

**ANGEL LAYETTES**  
**FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2014 and 2013**  
**with**  
**Independent Auditors' Report**

# ANGEL LAYETTES

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Angel Layettes

We have audited the accompanying financial statements of Angel Layettes (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

### **Auditors' 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 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 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 Organization as of December 31, 2014 and 2013, 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.

*Huseltin, Morgan + Maultsky, P.C.*

Dallas, Texas  
October 9, 2015

**ANGEL LAYETTES**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014 and 2013**

<b>ASSETS</b>		
	2014	2013
Current assets:		
Cash and cash equivalents	\$ 70,528	\$ 64,601
Prepaid expenses	6,246	5,752
Inventory	139,789	140,421
Total current assets	216,563	210,774
Property and equipment, net	349,568	352,860
Total assets	\$ 566,131	\$ 563,634
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,116	\$ 14,751
Current portion of note payable	8,278	5,158
Total current liabilities	22,394	19,909
Note payable	116,690	127,684
Total liabilities	139,084	147,593
Net assets:		
Unrestricted	427,047	416,041
Total liabilities and net assets	\$ 566,131	\$ 563,634

**See accompanying notes to the financial statements.**

**ANGEL LAYETTES**  
**STATEMENTS OF ACTIVITIES**

**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenue:		
Contributions	\$ 157,121	\$ 195,950
In-kind donations	2,425	11,714
Interest income	11	8
Total revenue	<u>159,557</u>	<u>207,672</u>
Functional expenses:		
Program	111,775	80,943
Administrative	21,383	20,346
Fundraising	14,971	4,520
Total expenses	<u>148,129</u>	<u>105,809</u>
Loss on disposal of property and equipment	<u>422</u>	<u>-</u>
Increase in net assets	11,006	101,863
Net assets - beginning of year	<u>416,041</u>	<u>314,178</u>
Net assets - end of year	<u><u>\$ 427,047</u></u>	<u><u>\$ 416,041</u></u>

**See accompanying notes to the financial statements.**

**ANGEL LAYETTES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2014**

	Program Expenses	Administrative Expenses	Fundraising Expenses	Total
Fundraising and Program Management	\$ 9,876	\$ -	\$ 9,876	\$ 19,752
Cost of layettes	38,846	-	-	38,846
Professional fees	12,669	2,236	-	14,905
Payroll and related expenses	20,583	3,632	-	24,215
Office supplies	2,008	4,474	2,008	8,490
Workshop supplies	3,941	-	-	3,941
Volunteer Appreciation	2,078	-	-	2,078
Software and Computer related	2,616	2,617	2,617	7,850
Postage	2,159	381	-	2,540
Property taxes	404	71	-	475
Telephone	617	109	-	726
Utilities	-	948	-	948
Insurance	-	1,747	-	1,747
Interest expense	5,505	971	-	6,476
Repairs and maintenance	10,473	1,848	-	12,321
Banking and other fees	-	85	470	555
	<u>111,775</u>	<u>19,119</u>	<u>14,971</u>	<u>145,865</u>
Total expenses before depreciation				
Depreciation *	-	2,264	-	2,264
	<u>\$ 111,775</u>	<u>\$ 21,383</u>	<u>\$ 14,971</u>	<u>\$ 148,129</u>

\* The depreciation expense presented represents that amount of expense that was not allocated to inventory. See Note 4 for further discussion.

(Continued)

See accompanying notes to the financial statements.

**ANGEL LAYETTES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2013**

	Program Expenses	Administrative Expenses	Fundraising Expenses	Total
Fundraising	\$ -	\$ -	\$ 3,202	\$ 3,202
Cost of layettes	35,516	-	-	35,516
Professional fees	16,374	2,889	-	19,263
Payroll and related expenses	7,031	1,241	-	8,272
Office supplies	870	2,045	870	3,785
Workshop supplies	108	-	-	108
Facility supplies	141	-	-	141
Dues and subscriptions	50	-	-	50
Postage	2,103	247	124	2,474
Property taxes	2,625	463	-	3,088
Telephone	607	107	-	714
Utilities	-	2,918	-	2,918
Insurance	-	1,467	-	1,467
Interest expense	5,785	1,021	-	6,806
Repairs and maintenance	9,733	1,718	-	11,451
Miscellaneous expenses	-	314	324	638
Total expenses before depreciation	80,943	14,430	4,520	99,893
Depreciation *	-	5,916	-	5,916
Total expenses	<u>\$ 80,943</u>	<u>\$ 20,346</u>	<u>\$ 4,520</u>	<u>\$ 105,809</u>

\* The depreciation expense presented represents that amount of expense that was not allocated to inventory. See Note 4 for further discussion.

**See accompanying notes to the financial statements.**



## ANGEL LAYETTES

### STATEMENTS OF CASH FLOWS

**For the Years Ended December 31, 2014 and 2013**

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 11,006	\$ 101,863
Adjustments to reconcile increase in net assets to net cash provided from operating activities:		
Depreciation expense	19,618	15,906
Loss on disposal of property and equipment	422	-
Non-cash contributions in-kind	(1,527)	(10,124)
(Increase) decrease in:		
Prepaid expenses	(494)	(367)
Inventory	2,159	(10,016)
Decrease in:		
Accounts payable and accrued expenses	(635)	(4,393)
Net cash provided from operating activities	30,549	92,869
Cash flows from investing activities:		
Purchase of property and equipment	(16,748)	(42,066)
Net cash used from investing activities	(16,748)	(42,066)
Cash flows from financing activities:		
Principal payments on notes payable	(7,874)	(7,544)
Net cash used from financing activities	(7,874)	(7,544)
Net increase in cash and cash equivalents	5,927	43,259
Cash and cash equivalents at beginning of year	64,601	21,342
Cash and cash equivalents at end of year	\$ 70,528	\$ 64,601

#### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2014	2013
Cash paid for interest	\$ 6,476	\$ 6,806
Non-cash investing activities:		
Additions to property and equipment	\$ 16,748	\$ 49,566
Less: donated equipment	-	(7,500)
Purchase of property and equipment	\$ 16,748	\$ 42,066

**See accompanying notes to the financial statements.**

**ANGEL LAYETTES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2014 and 2013**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Nature of the Organization*

Angel Layettes (the “Organization”) is a non-profit organization that was founded in 2007. The primary objective of the Organization is to provide personalized burial layettes and keepsakes to the families of infants who do not survive infancy. The Organization receives cash contributions and donated supplies from businesses and individuals throughout the community. The Organization is governed by a board of directors.

*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.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Accordingly, actual events and results could differ from these assumptions and estimates.

*Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Organization considers all cash accounts with original maturities of less than three months to be cash and cash equivalents.

### Fair Value of Financial Instruments

The Organization's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, accounts payable, accrued expenses and a note payable. The Organization estimates that the fair value of all financial instruments at December 31, 2014 and 2013 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

### Inventory

Inventory consists of completed layettes and keepsakes, fabrics and supplies purchased by or donated to the Organization by individuals and businesses to make the layettes and keepsakes. Inventory is valued at the lower of cost or market if purchased, and at estimated fair value if donated. Also, inventory includes overhead costs, which consist of depreciation, utilities, and insurance on the Organization's building. Overhead costs allocated to inventory during 2014 and 2013 total \$21,054 and \$16,005, respectively.

### Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed over the estimated useful life of the assets, generally ranging between 5 and 30 years, using the straight-line method. The Organization capitalizes assets with useful lives greater than one year and a value of more than \$250.

### Revenue Recognition

All contributions are considered available for the Organization's program unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net

assets. During 2014 and 2013, the Organization did not receive contributions with donor restrictions. All contributions to the Organization are from private sources.

#### *In-Kind Donations and Contributed Services*

Many volunteers have donated time and services to advance the Organization's programs and objectives. Time and services include the sewing, packaging, and delivery of the layettes and keepsakes by volunteers to various hospitals. The values of these services have not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles. Other non-cash donations received and recognized as revenue during 2014 and 2013 in accordance with accounting principles generally accepted in the United States of America are discussed further in Note 6.

#### *Functional Expenses*

Expenses are grouped according to the purpose for which costs were incurred. The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses.

#### *Income Taxes*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"), except on net income derived from unrelated business activity. For the years ended December 31, 2014 and 2013, the Organization has no income tax due on unrelated business income.

The Organization has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*, and has evaluated its uncertain tax positions and has not identified any material uncertain tax positions that would not be sustained in a federal or state income tax examination or that require disclosure. Accordingly, no provision for uncertainties in income taxes has been made in the accompanying financial statements. The Company is no longer subject to examination by tax authorities for years prior to 2011.

Reclassifications

Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year's format. Net assets and increase in net assets are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated subsequent events through October 9, 2015, the date the financial statements were available to be issued, and determined there were no other items to disclose.

2. CONCENTRATION OF CREDIT RISK

The cash balances of the Organization are held in various financial institutions. If cash balances exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation ("FDIC"), the excess balances could be at risk of loss. As of December 31, 2014, there was no cash at risk of loss.

3. INVENTORY

The following is a summary of inventory by major classification at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Fabrics and supplies	\$ 86,969	\$ 67,317
Completed inventory	<u>52,820</u>	<u>73,104</u>
Total	<u>\$ 139,789</u>	<u>\$ 140,421</u>

#### 4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment by major classification at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Building	\$ 240,000	\$ 240,000
Improvements	62,552	48,060
Land	60,000	60,000
Equipment	-	7,500
Sewing equipment	17,819	18,409
Furniture	29,997	20,663
Decorations	5,286	5,286
Display units	1,734	1,734
Accuquilt	1,435	1,435
Die boards	1,005	1,005
Total	<u>419,828</u>	<u>404,092</u>
Less: accumulated depreciation	<u>(70,260)</u>	<u>(51,232)</u>
Property and equipment, net	<u><u>\$ 349,568</u></u>	<u><u>\$ 352,860</u></u>

Depreciation expense for the years ended December 31, 2014 and 2013, totals \$19,618 and \$15,906, respectively. Depreciation expense allocated to inventory and cost of layettes for the year ended December 31, 2014 and 2013, totals \$17,354 and \$9,990, respectively.

#### 5. NOTE PAYABLE

The Organization maintains a note payable to Citizens 1st Bank with a maximum credit facility of \$155,250. The note bears interest at a fixed rate of 5.01 percent and is payable in monthly installments of \$1,196 with an anticipated balloon payment of \$99,110 on January 16, 2020. The note is secured by the Organization's land and building. At December 31, 2014 and 2013, the balance outstanding totals \$124,968 and \$132,842, respectively.

Future maturities of the note payable are as follows:

2015	\$	8,278
2016		8,703
2017		9,149
2018		9,618
2019		10,111
Thereafter		79,109
		<hr/>
Total	\$	<u>124,968</u>

#### 6. IN-KIND DONATIONS

The following is a summary of non-cash donations of materials, services and equipment received during the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Professional services	\$ 898	\$ 1,590
Program supplies	1,527	2,624
Equipment	-	7,500
	<hr/>	<hr/>
Total	<u>\$ 2,425</u>	<u>\$ 11,714</u>

#### 7. RELATED PARTIES TRANSACTIONS

From the onset of the Organization, the majority of the contributions received were from the Executive Director of the Organization and other board members.

During 2014 and 2013, some expenses incurred were paid for by related parties of the Organization, which were subsequently reimbursed. At December 31, 2014 and 2013, the amount due to related parties totaled \$1,191 and \$2,111, respectively.