

**SHOES THAT FIT
FINANCIAL STATEMENT
AND
AUDITOR'S REPORT
JUNE 30, 2022**

**SHOES THAT FIT
JUNE 30, 2022**

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WERNER & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Shoes That Fit

Independent Auditor's Report

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted for audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards , we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Werner & Company Inc.
Werner & Company, Inc.
August 25, 2022

SHOES THAT FIT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(With comparative totals for June 30, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 861,739	\$ 623,575
Investments	1,044,671	1,140,343
Inventory	1,054,640	466,830
Total Current Assets	2,961,050	2,230,748
 FIXED ASSETS		
Office equipment	173,121	143,349
Leasehold improvements	22,532	22,532
Less accumulated depreciation	(88,470)	(64,679)
Total Fixed Assets	107,183	101,202
 OTHER ASSETS		
Deposits	11,922	9,170
TOTAL ASSETS	\$ 3,080,155	\$ 2,341,120
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 25,480	\$ 21,694
Accrued vacation	41,259	41,877
Accrued payroll	46,050	29,038
Total Current Liabilities	112,789	92,609
 LONG TERM DEBT		
Note payable- Paycheck Protection Program		122,557
Note payable- Small Business Administration	150,000	150,000
Total Long Term Debt	150,000	272,557
TOTAL LIABILITIES	262,789	365,166
 NET ASSETS		
Without Donor Restrictions		
Undesignated	1,339,307	829,927
Designated endowment	801,223	921,322
Total Without Donor Restrictions	2,140,530	1,751,249
With Donor Restrictions	676,836	224,705
Total Net Assets	2,817,366	1,975,954
TOTAL LIABILITIES AND NET ASSETS	\$ 3,080,155	\$ 2,341,120

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUES AND SUPPORT				
Contributions	\$ 3,127,559	\$ 645,000	\$ 3,772,559	\$ 1,865,626
Contributions-emergency clothing	52,734		52,734	37,959
Donated shoes and clothing	7,155,042		7,155,042	4,002,801
Net assets released from restriction by payment	180,000	(180,000)	-	
Total Revenues and Support	10,515,335	465,000	10,980,335	5,906,386
EXPENSES				
Program services	9,540,435		9,540,435	5,152,342
Management and general	237,641		237,641	153,987
Fundraising	325,353		325,353	252,891
Total Expenses	10,103,429		10,103,429	5,559,220
CHANGE IN NET ASSETS FROM OPERATIONS	411,906	465,000	876,906	347,166
OTHER CHANGES				
Paycheck Protection Program forgiven	122,557		122,557	122,600
Interest and dividends	28,676		28,676	20,929
Unrealized gains on investments	(173,858)	(12,869)	(186,727)	173,907
Total Other Changes	(22,625)	(12,869)	(35,494)	317,436
CHANGE IN NET ASSETS	389,281	452,131	841,412	664,602
NET ASSETS, BEGINNING OF YEAR	1,751,249	224,705	1,975,954	1,311,352
NET ASSETS, END OF YEAR	\$ 2,140,530	\$ 676,836	\$ 2,817,366	\$ 1,975,954

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for year ended June 30, 2021)

	Program Services	Management & General	Fund Raising	2022 Total	2021 Total
Distribution of shoes & clothing	\$ 6,567,232	\$	\$	\$ 6,567,232	\$ 3,680,391
Salaries and wages	583,883	171,385	218,493	973,761	728,271
Payroll taxes	42,883	12,865	15,723	71,471	52,925
Retirement	31,025	9,307	11,376	51,708	59,037
Employee benefits	14,542	4,363	5,332	24,237	19,172
Professional	54,855	3,227	6,454	64,536	27,354
Bank and investment fees		9,606		9,606	10,074
Credit card charges		12,143		12,143	15,507
Professional Development	1,945			1,945	3,805
Emergency shoes	1,794,769			1,794,769	612,619
Insurance	13,474	793	1,585	15,852	14,248
Newsletter	20,534		20,533	41,067	34,669
Office supplies & equipment	9,137	537	1,074	10,748	3,685
Postage	8,745	515	1,029	10,289	5,756
Printing	8,014	471	943	9,428	4,942
Advertising	10,519			10,519	544
Publicity	62,938			62,938	63,229
Recognition	2,886			2,886	1,094
Rent	118,746	6,985	13,970	139,701	130,143
Repairs & maintenance	7,303	430	859	8,592	8,009
Telephone	3,342	196	393	3,931	4,773
Utilities	3,422	202	403	4,027	3,055
Travel & entertainment	33,182	1,952	3,904	39,038	2,415
Depreciation	20,222	1,190	2,379	23,791	20,834
Dues	25,061	1,474	2,948	29,483	21,260
Contract labor	17,954		17,955	35,909	11,111
Licenses	6,323			6,323	14,470
Special projects	77,499			77,499	5,828
Total	\$ 9,540,435	\$ 237,641	\$ 325,353	\$10,103,429	\$ 5,559,220

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for year ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 841,412	\$ 664,602
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	23,791	20,834
(Increase) decrease in inventory	(587,810)	(322,410)
(Increase) in deposits	(2,752)	
Increase in accounts payable	3,786	2,387
Increase (decrease) in accrued vacation	(618)	(1,500)
Increase in accrued payroll	17,012	322
Paycheck Protection Program loan forgiven	(122,557)	(122,600)
Net Cash provided by operating activities	172,264	241,635
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(29,772)	(610)
(Increase) decrease in investments	95,672	(201,332)
Net Cash provided (used) by investing activities	65,900	(201,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan		122,557
Proceeds from Small Business Administration loan		150,000
Net Cash provided by financing activities	-	272,557
NET INCREASE IN CASH	238,164	312,250
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	623,575	311,325
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 861,739	\$ 623,575

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

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, 2022

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.

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 June 30, 2021, from which the summarized information was derived.

ADVERTISING EXPENSE

Advertising costs are expenses as they are incurred.

SUBSEQUENT EVENTS

The Organization evaluated events subsequent to June 30, 2022 and through August 25, 2022, the date the financial statements were available to be issued.

SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

NOTE 2 INVESTMENTS

Investments are presented in the financial statements at market value. Investments at June 30, 2022 are as follows:

Money Market funds	\$ 21,416
Mutual funds	364,938
Exchange Traded Funds	<u>658,317</u>
Total	<u>\$1,044,671</u>

NOTE 3 OPERATING LEASES

The Organization has entered into operating leases for the space used for administrative offices in Claremont, California. The Organization leased office space under a lease beginning March 1, 2022 and ending February 28, 2025. 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 \$139,701. Minimum lease payments for years ending June 30 are as follows:

2023	\$ 151,755
2024	156,305
2025	135,759
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 \$51,708.

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 STATEMENTS
JUNE 30, 2022

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, 2022 are as follows:

Temporary restricted	\$ 600,000
Endowment fund	<u>76,836</u>
Total	<u>\$ 676,836</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, 2022 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	\$ 21,416	\$ 21,416	-	-
Mutual Funds	364,938	364,938		
Exchange Traded Funds	<u>658,317</u>	<u>658,317</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,044,671</u>	<u>\$ 1,044,671</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, 2022 the Organization's uninsured cash balances total \$588,855.

SHOES THAT FIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of June 30, 2022 and the amounts of those financial assets that are available for use within one year to meet general expenditures:

Cash and cash equivalents	\$ 861,739
Investments	<u>166,612</u>
Total Financial Assets	<u>\$ 1,028,351</u>

The financial assets as of June 30, 2022 meets the needs of the Organization for normal operating expenses which historically average \$295,000 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. . The Organization applied for and received forgiveness of the \$122,557 loan. The forgiven loan is reported as other revenue in the statement of activities for the year ended June 30, 2022.

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,		
	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	\$150,000