



**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

**KATE'S CLUB, INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**Jones and Kolb**  
Certified Public Accountants  
Atlanta, Georgia

## 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 statement of financial position as of December 31, 2018, and the related statements of activities and net assets, 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 organization'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 organization'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.

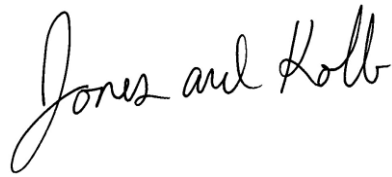
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kate's Club, Inc. 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.

***Prior Period Financial Statements***

The financial statements of Kate's Club, Inc. as of December 31, 2017, were audited by other auditors whose report dated June 20, 2018, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Jones and Koll". The signature is written in black ink and is positioned to the right of the date.

September 10, 2019

**KATE'S CLUB, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 689,619	\$ 666,851
Contributions receivable	43,145	90,678
Prepaid expenses	37,100	25,357
Total current assets	769,864	782,886
<b>FIXED ASSETS</b>	545,558	620,030
<b>DEPOSITS</b>	9,845	9,845
Total assets	\$ 1,325,267	\$ 1,412,761
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 25,278	\$ 9,054
Total current liabilities	25,278	9,054
<b>DEFERRED LEASE LIABILITY</b>	169,652	119,977
Total liabilities	194,930	129,031
<b>NET ASSETS</b>		
Net assets without donor restrictions	1,039,012	1,197,214
Net assets with donor restrictions	91,325	86,516
Total net assets	1,130,337	1,283,730
Total liabilities and net assets	\$ 1,325,267	\$ 1,412,761

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

**KATE'S CLUB, INC.**  
**STATEMENT OF ACTIVITIES AND NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Support and contributions	\$ 375,054	\$ 167,500	\$ 542,554
In-kind contributions	26,222	-	26,222
Special events revenue	385,773	-	385,773
Less: Costs of direct benefit to donors	(117,368)	-	(117,368)
Interest income	2,796	-	2,796
Other income	6,705	-	6,705
	<u>679,182</u>	<u>167,500</u>	<u>846,682</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>162,691</u>	<u>(162,691)</u>	<u>-</u>
<b>EXPENSES</b>			
Program services	798,611	-	798,611
General and administrative	101,446	-	101,446
Fundraising	100,018	-	100,018
	<u>1,000,075</u>	<u>-</u>	<u>1,000,075</u>
<b>CHANGE IN NET ASSETS</b>	(158,202)	4,809	(153,393)
<b>NET ASSETS, Beginning of year</b>	<u>1,197,214</u>	<u>86,516</u>	<u>1,283,730</u>
<b>NET ASSETS, End of year</b>	<u>\$ 1,039,012</u>	<u>\$ 91,325</u>	<u>\$ 1,130,337</u>

The accompanying notes to financial statements are  
an integral part of this statement.

**KATE'S CLUB, INC.**  
**STATEMENT OF ACTIVITIES AND NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Support and contributions	\$ 369,601	\$ 51,287	\$ 420,888
In-kind contributions	69,558	-	69,558
Special events revenue	324,040	-	324,040
Less: Costs of direct benefit to donors	(98,788)	-	(98,788)
Interest income	2,034	-	2,034
Other income	1,800	-	1,800
	<u>668,245</u>	<u>51,287</u>	<u>719,532</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
	<u>204,719</u>	<u>(204,719)</u>	<u>-</u>
<b>EXPENSES</b>			
Program services	757,234	-	757,234
General and administrative	92,219	-	92,219
Fundraising	149,431	-	149,431
	<u>998,884</u>	<u>-</u>	<u>998,884</u>
<b>CHANGE IN NET ASSETS</b>	(125,920)	(153,432)	(279,352)
<b>NET ASSETS, Beginning of year</b>	<u>1,323,134</u>	<u>239,948</u>	<u>1,563,082</u>
<b>NET ASSETS, End of year</b>	<u>\$ 1,197,214</u>	<u>\$ 86,516</u>	<u>\$ 1,283,730</u>

The accompanying notes to financial statements are  
an integral part of this statement.

**KATE'S CLUB, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries and benefits	\$ 418,553	\$ 14,377	\$ 55,610	\$ 488,540
Occupancy	104,329	5,542	7,337	117,208
Support services	89,273	163	5,082	94,518
Program outings	74,632	-	-	74,632
Depreciation	65,837	3,716	4,919	74,472
Office expenses	17,353	24,821	23,909	66,083
Accounting fees	2,480	11,025	185	13,690
Bad debt	-	12,357	-	12,357
Board development	3,031	8,900	227	12,158
Insurance	5,410	5,660	404	11,474
Staff development	1,496	8,109	1,562	11,167
Information technology	9,154	517	684	10,355
Volunteer expenses	5,970	-	-	5,970
Conferences and meetings	343	4,787	39	5,169
Marketing expenses	750	1,297	60	2,107
Consulting services	-	175	-	175
Total expenses	<u>\$ 798,611</u>	<u>\$ 101,446</u>	<u>\$ 100,018</u>	<u>\$ 1,000,075</u>

The accompanying notes to financial statements are  
an integral part of this statement.



**KATE'S CLUB, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries and benefits	\$ 331,261	\$ 27,016	\$ 93,686	\$ 451,963
Occupancy	119,636	2,246	2,246	124,128
Support services	61,533	-	-	61,533
Program outings	75,860	-	-	75,860
Depreciation	70,056	1,498	2,949	74,503
Office expenses	23,041	3,575	31,732	58,348
Accounting fees	-	16,325	-	16,325
Bad debt	-	25,346	-	25,346
Board development	-	1,794	-	1,794
Insurance	7,980	2,645	2,296	12,921
Staff development	4,524	597	1,083	6,204
Information technology	13,593	2,593	3,501	19,687
Volunteer expenses	5,702	-	-	5,702
Conferences and meetings	931	491	811	2,233
Marketing expenses	802	22	229	1,053
Consulting services	42,315	8,071	10,898	61,284
Total expenses	<u>\$ 757,234</u>	<u>\$ 92,219</u>	<u>\$ 149,431</u>	<u>\$ 998,884</u>

The accompanying notes to financial statements are  
an integral part of this statement.

**KATE'S CLUB, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (153,393)	\$ (279,352)
 ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense	74,472	74,503
Bad debt	12,357	25,346
Changes in:		
Contributions receivable	35,176	157,506
Prepaid expenses	(11,743)	1,768
Deposits	-	291
Accounts payable	16,224	(12,070)
Accrued expenses	-	(10,765)
Deferred lease liability	49,675	51,212
 Total adjustments	176,161	287,791
 Net cash and cash equivalents provided by operating activities	22,768	8,439
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(2,675)
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	22,768	5,764
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	666,851	661,087
 End of year	\$ 689,619	\$ 666,851

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

**KATE'S CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Kate's Club, Inc. (the "Club") was formed in Atlanta, Georgia, in November 2002, as a 501(c)(3) 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. The Club believes 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 Club serves youth in the Atlanta, Georgia area and its support comes primarily from individual, corporate and foundation contributions, as well as various fundraising events.

B. The Club prepares its financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

C. The Club considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Club maintains cash deposits that at times may exceed the Federal deposit insurance limit of \$250,000. The Club believes it mitigates any risk by depositing cash with major financial institutions.

D. Fixed assets, which includes furniture, equipment and leasehold improvements, are stated at cost when purchased; or if donated, at the fair market value on the date of donation. Furniture and equipment are depreciated using the straight-line method over the estimated useful life of the asset, which ranges from three to ten years. Leasehold improvements are amortized over the shorter of the lease term or useful life. Additions and replacements are charged to the fixed asset accounts, while repairs and maintenance are charged to expense as incurred. Depreciation expense for the years ended December 31, 2018 and 2017 was \$74,472 and \$74,503, respectively.

E. Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – These net assets are available for use in general operations and are not subject to donor or grantor restrictions.

**KATE'S CLUB, INC.**  
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Net assets with donor restrictions – These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets permit the Club to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met.

When restrictions expire (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 and reported in the Statements of Activities and Net Assets as "net assets released from restrictions."

F. Contributions, including unconditional promises to give, are recorded as revenue when the unconditional pledge is made. All contributions are available for unrestricted use unless specifically restricted by the donor. At December 31, 2018 and 2017, the Club considered all pledges receivable to be fully collectible; therefore, an allowance for uncollectible pledges receivable has not been recorded.

G. The Club records donated services as contribution revenue and expense if the services create or enhance a non-financial asset, or the services would (1) need to be purchased by the Club if not provided by contribution, (2) require specialized skills, and (3) are provided by individuals with those skills. Donated services received were \$14,080 and \$64,409, during the years ended December 31, 2018 and 2017, respectively, and are included in in-kind contributions on the accompanying Statements of Activities and Net Assets.

H. The costs of providing the Club's various programs and other activities have been summarized on a functional basis in the Statements of Activities and Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, general office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time and effort.

I. Certain prior year balances have been reclassified to conform to the current year financial presentation.

J. In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958). This ASU improves the prior net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. The Club has adopted this standard

**KATE'S CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

for the year ended December 31, 2018 and retroactively applied this standard to the year ended December 31, 2017.

K. Subsequent events have been evaluated by management through September 10, 2019, the date these financial statements were available to be issued.

**2. LIQUIDITY**

The Club has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Club's current financial assets of \$732,764 (including cash and cash equivalents and contributions receivable) as of the Statement of Financial Position date reduced by \$91,325 of amounts not available for general use because of donor-imposed restrictions, result in \$641,439 of financial assets available to meet cash needs for general expenditures within one year of the Statement of Financial Position date.

**3. FIXED ASSETS**

Fixed assets consist of the following at December 31:

	<b>2018</b>	<b>2017</b>
Computer equipment	\$ 17,554	\$ 17,554
Furniture	105,820	105,820
Leasehold improvements	622,564	622,564
 Total	 745,938	 745,938
Less accumulated depreciation	(200,380)	(125,908)
 Total property and equipment, net	 \$ 545,558	 \$ 620,030

**4. OPERATING LEASES**

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 \$111,078 and \$112,275 for the years ended December 31, 2018 and 2017, respectively.

**KATE'S CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Future minimum lease payments under operating leases are as follows for the years ended December 31:

<b>Year</b>	<b>Amount</b>
2019	\$ 79,124
2020	129,604
2021	132,844
2022	136,165
2023	139,569
Thereafter	452,604
Total	\$ 1,069,910

**5. NET ASSETS**

Changes to net assets with donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<b>12/31/2017</b>	<b>Additions</b>	<b>Released from Restrictions</b>	<b>12/31/2018</b>
Subject to expenditure for specified purpose:				
"Opening the Doors" capital campaign	\$ 35,229	\$ -	\$ (35,229)	\$ -
Camp Good Mourning scholarships	30,000	10,000	(40,000)	-
Data support	10,000	-	(10,000)	-
Other	3,570	2,500	(4,760)	1,310
Support services	-	65,000	(48,011)	16,989
Logic model and staff support	-	75,000	(11,974)	63,026
	78,799	152,500	(149,974)	81,325
Subject to the passage of time:				
Promises to give without donor restrictions but are unavailable until collected from donor	7,717	15,000	(12,717)	10,000
	7,717	15,000	(12,717)	10,000
	\$ 86,516	\$ 167,500	\$ (162,691)	\$ 91,325

**KATE'S CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>12/31/2016</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>12/31/2017</u>
Subject to expenditure for specified purpose:				
"Opening the Doors" capital campaign	\$ 239,449	\$ -	\$ (204,220)	\$ 35,229
Camp Good Mourning scholarships	-	30,000	-	30,000
Data support	-	10,000	-	10,000
Other	499	3,570	(499)	3,570
	<u>239,948</u>	<u>43,570</u>	<u>(204,719)</u>	<u>78,799</u>
Subject to the passage of time:				
Promises to give without donor restrictions but are unavailable until collected from donor	-	7,717	-	7,717
	<u>-</u>	<u>7,717</u>	<u>-</u>	<u>7,717</u>
	<u>\$ 239,948</u>	<u>\$ 51,287</u>	<u>\$ (204,719)</u>	<u>\$ 86,516</u>

**6. LINE OF CREDIT**

The Club had a revolving line of credit whereby the Club could borrow up to \$150,000 at an interest rate of the prime rate plus 0.25%. The agreement was collateralized by various assets of the Club. There was no outstanding balance on this line of credit at December 31, 2017. During the year ended December 31, 2018, the line of credit agreement expired and was not renewed.