

THE RED DEVILS, INC.

Financial Statements

December 31, 2013 and 2012

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, 2013 and 2012 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, 2013 and 2012, 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.

Leo J. Knighton

July 3, 2014

THE RED DEVILS, INC.

Statements of Financial Position

December 31, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash	\$211,721	201,672
Grant receivable	42,497	-
Contributions receivable	5,000	600
Prepaid expenses	<u>18,485</u>	<u>1,842</u>
Total current assets	277,703	204,114
Noncurrent asset:		
Other asset - security deposit	<u>1,266</u>	<u>1,266</u>
Total assets	<u>\$278,969</u>	<u>205,380</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	\$ 13,263	14,705
Accrued rent (note 3)	<u>2,477</u>	<u>2,983</u>
Total current liabilities and total liabilities	<u>15,740</u>	<u>17,688</u>
Commitment (note 3)		
Net assets:		
Unrestricted net assets:		
Designated by Board of Directors for expansion	28,783	36,022
Other	<u>188,070</u>	<u>150,670</u>
Total unrestricted net assets	216,853	186,692
Temporarily restricted net assets (note 4)	<u>46,376</u>	<u>1,000</u>
Total net assets	<u>263,229</u>	<u>187,692</u>
Total liabilities and net assets	<u>\$278,969</u>	<u>205,380</u>

See accompanying notes to the financial statements.

THE RED DEVILS, INC.

Statements of Activities

Years ended December 31, 2013 and 2012

	2013		2012	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Changes in net assets:				
Public support and revenues:				
Annual fund raising events:				
Revenues	\$260,130	-	260,130	-
Donor benefit costs	<u>42,224</u>	-	<u>42,224</u>	-
Net revenues from annual fund raising events	217,906	-	217,906	-
Grants (note 5)	132,133	51,000	183,133	1,000
Contributions	85,965	105,485	191,450	-
Interest	491	-	491	-
Net assets released from restriction - satisfaction of restrictions	<u>111,109</u>	<u>(111,109)</u>	-	<u>(8,385)</u>
Total public support and revenues	<u>547,604</u>	<u>45,376</u>	<u>592,980</u>	<u>(7,385)</u>
Expenses:				
Program services	364,522	-	364,522	-
Administrative	66,543	-	66,543	-
Fund raising	<u>86,378</u>	-	<u>86,378</u>	-
Total expenses	<u>517,443</u>	-	<u>517,443</u>	-
Increases (decreases) in net assets	30,161	45,376	75,537	(7,385)
Net assets:				
Beginning of year	<u>186,692</u>	<u>1,000</u>	<u>187,692</u>	<u>8,385</u>
End of year	<u>\$216,853</u>	<u>46,376</u>	<u>263,229</u>	<u>1,000</u>
			<u>186,692</u>	<u>187,692</u>
			<u>402,862</u>	<u>402,862</u>
			<u>(2,433)</u>	<u>(9,818)</u>
			<u>189,125</u>	<u>197,510</u>
			<u>400,429</u>	<u>393,044</u>
			<u>264,648</u>	<u>264,648</u>
			<u>68,181</u>	<u>68,181</u>
			<u>70,033</u>	<u>70,033</u>
			<u>184,234</u>	<u>184,234</u>
			<u>133,850</u>	<u>134,850</u>
			<u>73,451</u>	<u>73,451</u>
			<u>509</u>	<u>509</u>
			<u>8,385</u>	<u>-</u>
			<u>402,862</u>	<u>402,862</u>
			<u>(2,433)</u>	<u>(9,818)</u>
			<u>189,125</u>	<u>197,510</u>
			<u>186,692</u>	<u>187,692</u>

See accompanying notes to the financial statements.

THE RED DEVILS, INC.

Statements of Functional Expenses

Years ended December 31, 2013 and 2012

	2013			2012			
	Program Services	Admini- strative	Fund Raising	Program Services	Admini- strative	Fund Raising	Total
Assistance to individuals:							
Critical needs	\$ 88,816	-	-	35,648	-	-	35,648
Transportation	40,950	-	-	46,997	-	-	46,997
Meals	36,065	-	-	28,253	-	-	28,253
Prescription co-payments	34,832	-	-	18,652	-	-	18,652
Housecleaning	23,729	-	-	27,299	-	-	27,299
Complimentary	8,424	-	-	8,468	-	-	8,468
Homecare and other	8,195	-	-	2,356	-	-	2,356
Total assistance to individuals	241,011	-	-	167,673	-	-	167,673
Compensation	87,577	29,790	45,923	64,377	30,543	37,975	132,895
Payroll taxes and benefits	8,396	3,637	5,126	5,942	3,204	4,272	13,418
Occupancy (note 3)	10,457	1,412	5,087	10,665	2,461	3,282	16,408
Printing	873	-	14,971	389	-	14,025	14,414
Professional fees	-	12,846	-	-	13,797	-	13,797
Publicity	6,183	6,183	-	7,682	7,682	-	15,364
Office supplies and computer software	2,828	4,820	3,710	3,003	3,953	2,783	9,739
Travel and sundry	3,089	-	3,089	400	293	693	1,386
Insurance	2,116	2,116	-	2,209	2,209	-	4,418
Postage	706	706	1,410	838	838	1,675	3,351
Telephone	1,286	173	626	1,470	339	452	2,261
Other	-	4,860	6,436	-	2,862	4,876	7,738
Total expenses	\$364,522	66,543	86,378	264,648	68,181	70,033	402,862

See accompanying notes to the financial statements.

THE RED DEVILS, INC.

Statements of Cash Flows

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 75,537	(9,818)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
(Increases) decreases in:		
Grant receivable	(42,497)	-
Contributions receivable	(4,400)	9,812
Prepaid expenses	(16,643)	10,868
Increases (decreases) in:		
Accounts payable	(1,442)	115
Accrued rent	<u>(506)</u>	<u>(37)</u>
Net cash provided by operating activities	<u>10,049</u>	<u>10,940</u>
Net increases in cash	10,049	10,940
Cash:		
Beginning of the year	<u>201,672</u>	<u>190,732</u>
End of the year	<u>\$211,721</u>	<u>201,672</u>

See accompanying notes to the financial statements.

THE RED DEVILS, INC.

Notes to the Financial Statements

December 31, 2013 and 2012

(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, 2013, the following is a schedule of the future minimum rental commitments for years ending December 31 of each year:

2014	\$16,596
2015	<u>17,094</u>
Total outstanding commitment	<u>\$33,690</u>

In connection with this lease commitment, rent expense (excluding utilities) for the years ended December 31, 2013 and 2012 amounted to \$15,606 annually. As of December 31, 2013 and 2012, TRD also had accrued rent liability of \$2,477 and \$2,983, respectively.

THE RED DEVILS, INC.

Notes to the Financial Statements

(4) Temporarily restricted assets

As of December 31, 2013 and 2012, temporarily restricted net assets consisted of the following commitments:

	<u>2013</u>	<u>2012</u>
Program activities for 2014	\$ 25,000	-
Community outreach specialist	16,574	-
Caps of Love Fund - cold cap therapy	3,802	-
Supporting families living with breast cancer:		
- residing within Frederick County, Maryland	<u>1,000</u>	<u>1,000</u>
	<u>\$ 46,376</u>	<u>1,000</u>

As of December 31, 2013 and 2012, 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, 2013 and 2012 from grantors consisted of the following:

Susan G Komen for the Cure:		
Maryland affiliate	\$ 84,994	95,000
Foundations:		
A	50,000	-
B	25,000	-
C	-	30,000
Other grants	<u>23,139</u>	<u>9,850</u>
Total grants	<u>\$183,133</u>	<u>134,850</u>

For the year ended December 31, 2013, contributions included one contribution amounting to \$100,000.

(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 2010.

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 3, 2014, the date which the financial statements were available to be issued.