



AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

KATE'S CLUB, INC.
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DECEMBER 31, 2021 AND 2020

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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

Opinion

We have audited the accompanying financial statements of Kate's Club, Inc. (a nonprofit organization) (the "Organization") , which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and net assets, functional expenses and cash flows for the years 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 Organization as of December 31, 2021 and 2020, 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.

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 Organization 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 Organization'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 Organization'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 Organization'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.

Jones and Kolb

May 24, 2022

KATE'S CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 840,183	\$ 588,459
Contributions receivable	107,783	84,012
Prepaid expenses	54,885	35,787
Total current assets	1,002,851	708,258
FIXED ASSETS, NET	339,436	401,119
DEPOSIT	9,845	9,845
Total assets	\$ 1,352,132	\$ 1,119,222
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 15,343	\$ 14,365
Deferred lease liability	46,526	21,472
Total current liabilities	61,869	35,837
DEFERRED LEASE LIABILITY	137,408	183,930
Total liabilities	199,277	219,767
NET ASSETS		
Net assets without donor restrictions	1,057,431	849,165
Net assets with donor restrictions	95,424	50,290
Total net assets	1,152,855	899,455
Total liabilities and net assets	\$ 1,352,132	\$ 1,119,222

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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Support and contributions	\$ 552,467	\$ 183,806	\$ 736,273
In-kind contributions	30,643	-	30,643
Special events revenue	456,531	-	456,531
Less: Costs of direct benefits to donors	(132,133)	-	(132,133)
Interest income	1,276	-	1,276
Other income	187,492	-	187,492
	<u>1,096,276</u>	<u>183,806</u>	<u>1,280,082</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>138,672</u>	<u>(138,672)</u>	<u>-</u>
EXPENSES			
Program services	778,597	-	778,597
General and administrative	102,527	-	102,527
Fundraising	145,558	-	145,558
	<u>1,026,682</u>	<u>-</u>	<u>1,026,682</u>
CHANGE IN NET ASSETS	208,266	45,134	253,400
NET ASSETS, Beginning of year	<u>849,165</u>	<u>50,290</u>	<u>899,455</u>
NET ASSETS, End of year	<u>\$ 1,057,431</u>	<u>\$ 95,424</u>	<u>\$ 1,152,855</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Support and contributions	\$ 332,009	\$ 190,134	\$ 522,143
In-kind contributions	30,600	-	30,600
Special events revenue	381,809	-	381,809
Less: Costs of direct benefits to donors	(78,906)	-	(78,906)
Interest income	2,851	-	2,851
Other income	105,491	-	105,491
	<u>773,854</u>	<u>190,134</u>	<u>963,988</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>316,559</u>	<u>(316,559)</u>	<u>-</u>
EXPENSES			
Program services	741,830	-	741,830
General and administrative	113,566	-	113,566
Fundraising	190,777	-	190,777
	<u>1,046,173</u>	<u>-</u>	<u>1,046,173</u>
CHANGE IN NET ASSETS	44,240	(126,425)	(82,185)
NET ASSETS, Beginning of year	<u>804,925</u>	<u>176,715</u>	<u>981,640</u>
NET ASSETS, End of year	<u>\$ 849,165</u>	<u>\$ 50,290</u>	<u>\$ 899,455</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, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 442,762	\$ 53,651	\$ 98,980	\$ 595,393
Occupancy	104,403	7,119	7,119	118,641
Support services	100,830	-	-	100,830
Production and entertainment	-	-	81,624	81,624
Office expenses	36,735	8,431	27,365	72,531
Depreciation	54,281	3,701	3,701	61,683
Facilities and food	-	-	38,293	38,293
Professional fees	-	17,016	16,000	33,016
Insurance	17,596	1,369	587	19,552
Information technology	9,780	1,158	1,930	12,868
Bad debt	-	8,600	-	8,600
Program outings	5,625	-	-	5,625
Marketing	1,370	1,048	1,612	4,030
Volunteer expenses	3,123	-	-	3,123
Staff development	2,092	254	480	2,826
Board development	-	180	-	180
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	778,597	102,527	277,691	1,158,815
Less: Costs of direct benefits to donors	-	-	132,133	132,133
	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	<u>\$ 778,597</u>	<u>\$ 102,527</u>	<u>\$ 145,558</u>	<u>\$ 1,026,682</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, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 425,213	\$ 82,504	\$ 126,929	\$ 634,646
Occupancy	109,946	7,989	6,177	124,112
Support services	60,938	-	-	60,938
Production and entertainment	-	-	64,862	64,862
Office expenses	42,415	9,325	21,147	72,887
Depreciation	66,280	4,468	3,724	74,472
Facilities and food	1,034	-	10,482	11,516
Professional fees	-	6,378	33,878	40,256
Insurance	13,335	1,037	445	14,817
Information technology	14,963	1,020	1,020	17,003
Bad debt	500	-	500	1,000
Program outings	3,092	-	-	3,092
Marketing	421	322	495	1,238
Volunteer expenses	3,585	-	-	3,585
Staff development	108	19	24	151
Board development	-	504	-	504
Total expenses	741,830	113,566	269,683	1,125,079
Less: Costs of direct benefits to donors	-	-	78,906	78,906
Total functional Expenses	\$ 741,830	\$ 113,566	\$ 190,777	\$ 1,046,173

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 253,400	\$ (82,185)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation expense	61,683	74,472
Changes in:		
Contributions receivable	(23,771)	(376)
Prepaid expenses	(19,098)	(2,050)
Accounts payable and accrued expenses	978	(10,872)
Deferred lease liability	(21,468)	3,501
Total adjustments	(1,676)	64,675
Net cash and cash equivalents provided by (used in) operating activities	251,724	(17,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(1,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	251,724	(18,910)
CASH AND CASH EQUIVALENTS		
Beginning of year	588,459	607,369
End of year	<u>\$ 840,183</u>	<u>\$ 588,459</u>

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, 2021 AND 2020

1. ORGANIZATION AND 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 and teens facing life after the death of a parent, sibling or caregiver. 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. In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities (Topic 958) clarifying the accounting guidance for contributions received and contributions made to further improve the scope and the accounting guidance for revenue recognition; to assist entities distinguishing between contributions and exchange transactions; and to determine whether a contribution is conditional. During the year ended December 31, 2020, the Club adopted this standard which did not have a material impact on the accompanying financial statements.

The Club adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Club's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Club recognizes revenue and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis.

D. 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.

E. 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

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

accounts, while repairs and maintenance are charged to expense as incurred. Depreciation expense for each of the years ended December 31, 2021 and 2020 was \$61,683 and \$74,472, respectively.

F. 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.

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 those 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."

G. 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, 2021 and 2020, the Club considered all contributions receivable to be fully collectible; therefore, an allowance for uncollectible contributions receivable has not been recorded. During the years ended December 31, 2021 and 2020, event sponsorships and ticket sales were recognized at the time the event was held.

H. The Club records non-cash contributions at their estimated fair market value at the date of the contribution. 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 goods and services received were \$30,643 and \$30,600 during the years ended December 31, 2021 and 2020, respectively, and are included in in-kind contributions on the accompanying Statements of Activities and Net Assets.

I. 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

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time and effort.

J. Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

K. Subsequent events have been evaluated by management through May 24, 2022, 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 financial assets available to meet cash needs for general expenditures within one year of the Statement of Financial Position date are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 840,183	\$ 588,459
Contributions receivable	107,783	84,012
Less: Net assets with donor restrictions	<u>(95,424)</u>	<u>(50,290)</u>
Total	<u>\$ 852,542</u>	<u>\$ 622,181</u>

3. FIXED ASSETS

Fixed assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 18,954	\$ 18,954
Furniture	108,925	108,925
Leasehold improvements	<u>622,564</u>	<u>622,564</u>
Total	750,443	750,443
Less accumulated depreciation	<u>(411,007)</u>	<u>(349,324)</u>
Total property and equipment, net	<u>\$ 339,436</u>	<u>\$ 401,119</u>

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 \$118,641 and \$124,112 for the years ended December 31, 2021 and 2020, respectively. During the year ended December 31, 2020, the landlord agreed to defer 50% of the rent for the months of June through September 2020, which is a total reduction of \$22,899. The Club is required to repay such deferral in full on or before December 31, 2022.

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

Year	Amount
2022	\$ 157,898
2023	139,569
2024	143,058
2025	146,635
Thereafter	162,912
Total	\$ 750,072

5. NET ASSETS

Changes to net assets with donor restrictions for the year ended December 31, 2021 are as follows:

	12/31/2020	Additions	Released from Restrictions	12/31/2021
Subject to expenditure for specified purpose:				
KC Connects	\$ -	\$ 2,700	\$ (2,700)	\$ -
Camp	-	46,223	(46,223)	-
Clubhouse services	-	9,459	(9,459)	-
Capital campaign	-	30,000	(30,000)	-
	-	88,382	(88,382)	-
Subject to the passage of time:				
Promises to give without donor restrictions but are unavailable until collected from donor	50,290	95,424	(50,290)	95,424
	50,290	95,424	(50,290)	95,424
	\$ 50,290	\$ 183,806	\$ (138,672)	\$ 95,424

KATE'S CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Changes to net assets with donor restrictions for the year ended December 31, 2020 are as follows:

	<u>12/31/2019</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>12/31/2020</u>
Subject to expenditure for specified purpose:				
KC Connects	\$ 20,030	\$ 28,883	\$ (48,913)	\$ -
Camp	-	18,430	(18,430)	-
Logic model and staff support	82,950	75,500	(158,450)	-
Support services	68,735	17,031	(85,766)	-
	<u>151,685</u>	<u>92,531</u>	<u>(244,216)</u>	<u>-</u>
Subject to the passage of time:				
Promises to give without donor restrictions but are unavailable until collected from donor	5,000	50,290	(5,000)	50,290
	<u>5,000</u>	<u>50,290</u>	<u>(5,000)</u>	<u>50,290</u>
	<u>\$ 156,685</u>	<u>\$ 142,821</u>	<u>\$ (249,216)</u>	<u>\$ 50,290</u>

6. PAYCHECK PROTECTION PROGRAM LOAN

During the years ended December 31, 2021 and 2020, the Club applied for and received loan proceeds of \$90,779 and \$104,087, respectively, under the Paycheck Protection Program as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. For the years ended December 31, 2021 and 2020, the total amounts of \$90,779 and \$104,087, respectively, were forgiven and included in other income on the Statement of Activity and Net Assets.

7. EMPLOYEE RETENTION CREDIT

During the year ended December 31, 2021, the Organization utilized the Employee Retention Credit to reduce certain employment taxes. The amount of the credit was \$92,909 and has been included in other income on the accompanying financial statements.

8. CORONAVIRUS PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic, with the outbreak widespread in the U.S. The Club's operations are dependent on donations from individuals, foundations, corporations, and governmental and state agencies. The outbreak may have a material adverse impact on economic and market conditions, triggering a period of economic slowdown. This potential slowdown could lead to a decline in future contributions or collections of existing receivable balances.