

THE RED DEVILS, INC.

Financial Statements

December 31, 2012 and 2011

Leo J. Knighton
Certified Public Accountant

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Independent Auditor's Report

The Board of Trustees of
The Red Devils, Inc.:

I have audited the accompanying financial statements of The Red Devils, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities, functional expenses 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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, I express no such opinion. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Red Devils, Inc. as of December 31, 2012 and 2011, 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.

L. J. Knighton

July 17, 2013

THE RED DEVILS, INC.

Statements of Financial Position

December 31, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$201,672	190,732
Contributions receivable	600	10,412
Prepaid expenses	<u>1,842</u>	<u>12,710</u>
Total current assets	204,114	213,854
Noncurrent asset:		
Other asset - security deposit	<u>1,266</u>	<u>1,266</u>
Total assets	<u>\$205,380</u>	<u>215,120</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	\$ 14,705	14,590
Accrued rent (note 3)	<u>2,983</u>	<u>3,020</u>
Total current liabilities and total liabilities	<u>17,688</u>	<u>17,610</u>
Commitment (note 3)		
Net assets:		
Unrestricted net assets:		
Designated by Board of Directors for expansion	36,022	38,455
Other	<u>150,670</u>	<u>150,670</u>
Total unrestricted net assets	186,692	189,125
Temporarily restricted net assets (note 4)	<u>1,000</u>	<u>8,385</u>
Total net assets	<u>187,692</u>	<u>197,510</u>
Total liabilities and net assets	<u>\$205,380</u>	<u>215,120</u>

See accompanying notes to the financial statements.

THE RED DEVILS, INC.

Statements of Activities

Years ended December 31, 2012 and 2011

	2012		2011	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Changes in net assets:				
Public support and revenues:				
Annual fund raising events:				
Revenues	\$220,789	-	216,710	-
Donor benefit costs	<u>36,555</u>	<u>-</u>	<u>26,517</u>	<u>-</u>
Net revenues from annual fund raising events	184,234	-	190,193	-
Grants (note 5)	133,850	1,000	157,000	11,000
Contributions	73,451	-	62,539	-
Interest	509	-	888	-
Net assets released from restriction - satisfaction of restrictions	<u>8,385</u>	<u>(8,385)</u>	<u>2,615</u>	<u>(2,615)</u>
Total public support and revenues	<u>400,429</u>	<u>(7,385)</u>	<u>413,235</u>	<u>8,385</u>
Expenses:				
Program services	264,648	-	287,831	-
Administrative	68,181	-	64,914	-
Fund raising	<u>70,033</u>	<u>-</u>	<u>88,280</u>	<u>-</u>
Total expenses	<u>402,862</u>	<u>-</u>	<u>441,025</u>	<u>-</u>
Increase (decreases) in net assets	(2,433)	(7,385)	(27,790)	8,385
Net assets:				
Beginning of year	<u>189,125</u>	<u>8,385</u>	<u>216,915</u>	<u>-</u>
End of year	<u>\$186,692</u>	<u>1,000</u>	<u>189,125</u>	<u>8,385</u>
				<u>197,510</u>

See accompanying notes to the financial statements.

THE RED DEVILS, INC.

Statements of Functional Expenses

Years ended December 31, 2012 and 2011

	2012			2011			
	Program Services	Admini- strative	Fund Raising	Program Services	Admini- strative	Fund Raising	Total
Assistance to individuals:							
Transportation	\$ 46,997	-	-	51,379	-	-	51,379
Critical needs	35,648	-	-	52,398	-	-	52,398
Meals	28,253	-	-	30,337	-	-	30,337
Housecleaning	27,299	-	-	33,848	-	-	33,848
Prescription co-payments	18,652	-	-	20,436	-	-	20,436
Complimentary	8,468	-	-	10,676	-	-	10,676
Homecare and other	2,356	-	-	1,663	-	-	1,663
Total assistance to individuals	167,673	-	-	200,737	-	-	200,737
Compensation	64,377	30,543	37,975	56,852	31,720	49,533	138,105
Payroll taxes and benefits	5,942	3,204	4,272	5,218	3,577	5,961	14,756
Occupancy (note 3)	10,665	2,461	3,282	9,962	2,491	4,151	16,604
Publicity	7,682	7,682	-	6,750	6,750	-	13,500
Printing	389	-	14,025	2,900	-	8,555	11,455
Professional fees	-	13,797	-	-	8,505	-	8,505
Office supplies and computer software	3,003	3,953	2,783	1,021	4,452	8,519	13,992
Insurance	2,209	2,209	-	1,788	1,788	-	3,576
Postage	838	838	1,675	705	705	1,411	2,821
Telephone	1,470	339	452	1,898	475	791	3,164
Travel and sundry	400	293	693	-	1,292	1,293	2,585
Other	-	2,862	4,876	-	3,159	8,066	11,225
Total expenses	\$264,648	68,181	70,033	287,831	64,914	88,280	441,025

See accompanying notes to the financial statements.

THE RED DEVILS, INC.

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Decreases in net assets	\$ (9,818)	(19,405)
Adjustments to reconcile decreases in net assets to net cash provided by (used in) operating activities:		
(Increase) decreases in:		
Contributions receivable	9,812	(6,322)
Prepaid expenses	10,868	1,501
Increases (decreases) in:		
Accounts payable	115	(5,182)
Accrued rent	<u>(37)</u>	<u>419</u>
Net cash provided by (used in) operating activities	<u>10,940</u>	<u>(28,989)</u>
Net increase (decrease) in cash	10,940	(28,989)
Cash:		
Beginning of the year	<u>190,732</u>	<u>219,721</u>
End of the year	<u>\$201,672</u>	<u>190,732</u>

See accompanying notes to the financial statements.

THE RED DEVILS, INC.

Notes to the Financial Statements

December 31, 2012 and 2011

(1) Organization

The Red Devils, Inc. (TRD) is a Maryland charitable organization organized to fund certain services to improve the quality of life for breast cancer patients and their families. The supported services include transportation assistance, preparation of family meals, house cleaning and other beneficial services.

Patients are eligible for services if they live and seek treatment in Maryland and are referred by participating hospitals and centers. Recipients of services are generally identified by social workers and support staff at these facilities.

For income tax reporting purposes, TRD is exempt from certain Federal and state income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC) except for certain unrelated business activities. TRD has currently been classified as an organization that is not a private foundation within the meaning of Section 509(a) of the IRC.

TRD is dependent on contributions and fund raising events to support its program activities.

(2) Summary of significant accounting policies

Basis of accounting - The financial statements of TRD have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Pursuant to the Accounting for *Contributions Received and Contributions Made and Financial Statements of Not-for-Profit Organizations* Topics of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), TRD presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Such classifications are determined upon grantor and donor-imposed restrictions.

Unrestricted net assets include net assets that are not subject to externally imposed restrictions; temporarily restricted net assets are subject to externally imposed restrictions that may or will be either satisfied by actions of the organization or the passage of time; and, permanently restricted net assets, are subject to externally imposed restrictions which are permanent in nature.

THE RED DEVILS, INC.

Notes to the Financial Statements

(2) Summary of significant accounting policies (continued)

Fair value of financial instruments - The estimated fair values of TRD's financial instruments principally consist of accounts receivable and accounts payable and are considered by management to approximate their fair value for financial reporting purposes due to either their respective short-term nature or that such amounts are periodically adjusted to fair value.

Office equipment - Office equipment acquired with a useful life estimated beyond one year and a value of \$5,000 and above are to be capitalized and recorded at cost, if purchased, or at fair value, if contributed. Routine acquisitions and maintenance and repairs are charged to expense as incurred.

Public support and revenues - Public support and revenues are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of any donor imposed restrictions. Upon the expiration or satisfaction of a restriction, temporarily restricted net assets are reclassified to unrestricted net assets.

Public support and revenues which are restricted are to be reported as an increase in unrestricted net assets if the expiration or satisfaction of the restriction occurs in the same financial reporting period in which the public support and revenues are recognized. All other donor restricted funds are to be reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction.

Contributed services and materials - Certain volunteers have donated time to the organization's program and supporting services which there is no method to objectively measure their fair value. No amounts have been reflected in the financial statements for these contributed services.

Expense allocation - The costs of providing program and supporting activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been classified among the program and supporting services benefitted.

THE RED DEVILS, INC.

Notes to the Financial Statements

(2) Summary of significant accounting policies (continued)

Use of estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make periodic estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the amounts estimated and reported upon.

(3) Lease commitment

TRD is obligated pursuant to a noncancellable operating lease for an office facility. The terms of the lease provide for a month rent free period, require monthly payments of \$1,266 beginning January 1, 2011 adjusted annually up to \$1,424 through for the year beginning January 1, 2015, and also require payment of certain utility and ancillary costs.

As of December 31, 2012, the following is a schedule of the future minimum rental commitments for years ending December 31 of each year:

2013	\$16,112
2014	16,596
2015	<u>17,094</u>
Total outstanding commitment	<u>\$49,802</u>

In connection with this lease commitment, rent expense (excluding utilities) for the years ended December 31, 2012 and 2011 amounted to \$15,606 and \$15,606, respectively. As of December 31, 2012 and 2011, TRD also had accrued rent liability of \$2,983 and \$3,020, respectively.

THE RED DEVILS, INC.

Notes to the Financial Statements

(4) Temporarily restricted assets

As of December 31, 2012 and 2011, temporarily restricted net assets consisted of the following commitments:

	<u>2012</u>	<u>2011</u>
Supporting families living with breast cancer:		
- residing within Frederick County, Maryland	\$ 1,000	1,000
- residing within the Mid-Shore counties of the Eastern Shore of Maryland	<u>-</u>	<u>7,385</u>
	<u>\$ 1,000</u>	<u>8,385</u>

As of December 31, 2012 and 2011, there were no permanently restricted net assets.

(5) Concentrations

TRD has significant grants comprising its grant revenues. Grant revenues for the years ended December 31, 2012 and 2011 from grantors consisted of the following:

Susan G. Komen for the Cure:		
Maryland affiliate	\$ 95,000	85,000
National organization	-	50,000
One foundation	30,000	-
Other grants	<u>9,850</u>	<u>33,000</u>
Total grants	<u>\$134,850</u>	<u>168,000</u>

(6) Income tax

Management has evaluated the organization's tax position relative to FASB ASC 740, *Income Taxes* (which include FASB Interpretation No. 48 (FIN 48) - *Accounting for Uncertainties in Income Tax*) and concluded that TRD has maintained its tax exempt status and has taken no uncertain income tax positions. Accordingly, no provision for income tax has been included in the financial statements.

With few exceptions, TRD is not subject to income tax examination for years prior to 2009.

THE RED DEVILS, INC.

Notes to the Financial Statements

(7) Evaluation of subsequent events

The management of TRD has evaluated subsequent event activity through July 17, 2013, the date which the financial statements were available to be issued.