

# CHARLES O. PAUL

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Ladder Alliance, Inc.

We have audited the accompanying statements of financial position of The Ladder Alliance, Inc. (the Organization) as of December 31, 2008, and the related statements of activities and cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements which were audited by us. Our report dated July 29, 2008 expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ladder Alliance, Inc. as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Charles O. Paul*

CHARLES O. PAUL, CPA  
North Richland Hills, Texas  
August 25, 2009

**THE LADDER ALLIANCE, INC.**  
**Statement of Financial Position**  
**December 31, 2008**  
**With Summarized Financial Information at**  
**December 31, 2007**

<b><u>ASSETS</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Cash and cash equivalents	\$ 14,513	\$ 43,809
Grant receivable	-	2,720
Other receivables	3,534	585
Fixed assets at cost, net of accumulated depreciation	11,003	11,908
Lease deposit	-	1,385
<b>Total assets</b>	<b><u>\$ 29,050</u></b>	<b><u>\$ 60,407</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	<b><u>\$ 9,473</u></b>	<b><u>\$ 3,316</u></b>
<b>Total current liabilities</b>	<b><u>9,473</u></b>	<b><u>3,316</u></b>
<b>Commitments and contingencies</b>		
<b>Net assets:</b>		
Unrestricted:	<b><u>19,577</u></b>	<b><u>57,091</u></b>
<b>Total net assets</b>	<b><u>19,577</u></b>	<b><u>57,091</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 29,050</u></b>	<b><u>\$ 60,407</u></b>

The accompanying notes are an integral part of the financial statements

**THE LADDER ALLIANCE, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2008**  
**With Summarized Financial Information at**  
**For the Year Ended December 31, 2007**

	<u>2008</u> <u>Unrestricted</u>	<u>2007</u>
<b>Revenue and support:</b>		
<b>Contributions and grants</b>	<b>\$ 203,549</b>	<b>\$115,932</b>
<b>Government grants</b>	<b>-</b>	<b>38,891</b>
<b>Special events, net of expenses</b> <b>of \$16,619</b>	<b>31,191</b>	<b>21,536</b>
<b>Interest income</b>	<b>79</b>	<b>1,536</b>
	<u><b>234,819</b></u>	<u><b>177,895</b></u>
<b>Expenses:</b>		
<b>Program services</b>	<b>224,424</b>	<b>181,654</b>
<b>General and administrative expense</b>	<b>47,909</b>	<b>30,210</b>
	<u><b>272,333</b></u>	<u><b>211,864</b></u>
<b>Increase in net assets</b>	<b>(37,514)</b>	<b>(33,969)</b>
<b>Net assets, beginning of year</b>	<u><b>\$57,091</b></u>	<u><b>91,060</b></u>
<b>Net assets, end of year</b>	<u><b>\$ 19,577</b></u>	<u><b>\$57,091</b></u>

**The accompanying notes are an integral part of the financial statements**  
**(2)**

**THE LADDER ALLIANCE, INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2008**  
**With Summarized Financial Information at**  
**For the Year Ended December 31, 2007**

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$(37,514)	\$ (33,969)
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Depreciation	4,059	4,021
Loss on disposal of equipment	-	1,963
Decrease (Increase) in grants receivable	2,720	(209)
Decrease (Increase) in other receivables	(2,949)	(125)
Decrease (Increase) in prepaid expenses	-	3,225
Decrease (Increase) in lease deposit	1,385	-
Increase (decrease) in accounts payable and accrued liabilities	6,157	(912)
<b>Net cash provided by operating activities</b>	<u>(26,142)</u>	<u>(26,006)</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(3,154)	(747)
<b>Cash flows from financing activities:</b>	-	-
<b>Net change in cash and cash equivalents</b>	(29,296)	(26,753)
<b>Cash and cash equivalents, beginning of year</b>	<u>\$43,809</u>	<u>70,562</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 14,513</u>	<u>\$43,809</u>

**Schedule of non-cash investing and financing activities:**

None

**The accompanying notes are an integral part of the financial statements**

**THE LADDER ALLIANCE, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2008**  
**With Summarized Financial Information at**  
**For the Year Ended December 31, 2007**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>	<u>2007 Total Expenses</u>
<b>Salaries</b>	<b>\$ 154,345</b>	<b>\$ 10,958</b>	<b>\$ 165,303</b>	<b>\$ 112,420</b>
<b>Payroll Taxes</b>	<b>14,969</b>	<b>1,063</b>	<b>16,032</b>	<b>8,501</b>
<b>Employee Benefits</b>	<b>8,516</b>	<b>9,629</b>	<b>18,145</b>	<b>7,147</b>
<b>Total</b>	<b>177,830</b>	<b>21,650</b>	<b>199,480</b>	<b>128,068</b>
<b>Computer expense</b>	<b>1,471</b>	<b>-</b>	<b>1,471</b>	<b>624</b>
<b>Professional fees</b>	<b>-</b>	<b>5,650</b>	<b>5,650</b>	<b>-</b>
<b>Dues</b>	<b>-</b>	<b>350</b>	<b>350</b>	<b>525</b>
<b>Equipment rental and maintenance</b>	<b>-</b>	<b>209</b>	<b>209</b>	<b>-</b>
<b>Insurance</b>	<b>2,529</b>	<b>632</b>	<b>3,161</b>	<b>3,492</b>
<b>Supplies</b>	<b>4,291</b>	<b>4,950</b>	<b>9,241</b>	<b>7,072</b>
<b>Student expenses</b>	<b>5,202</b>	<b>-</b>	<b>5,202</b>	<b>14,637</b>
<b>Postage</b>	<b>-</b>	<b>273</b>	<b>273</b>	<b>310</b>
<b>Printing and copying</b>	<b>1,202</b>	<b>301</b>	<b>1,503</b>	<b>-</b>
<b>Occupancy</b>	<b>25,434</b>	<b>6,358</b>	<b>31,792</b>	<b>45,470</b>
<b>Telephone</b>	<b>2,406</b>	<b>601</b>	<b>3,007</b>	<b>2,837</b>
<b>Interest expense</b>	<b>-</b>	<b>1,359</b>	<b>1,359</b>	<b>-</b>
<b>Miscellaneous</b>	<b>-</b>	<b>4,645</b>	<b>4,645</b>	<b>1,794</b>
<b>Travel and entertainment</b>	<b>-</b>	<b>931</b>	<b>931</b>	<b>1,051</b>
<b>Total expenses before depreciation and loss on disposal of equipment</b>	<b>220,365</b>	<b>47,909</b>	<b>268,274</b>	<b>205,880</b>
<b>Depreciation</b>	<b>4,059</b>	<b>-</b>	<b>4,059</b>	<b>4,021</b>
<b>Loss on disposal of equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,963</b>
<b>Total expenses</b>	<b>\$ 224,424</b>	<b>\$ 47,909</b>	<b>\$ 272,333</b>	<b>\$ 211,864</b>

The accompanying notes are an integral part of the financial statements

**THE LADDER ALLIANCE, INC.**  
**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

**(a) Organization and Continued Operations**

The Ladder Alliance, Inc. (Organization) was formed as a charitable corporation incorporated under the laws of the State of Texas. The purpose of the Organization is to provide disadvantaged and abused women, in the greater Fort Worth, Texas, area basic computer application and job skills to enable them to begin a life of self-sufficiency.

During late 2008 and through 2009, the Organization has experienced a significant reduction in funding. This has resulted in the Board of Directors implementing a plan of action to allow the opportunity for the Organization to continue as a going concern. This plan includes staff reductions, spending freezes and exploring whatever opportunities that it can to ensure the survival of the programs of the Organization. The Board of Directors believes that the plan currently in place allows the opportunity for the Organization to continue in its modified form through at least the end of 2009.

**(b) Basis of Accounting and Financial Statement Presentation**

The Organization's financial statements are presented on the accrual basis of accounting in accordance with statements issued by the Financial Accounting Standards Board in Statement of Financial Accounting Standards (SFAS) No 117. Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

*Unrestricted* - includes funds that represent resources over which the Board of Directors has discretionary control to carry out operations of the Organization in accordance with its bylaws.

*Temporarily Restricted* - includes funds that represent resources expendable only for those operating purposes specified by the donor. Resources of this classification originate principally from grants and gifts.

*Permanently Restricted* - includes funds that have been accepted with donor stipulations that the principal be maintained intact in perpetuity with only the income to be utilized. The Organization currently has no permanently restricted net assets.

**(c) Contributions and Grants**

Contributions and Grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restrictions are met in the year of contribution, the amounts of temporarily restricted gifts are listed as unrestricted contributions.

**THE LADDER ALLIANCE, INC.**  
**Notes to Financial Statements**

**(d) Fixed Assets**

Expenditures for furniture and equipment are stated at cost. Donated assets are recorded at their estimated fair market value at the date of contribution. The Organization capitalized fixed assets with a useful life in excess of one year. Depreciation of fixed assets is calculated on the straight-line method over three - ten years.

**(e) Income Taxes**

The Organization is exempt from federal income taxes under provisions of Section 501(c) 3 of the Internal Revenue Code. The organization has been determined by the Internal Revenue Service to be a public charity.

**(f) Functional Expenses Allocation**

The costs of providing the various programs 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 are recorded when incurred in accordance with the accrual basis of accounting.

**(h) Contributed Services**

A substantial number of volunteers have donated significant amounts of time to the Organization's activities. However, the Organization only recognizes donated services that create or enhance nonfinancial assets, or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been presented in the financial statements for contributed services, as the amounts are immaterial.

**(i) Cash and Cash Equivalents**

The Organization considers all highly liquid instruments purchased with maturity of three months or less to be cash equivalents. The Organization places its cash with quality financial institutions and limits its exposure by controlling the cash balances it maintains in any one financial institution. The Organization has never experienced losses from credit risk associated with its cash balances.

**(j) Allowance for Uncollectible Accounts**

In the opinion of management there are no significant uncollectible accounts. Therefore, no allowance for doubtful accounts has been provided in these statements.

**THE LADDER ALLIANCE, INC.**  
**Notes to Financial Statements**

**(k) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

**(l) Functional Allocation of Expenses**

Expenses are allocated to program services, fundraising and management and general based on the nature of the expense and estimates made by management.

**(m) Comparative Prior Year Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31 2007 from which the summarized information was derived.

**2. Grants Receivable**

Grants receivable represent unreimbursed expenses under a grant with the Texas Workforce Commission.

**3. Fixed Assets**

The composition of fixed assets at December 31, 2008 is as follows:

Furniture, fixtures and equipment	\$ 21,627
Less accumulated depreciation	<u>10,624</u>
	<u>\$ 11,003</u>



**THE LADDER ALLIANCE, INC.**  
**Notes to Financial Statements**

**4. Leases**

The Organization leases its administrative offices under an operating lease. The lease expires in 2010. Under the lease, monthly rentals range from \$2,500 to \$2,756. Minimum lease payments under the lease through December 31, 2010 are as follows:

2009	\$ 31,500
2010	33,072

During 2009, the Organization reached a temporary agreement to defer all but \$500 per month in rent. This agreement does not absolve the Organization of its obligations under the lease.

**5. Commitments and Contingencies**

Grants and bequests require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that remains a possibility, the Board deems such contingency remote since by accepting the gifts and their terms, the Organization has, in essence, accommodated the provisions of the gift.