,079,718</u>	<u>686,432</u>
CASH AT END OF YEARS	<u>\$ 661,087</u>	<u>\$ 1,079,718</u>

The accompanying notes are an integral part of these financial statements.

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. ORGANIZATION

Kate's Club, Inc. (the "Club") was formed in Atlanta, Georgia, in November, 2002, as a tax-exempt charitable organization. Its mission is to empower the lives of children facing life after the death of a parent or sibling by providing a safe and healing environment that fosters positive social and emotional development throughout life. Kate's Club, Inc. believes that all grieving children and families deserve a place in the community to seek and receive emotional and social support, and ultimately the skills to continue through life as an empowered participant in their family system.

The organization's support comes primarily from individual donors' contributions, corporate and foundation gifts, and receipts from various fundraising events. The Club serves youth in the Atlanta, Georgia area and most of its support comes from the southeastern United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The Club classifies its net assets and revenues and expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

Unrestricted net assets – net assets not subject to donor imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported.

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

Management of the Club makes estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with GAAP. Actual results could differ from these estimates.

Cash and cash equivalents

The Club considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. The Club did not have any cash equivalents for years ended December 31, 2016 and 2015.

Furniture and equipment

Furniture, equipment, and leasehold improvements are capitalized at cost. It is the Club's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are generally expensed. Furniture and equipment are being depreciated over estimated useful lives of five to ten years using a straight-line method. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

Public support and revenue

Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. A discount rate of 2% was used for discounting long-term promises to give balances as of December 31, 2016 and 2015. Due to the amounts of the pledges and the low discount rate used in those years, the discount amount for long-term promises to give was not material and therefore not recorded in the financial statements.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Such donated services received were \$23,538 and \$78,022, during the years ended December 31, 2016 and 2015, respectively.

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income taxes

The Club qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. The Club had no income from unrelated activities and has no income taxes due as of December 31, 2016 and 2015.

The Club's application of ASC 740 regarding uncertain tax positions had no effect on its financial position as management believes the Club has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. The Club would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. The Club is no longer subject to examination by federal, state or local tax authorities for periods before 2013.

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Office equipment	\$ 17,554	\$ 10,880
Leasehold improvements	619,889	126,970
Furniture and equipment	<u>105,820</u>	<u>3,197</u>
	743,263	141,047
Less accumulated depreciation	<u>(51,405)</u>	<u>(26,834)</u>
	<u>\$ 691,858</u>	<u>\$ 114,213</u>

4. OPERATING LEASE COMMITMENT

In June 2015, the Club entered into a 130 month non-cancellable operating lease for office space. The term of the lease began on April 1, 2016 and ends on January 31, 2027. Rent expense was \$98,022 and \$57,536 for the years ended December 31, 2016 and 2015, respectively.

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

4. OPERATING LEASE COMMITMENT – Continued

Future minimum lease payments under operating leases are as follows:

Year ended December 31,	Amount
2017	\$ 60,175
2018	61,679
2019	79,124
2020	129,604
2021	132,844
Thereafter	<u>728,337</u>
Total	<u>\$ 1,191,763</u>

5. LINE OF CREDIT

The Club has a revolving line of credit whereby the Club may borrow up to \$250,000 at a rate of prime rate plus 0.25%. The agreement is collateralized by various assets of the Club. There was no outstanding balance on this loan at December 31, 2016.

6. FUNDRAISING ACTIVITIES

The Club conducts several fundraising events throughout the year. The net proceeds from these events are reported as special events revenue in the accompanying statements of activities. The following are summaries of these activities for the years ended December 31, 2016 and 2015:

	2016		
	Revenue	Expenses	Net Revenue
Gala	\$ 359,297	\$ 125,410	\$ 233,887
Spin-for-Kids	<u>8,488</u>	<u>-</u>	<u>8,488</u>
Total	<u>\$ 367,785</u>	<u>\$ 125,410</u>	<u>\$ 242,375</u>
	2015		
	Revenue	Expenses	Net Revenue
Gala	\$ 259,496	\$ 92,769	\$ 166,727
Spin-for-Kids	<u>13,710</u>	<u>-</u>	<u>13,710</u>
Total	<u>\$ 273,206</u>	<u>\$ 92,769</u>	<u>\$ 180,437</u>

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

7. CAPITAL CAMPAIGN

In 2015, the Club began the “Opening New Doors” Capital Campaign, to fund the build out and move to a new office and program “Clubhouse” at 1190 West Druid Hills Drive, Atlanta, Georgia. The fundraising and expenditures associated with this campaign and capital project will continue into 2017.

8. RESTRICTED NET ASSETS

There are donor restrictions on the Club’s net assets. As of December 31, the Club’s net assets were restricted temporarily for the following purposes:

	2016	2015
Restricted for “Opening the Doors” Capital Campaign	\$ 239,449	\$ 635,400
Restricted for Support Services 2015-2016 program	499	111,533
Restricted for multi-year pledges	-	30,205
Total temporarily restricted net assets	\$ 239,948	\$ 777,138

9. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities 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 based on management's estimations.

10. CONCENTRATION OF RISK

At certain times during the years, the Club had funds in excess of federally insured deposit limits on deposit with federally insured financial institutions. However, management does not believe that this creates any undue risk for the Club.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 19, 2017, which is the date the financial statements were available to be issued.