

**SHOES THAT FIT
FINANCIAL STATEMENT
AND
AUDITOR'S REPORT**

December 31, 2010

**SHOES THAT FIT
DECEMBER 31, 2010**

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Board of Directors
Shoes That Fit
Claremont, CA

Independent Auditor's Report

We have audited the accompanying statement of financial position of Shoes That Fit (a nonprofit Organization) as of December 31, 2010 and the related statements of activities, functional expenses and cash flows 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 Shoes That Fit's December 31, 2009 financial statements and in our report dated May 28, 2010, we 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 aforementioned financial statements present fairly, in all material respects, the financial position of Shoes That Fit as of December 31, 2010, 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.

Bowen, McBeth Inc.
Bowen McBeth, Inc.
May 23, 2011

SHOES THAT FIT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010
(With comparative totals for December 31, 2009)

| ASSETS | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 204,429 | \$ 179,941 |
| Investments | 904,273 | 835,180 |
| Inventory | 60,825 | 52,725 |
| Total current assets | <u>1,169,527</u> | <u>1,067,846</u> |
| FIXED ASSETS | | |
| Office equipment | 60,851 | 60,851 |
| Less accumulated depreciation | (55,838) | (51,968) |
| Total fixed assets | <u>5,013</u> | <u>8,883</u> |
| OTHER ASSETS | | |
| Deposits | <u>2,000</u> | <u>2,000</u> |
| TOTAL ASSETS | <u>\$ 1,176,540</u> | <u>\$ 1,078,729</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 8,827 | \$ 4,617 |
| Accrued vacation | 6,035 | 5,447 |
| Total current liabilities | <u>14,862</u> | <u>10,064</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 604,607 | 547,407 |
| Designated endowment | 555,571 | 505,914 |
| Total unrestricted | <u>1,160,178</u> | <u>1,053,321</u> |
| Temporarily restricted | 1,500 | 15,344 |
| Total net assets | <u>1,161,678</u> | <u>1,068,665</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,176,540</u> | <u>\$ 1,078,729</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative totals for year ended December 31, 2009)

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>2010 TOTAL</u> | <u>2009 TOTAL</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| REVENUES AND SUPPORT | | | | |
| Contributions | \$ 547,140 | \$ 1,500 | \$ 548,640 | \$ 512,930 |
| Contributions-emergency clothing | 81,156 | | 81,156 | 164,262 |
| Donated shoes and clothing | 2,721,676 | | 2,721,676 | 2,522,511 |
| Interest and dividends | 29,237 | | 29,237 | 24,975 |
| Unrealized gains on investments | 44,865 | | 44,865 | 5,422 |
| Net assets released from restriction by payment | 15,344 | (15,344) | - | - |
| Total revenues and support | <u>3,439,418</u> | <u>(13,844)</u> | <u>3,425,574</u> | <u>3,230,100</u> |
| EXPENSES | | | | |
| Program services | 3,171,807 | | 3,171,807 | 3,070,656 |
| Management and general | 51,998 | | 51,998 | 50,560 |
| Fundraising | 108,756 | | 108,756 | 89,676 |
| Total expenses | <u>3,332,561</u> | | <u>3,332,561</u> | <u>3,210,892</u> |
| CHANGE IN NET ASSETS | 106,857 | (13,844) | 93,013 | 19,208 |
| NET ASSETS,BEGINNING OF YEAR | <u>1,053,321</u> | <u>15,344</u> | <u>1,068,665</u> | <u>1,049,457</u> |
| NET ASSETS, END OF YEAR | <u>\$ 1,160,178</u> | <u>\$ 1,500</u> | <u>\$ 1,161,678</u> | <u>\$ 1,068,665</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative totals for year ended December 31, 2009)

| | Program Services | Management and general | Fund Raising | 2010 Total | 2009 Total |
|----------------------------------|---------------------|---------------------------|------------------|--------------------|---------------------|
| Distribution of shoes & clothing | \$ 2,713,576 | \$ | \$ | \$2,713,576 | \$ 2,548,068 |
| Salaries and wages | 185,450 | 27,000 | 60,127 | 272,577 | 267,302 |
| Payroll taxes | 15,905 | 2,339 | 5,145 | 23,389 | 22,853 |
| Retirement | 16,132 | 2,673 | 7,919 | 26,724 | 25,962 |
| Professional | 19,296 | 2,838 | 6,243 | 28,377 | 27,683 |
| Credit card charges | | 1,742 | | 1,742 | 1,009 |
| Development | | | 4,093 | 4,093 | 1,581 |
| Emergency clothing | 117,280 | | | 117,280 | 188,011 |
| Insurance | 8,420 | 1,053 | 1,053 | 10,526 | 10,474 |
| Newsletter | 6,891 | | 6,891 | 13,782 | 16,114 |
| Office supplies | 7,060 | 882 | 882 | 8,824 | 8,063 |
| Postage | 5,701 | 712 | 712 | 7,125 | 7,868 |
| Printing | 7,715 | 964 | 964 | 9,643 | 6,170 |
| Publicity | 9,260 | | 2,315 | 11,575 | 4,327 |
| Recognition | 5,507 | | | 5,507 | 4,546 |
| Rent | 20,719 | 2,590 | 2,590 | 25,899 | 25,294 |
| Repairs & maintenance | 4,059 | 507 | 507 | 5,073 | 4,273 |
| Telephone | 5,229 | 653 | 653 | 6,535 | 7,041 |
| Travel & entertainment | 10,024 | 1,432 | 2,864 | 14,320 | 13,293 |
| Depreciation | 3,096 | 387 | 387 | 3,870 | 4,346 |
| Utilities | 2,748 | 344 | 344 | 3,436 | 3,534 |
| Advertising | 222 | | | 222 | 115 |
| Dues | 2,413 | 301 | 301 | 3,015 | 3,399 |
| Contract labor | 5,104 | 638 | 638 | 6,380 | 4,688 |
| Investment fees | | 4,315 | | 4,315 | 4,677 |
| Events | | | 4,128 | 4,128 | |
| Miscellaneous | | 628 | | 628 | 201 |
| Total | \$ 3,171,807 | \$ 51,998 | \$108,756 | \$3,332,561 | \$ 3,210,892 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative totals for year ended December 31, 2009)

| | <u>2010</u> | <u>2009</u> |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 93,013 | \$ 19,208 |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | | |
| Depreciation | 3,870 | 4,346 |
| Decrease (Increase) in inventory | (8,100) | 25,557 |
| Increase in accounts payable | 4,210 | 917 |
| Increase in accrued vacation | 588 | 1,823 |
| Net cash provided by operating activities | <u>93,581</u> | <u>51,851</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in investments | <u>(69,093)</u> | <u>(25,031)</u> |
| Net cash provided (used) by investing activities | <u>(69,093)</u> | <u>(25,031)</u> |
| NET INCREASE IN CASH | 24,488 | 26,820 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>179,941</u> | <u>153,121</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 204,429</u> | <u>\$ 179,941</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Shoes That Fit (the Organization) is a non-profit California corporation. Shoes That Fit provides new shoes to children in need so that they can attend school in comfort and with dignity.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

REVENUE SOURCES

The Organization is primarily funded by public contributions.

DONOR IMPOSED RESTRICTIONS

Contributions are recognized when the donor makes a promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

DONATED ASSETS

Donated assets are recorded at estimated fair market value at the time of donation. The value of donated services is not recognized in the accompanying financial statements because no objective basis is available to measure the value of such services.

PROPERTY AND EQUIPMENT

The Organization capitalizes expenditures over \$1,000 as property and equipment. Furniture, equipment, leasehold improvements, and property are carried at cost or estimated fair market value at date of donation. Depreciation of equipment is computed principally by the straight-line method over the following estimated useful lives:

| | |
|-----------|--------------|
| | <u>Years</u> |
| Equipment | 5-7 |

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2010**

NOTE 1 (continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purpose of the statements of cash flows, the Organization considers all bank accounts and investments available for current use with an initial maturity of three months or less to be cash.

TAX STATUS

The Council is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In management's judgment there are no uncertain tax positions that would require measurement or disclosure.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ADVERTISING EXPENSE

Advertising costs are expensed as they are incurred.

SUBSEQUENT EVENTS

The Organization evaluated events subsequent to December 31, 2010 and through May 23, 2011.

SUMMARIZED 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2010**

NOTE 2 INVESTMENTS

Investments are presented in the financial statements at market value. Investments at December 31, 2010 are as follows:

| | |
|--------------------|-------------------|
| Money Market funds | \$ 57,940 |
| Mutual funds | 266,377 |
| Bond funds | <u>579,956</u> |
| | <u>\$ 904,273</u> |

NOTE 3 OPERATING LEASES

The Organization has entered into an operating lease for the space used for administrative offices in Claremont, California. The lease is for a period of five years beginning May 1, 2008 and ending April 30, 2013. The minimum lease payments are \$24,024 per year.

NOTE 4 DONATED ASSETS AND SERVICES

The Organization receives a significant amount of donated shoes and clothing for distribution to children. The donated items are recorded at estimated fair market as a revenue and related expense on the accompanying financial statements. Volunteers and Board members have also provided numerous volunteer hours collecting and distributing shoes and clothing to children. The accompanying financial statements do not reflect the value of the volunteer hours.

NOTE 5 RETIREMENT PLAN

The Organization has a 403(b)-salary deferral plan whereby employees can contribute up to an amount as allowed under Internal Revenue Service Regulations. The Organization matches employee contributions to a maximum of 10% of their salary. Retirement expense for the year was \$26,724.

NOTE 6 INVENTORY

Inventory is comprised of donated and purchased shoes which will be distributed to children in need of shoes for school. The purchased shoes are recorded at cost. The donated shoes are recorded at estimated fair value.

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2010**

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 are restricted for the purchase of shoes for distribution to children in need of shoes for school.

NOTE 8 DESIGNATED NET ASSETS

The Organization has designated a portion of the net assets as an endowment to provide revenues to fund future operations.

NOTE 9 FAIR VALUE MEASUREMENTS

Investments are reported at fair value. Fair value is defined as the price that the Organization would receive to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable (Level 3 measurements).

Fair values of assets measured at December 31, 2010 are as follows:

| | <u>Fair Value</u> | Quoted Prices In Active Markets for Identical Assets <u>(Level 1)</u> | Other Observable Inputs <u>(Level 2)</u> | Significant Unobservable Inputs <u>(Level 3)</u> |
|--------------------|-------------------|---|---|---|
| Money Market Funds | \$ 57,940 | \$ 57,940 | - | - |
| Mutual Funds | 266,377 | 266,377 | - | - |
| Bond Funds | <u>579,956</u> | <u>579,956</u> | - | - |
| Total | <u>\$ 904,273</u> | <u>\$904,273</u> | <u>\$ -</u> | <u>\$ -</u> |