

**SHOES THAT FIT  
FINANCIAL STATEMENT  
AND  
AUDITOR'S REPORT  
JUNE 30, 2021**

**SHOES THAT FIT  
JUNE 30, 2021**

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**WERNER & COMPANY, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
Shoes That Fit

**Independent Auditor's Report**

We have audited the accompanying financial statements of Shoes That Fit (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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**

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 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 the 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shoes That Fit as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Werner & Company Inc.*  
Werner & Company, Inc.  
August 13, 2021

**SHOES THAT FIT**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**  
(With comparative totals for December 31, 2020)

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 623,575	\$ 920,510
Investments	1,140,343	1,071,075
Inventory	466,830	124,140
Total Current Assets	<u>2,230,748</u>	<u>2,115,725</u>
 <b>FIXED ASSETS</b>		
Office equipment	143,349	142,739
Leasehold improvements	22,532	22,532
Less accumulated depreciation	(64,679)	(54,118)
Total Fixed Assets	<u>101,202</u>	<u>111,153</u>
 <b>OTHER ASSETS</b>		
Deposits	9,170	9,170
<b>TOTAL ASSETS</b>	<u><u>\$ 2,341,120</u></u>	<u><u>\$ 2,236,048</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 21,694	\$ 5,428
Accrued vacation	41,877	46,491
Accrued payroll	29,038	29,161
Total Current Liabilities	<u>92,609</u>	<u>81,080</u>
 <b>LONG TERM DEBT</b>		
Note payable- Paycheck Protection Program	122,557	
Note payable- Small Business Administration	150,000	150,000
Total Long Term Debt	<u>272,557</u>	<u>150,000</u>
<b>TOTAL LIABILITIES</b>	<u>365,166</u>	<u>231,080</u>
 <b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	829,927	709,664
Designated endowment	921,322	854,628
Total Without Donor Restrictions	<u>1,751,249</u>	<u>1,564,292</u>
With Donor Restrictions	224,705	440,676
Total Net Assets	<u>1,975,954</u>	<u>2,004,968</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,341,120</u></u>	<u><u>\$ 2,236,048</u></u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS**

**SHOES THAT FIT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(With comparative totals for year ended December 31, 2020)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>June 30, 2021 Total</b>	<b>December 31, 2020 Total</b>
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 1,670,626	\$ 195,000	\$ 1,865,626	\$ 1,735,023
Contributions-emergency clothing	37,959		37,959	28,988
Donated shoes and clothing	4,002,801		4,002,801	2,359,012
Other income				6,405
Net assets released from restriction by payment	1,107	(1,107)	-	
<b>Total Revenues and Support</b>	<u>5,712,493</u>	<u>193,893</u>	<u>5,906,386</u>	<u>4,129,428</u>
<b>EXPENSES</b>				
Program services	5,152,342		5,152,342	3,689,441
Management and general	153,987		153,987	125,619
Fundraising	252,891		252,891	236,304
<b>Total Expenses</b>	<u>5,559,220</u>		<u>5,559,220</u>	<u>4,051,364</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>153,273</u>	<u>193,893</u>	<u>347,166</u>	<u>78,064</u>
<b>OTHER CHANGES</b>				
Paycheck Protection Program forgiven	122,600		122,600	122,600
Interest and dividends	20,929		20,929	21,272
Unrealized gains on investments	167,172	6,735	173,907	81,741
<b>Total Other Changes</b>	<u>310,701</u>	<u>6,735</u>	<u>317,436</u>	<u>225,613</u>
<b>CHANGE IN NET ASSETS</b>	463,974	200,628	664,602	303,677
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,287,275</u>	<u>24,077</u>	<u>1,311,352</u>	<u>1,701,291</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,751,249</u>	<u>\$ 224,705</u>	<u>\$ 1,975,954</u>	<u>\$ 2,004,968</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**SHOES THAT FIT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(With comparative totals for year ended December 31, 2020)**

	Program Services	Management & General	Fund Raising	June 30, 2021 Total	December 31, 2020 Total
Distribution of shoes & clothing	\$ 3,680,391	\$	\$	\$ 3,680,391	\$ 2,379,292
Salaries and wages	455,877	98,380	174,014	728,271	722,007
Payroll taxes	33,131	7,145	12,649	52,925	51,024
Retirement	36,957	7,970	14,110	59,037	53,615
Employee benefits	12,002	2,588	4,582	19,172	14,874
Professional	23,251	1,368	2,735	27,354	29,572
Bank and investment fees		10,074		10,074	11,186
Credit card charges		15,507		15,507	15,833
Professional Development	3,805			3,805	2,125
Emergency shoes	612,619			612,619	421,201
Insurance	12,111	712	1,425	14,248	9,420
Newsletter	17,335		17,334	34,669	35,022
Office supplies & equipment	3,132	184	369	3,685	4,669
Postage	4,892	288	576	5,756	7,512
Printing	4,201	247	494	4,942	7,757
Advertising	544			544	493
Publicity	63,229			63,229	67,250
Recognition	1,094			1,094	1,786
Rent	110,622	6,507	13,014	130,143	120,583
Repairs & maintenance	6,808	400	801	8,009	7,490
Telephone	4,057	239	477	4,773	4,085
Utilities	2,596	153	306	3,055	2,521
Travel & entertainment	2,054	120	241	2,415	11,082
Depreciation	17,709	1,042	2,083	20,834	20,546
Dues	18,071	1,063	2,126	21,260	33,358
Contract labor	5,556		5,555	11,111	4,774
Licenses	14,470			14,470	11,527
Events					760
Special projects	5,828			5,828	
<b>Total</b>	<b>\$ 5,152,342</b>	<b>\$ 153,987</b>	<b>\$ 252,891</b>	<b>\$ 5,559,220</b>	<b>\$ 4,051,364</b>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS**

**SHOES THAT FIT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(With comparative totals for year ended December 31, 2020)**

	June 30, 2021	December 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 664,602	\$ 303,677
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	20,834	20,546
(Increase) decrease in inventory	(322,410)	20,280
Increase in accounts payable	2,387	(68,930)
Increase (decrease) in accrued vacation	(1,500)	11,771
Increase in accrued payroll	322	3,795
Paycheck Protection Program loan forgiven	(122,600)	(122,600)
Net Cash provided by operating activities	241,635	168,539
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment and leasehold improvements	(610)	(21,525)
(Increase) decrease in investments	(201,332)	(135,097)
Net Cash provided (used) by investing activities	(201,942)	(156,622)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	122,557	122,600
Proceeds from Small Business Administration loan	150,000	150,000
Net Cash provided by financing activities	272,557	272,600
<b>NET INCREASE IN CASH</b>	312,250	284,517
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	311,325	635,993
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 623,575	\$ 920,510

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS**

**SHOES THAT FIT**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2021**

**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.

**FINANCIAL STATEMENT PRESENTATION**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets, revenues and support are classified based on the existence or absence of donor imposed or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

**FIXED ASSETS**

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 is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Equipment	5-7
Leasehold Improvements	7

**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.



**SHOES THAT FIT**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2021**

**NOTE 1**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 Organization 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. Generally accepted accounting principles provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the organization in its federal and state tax returns are more likely than not to be sustained upon examination. The Organization's tax returns are subject to examination by federal taxing authorities for a period of three years from the date they are filed and for a period of four years for California taxing authorities.

**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. Expenses for salaries, payroll taxes and employee benefits are allocated based on estimates of time and effort. Expenses for other operating expenses are allocated based on usage of space.

**CHANGE IN FISCAL YEAR**

In 2021 the Organization changed to a fiscal year ending June 30, 2021. In prior years the Organization used the calendar year ending December 31. The accompanying financial statements represent the activity for the period July 1, 2020 to June 30, 2021. The change was made to correspond to the natural business cycle as the Organization programs are related to the traditional school year.

**SUMMARIZED PRIOR YEAR INFORMATION**

The financial statements include certain prior year summarized comparative information in total, but not by net assets 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, 2020, from which the summarized information was derived.

**SHOES THAT FIT**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2021**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ADVERTISING EXPENSE**

Advertising costs are expenses as they are incurred.

**SUBSEQUENT EVENTS**

The Organization evaluated events subsequent to June 30, 2021 and through August 13, 2021, the date the financial statements were available to be issued.

**NOTE 2      INVESTMENTS**

Investments are presented in the financial statements at market value. Investments at June 30, 2021 are as follows:

Money Market funds	\$ 19,584
Mutual funds	394,865
Exchange Traded Funds	<u>725,894</u>
Total	<u>\$1,140,343</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 March 1, 2017 and ending February 28, 2022. The Organization leased additional office space in 2019 under an operating lease beginning September 1, 2019 and ending December 31, 2026. Rent expense for the year was \$130,143. Minimum lease payments for years ending June 30 are as follows:

2022	\$ 86,971
2023	81,776
2024	84,229
2025	86,756
2026	89,359

**NOTE 4      DONATED ASSETS AND SERVICES**

The Organization receives a significant number 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 \$59,037.

**SHOES THAT FIT  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2021**

**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.

**NOTE 7 DESIGNATED NET ASSETS**

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

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the purchase of shoes. Donor restrictions include temporary restrictions and an endowment fund to be maintained in perpetuity. The temporary restricted net assets are anticipated to be expended within the following year.

Net assets with donor restrictions at June 30, 2021 are as follows:

Temporary restricted	\$ 180,000
Endowment fund	<u>44,705</u>
Total	<u>\$ 224,705</u>

**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 June 30, 2021 are as follows:

	Fair Value	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 19,584	\$ 19,584	-	-
Mutual Funds	394,865	394,865		
Exchange Traded Funds	<u>725,894</u>	<u>725,894</u>	-	-
Total	<u>\$1,140,343</u>	<u>\$ 1,140,343</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 10 CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2021 the Organization's uninsured cash balances total \$367,757.

**SHOES THAT FIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of June 30, 2020 and the amounts of those financial assets that are available for use within one year to meet general expenditures:

Cash and cash equivalents	\$ 623,575
Investments	<u>174,316</u>
Total Financial Assets	<u>\$ 797,891</u>

The financial assets as of June 30, 2021 meets the needs of the Organization for normal operating expenses which historically average \$156,000 per month.

**NOTE 12 PAYCHECK PROTECTION PROGRAM LOAN**

In 2021 the Organization received a loan in the amount of \$122,557 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses and Organizations for amounts up to 2.5 times the average monthly payroll of the qualifying business or Organization. The loans and interest are forgivable as long as the business or Organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. In 2020 the Organization also received a PPP loan in the amount of \$122,600. The Organization applied for and received forgiveness of the \$122,600 loan. The forgiven loan is reported as other revenue in the statement of activities for the year ended June 30, 2021. The Organization plans to use the second PPP loan for qualifying expenses and will apply for forgiveness of the loan in the subsequent year.

**NOTE 13 NOTE PAYABLE- SMALL BUSINESS ADMINISTRATION**

In 2020 the Organization received a loan from the U.S. Small Business Administration for \$150,000. The loan is dated June 26, 2020 and matures on June 26, 2050. Monthly payment of interest and principal of \$641 begin June 26, 2022. The annual interest rate on the loan is 2.75%. the Organization is required to use the proceeds of the loan solely as working capital to alleviate economic injury caused by disaster which began in 2020. Maturities of the loan are as follows:

Year ending June 30,		
	2022	\$ 0
	2023	0
	2024	1,491
	2025	3,648
	2026-2030	19,564
	2031-2035	27,264
	2036-2040	20,804
	Thereafter	<u>77,229</u>
	Total	<u>\$150,000</u>