

THE LADDER ALLIANCE, INC.

Financial Statements

For the Year Ended December 31, 2012

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, 2012, and the related statements of activities and cash flows and functional expenses for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements which were audited by us. Our report dated May 1, 2012 expressed an unqualified opinion on those 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 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 respects, the financial position of The Ladder Alliance, Inc. as of December 31, 2012 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
February 8, 2013**

THE LADDER ALLIANCE, INC.
Statement of Financial Position
December 31, 2012
With Summarized Financial Information at
December 31, 2011

| | 2012 | 2011 |
|--|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 108,708 | \$ 94,863 |
| Grant receivable | 12,069 | 10,480 |
| Other receivables | 4,714 | 3,295 |
| Prepaid expenses | 2,665 | 926 |
| Fixed assets at cost, net of accumulated depreciation | 8,106 | 12,342 |
| Total assets | \$ 136,262 | \$ 121,906 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 6,477 | \$ 5,120 |
| Total current liabilities | 6,477 | 5,120 |
| Commitments and contingencies | | |
| Net assets: | | |
| Unrestricted | | |
| Undesignated | 69,745 | 71,768 |
| Board designated for reserve | 60,040 | 40,018 |
| Unrestricted net assets | 129,785 | 111,786 |
| Temporarily restricted | - | 5,000 |
| Total net assets | 129,785 | 116,786 |
| Total liabilities and net assets | \$ 136,262 | \$ 121,906 |

The accompanying notes are an integral part of the financial statements

THE LADDER ALLIANCE, INC.
Statement of Activities
For the Year Ended December 31, 2012
With Summarized Financial Information at
For the Year Ended December 31, 2011

| | <u>Unrestricted</u> | <u>2012 Temporarily Restricted</u> | <u>Total</u> | <u>2011</u> |
|--|---------------------|--|-------------------|-------------------|
| Revenue and support: | | | | |
| Contributions and grants | \$ 218,847 | \$ - | \$ 218,847 | \$ 185,677 |
| Government grants | 30,219 | - | 30,219 | 21,320 |
| Special events, net of expenses of \$16,335 | 29,471 | - | 29,471 | 32,186 |
| Tuition | 8,775 | - | 8,775 | - |
| Interest income | 26 | - | 26 | 37 |
| Assets released from restriction | 5,000 | (5,000) | - | - |
| | <u>292,338</u> | <u>(5,000)</u> | <u>287,338</u> | <u>239,220</u> |
| Expenses: | | | | |
| Program services | 189,572 | - | 189,572 | 151,414 |
| Supporting Services: | | | | |
| General and administrative expense | 38,066 | - | 38,066 | 31,099 |
| Fundraising | 46,701 | - | 46,701 | 27,890 |
| | <u>274,339</u> | <u>-</u> | <u>274,339</u> | <u>210,403</u> |
| Increase in net assets | 17,999 | (5,000) | 12,999 | 28,817 |
| Net assets, beginning of year | <u>111,786</u> | <u>5,000</u> | <u>116,786</u> | <u>87,969</u> |
| Net assets, end of year | <u>\$ 129,785</u> | <u>\$ -</u> | <u>\$ 129,785</u> | <u>\$ 116,786</u> |

The accompanying notes are an integral part of the financial statements

THE LADDER ALLIANCE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2012
With Summarized Financial Information at
For the Year Ended December 31, 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 12,999 | \$ 28,817 |
| Adjustments to reconcile the increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 4,236 | 6,319 |
| In-kind donation capitalized | - | - |
| Decrease (Increase) in grants receivable | (1,589) | (5,570) |
| Decrease (Increase) in other receivables | (1,419) | (1,727) |
| Decrease (Increase) in prepaid expenses | (1,739) | (926) |
| Increase (decrease) in accounts payable and accrued liabilities | <u>1,357</u> | <u>1,730</u> |
| Net cash provided by operating activities | <u>13,845</u> | <u>28,643</u> |
| Cash flows from investing activities: | | |
| Purchase of equipment | - | (1,049) |
| Cash flows from financing activities: | <u>-</u> | <u>-</u> |
| Net change in cash and cash equivalents | 13,845 | 27,594 |
| Cash and cash equivalents, beginning of year | <u>\$94,863</u> | <u>67,269</u> |
| Cash and cash equivalents, end of year | <u>\$ 108,708</u> | <u>\$ 94,863</u> |
| Supplemental cash flow information | | |
| Interest received | \$ 26 | \$ 37 |
| Interest paid | - | 21 |
| Schedule of non-cash investing and financing activities: | | |
| None | | |

The accompanying notes are an integral part of the financial statements
(3)

THE LADDER ALLIANCE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2012
With Summarized Financial Information at
For the Year Ended December 31, 2011

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> | <u>2011 Total Expenses</u> |
|---|-----------------------------|---------------------------------------|--------------------|-------------------|------------------------------------|
| Salaries | \$ 113,715 | \$ 12,896 | \$ 41,938 | \$ 168,549 | \$ 119,954 |
| Payroll Taxes | 12,914 | 1,465 | 4,763 | 19,142 | 13,271 |
| Employee Benefits | 1,176 | 294 | - | 1,470 | 600 |
| Total | 127,805 | 14,655 | 46,701 | 189,161 | 133,825 |
| Computer expense | 2,255 | - | - | 2,255 | 1,678 |
| Professional fees | - | 6,500 | - | 6,500 | 2,500 |
| Dues | - | 1,750 | - | 1,750 | 620 |
| Equipment rental and maintenance | - | - | - | - | - |
| Insurance | 2,471 | 618 | - | 3,089 | 2,377 |
| Supplies | 2,257 | 2,809 | - | 5,066 | 2,695 |
| Student expenses | 18,067 | - | - | 18,067 | 12,801 |
| Postage | - | 645 | - | 645 | 1,928 |
| Printing and copying | 1,311 | 328 | - | 1,639 | 7,345 |
| Occupancy | 29,351 | 7,338 | - | 36,689 | 34,723 |
| Telephone | 1,819 | 455 | - | 2,274 | 2,031 |
| Interest expense | - | - | - | - | 21 |
| Bank charges | - | 1,166 | - | 1,166 | 787 |
| Miscellaneous | - | 759 | - | 759 | 423 |
| Staff development | - | 1,043 | - | 1,043 | 330 |
| Total expenses before depreciation and loss on disposal of equipment | 185,336 | 38,066 | 46,701 | 270,103 | 204,084 |
| Depreciation | 4,236 | - | - | 4,236 | 6,319 |
| Total expenses | \$ 189,572 | \$ 38,066 | \$ 46,701 | \$ 274,339 | \$ 210,403 |

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.

(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. Under those statements, 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.

(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.

THE LADDER ALLIANCE, INC.
Notes to Financial Statements

(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. Included in the Statement of Activities is \$9,200 for donated meals and graduation gifts for the students. 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.

(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.

THE LADDER ALLIANCE, INC.
Notes to Financial Statements

(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 2011 from which the summarized information was derived.

(n) Subsequent Events

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

2. Grants Receivable

Grants receivable represent \$12,069 in unreimbursed expenses under a Community Development Block Grant contract with the City of Fort Worth.

3. Fixed Assets

The composition of fixed assets at December 31, 2012 is as follows:

| | |
|-----------------------------------|-----------------|
| Furniture, fixtures and equipment | \$ 30,037 |
| Less accumulated depreciation | <u>21,931</u> |
| | <u>\$ 8,106</u> |

4. Leases

The Organization leases its administrative offices under a month-to-month operating lease with rent of \$3,050 per month.

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.

THE LADDER ALLIANCE, INC.
Notes to Financial Statements

6. Concentrations

During 2012, the Organization received a grant from a local foundation that constituted 17.4% of total support and revenue. Additionally, the government grant from a local municipality was 10.5% of support and revenue.