

**SHOES THAT FIT
FINANCIAL STATEMENT
AND
AUDITOR'S REPORT
DECEMBER 31, 2019**

**SHOES THAT FIT
DECEMBER 31, 2019**

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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 December 31, 2019, 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 December 31, 2019, 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.
March 26, 2020

SHOES THAT FIT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(With comparative totals for December 31, 2018)

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 635,993	\$ 447,895
Investments	935,978	804,855
Inventory	144,420	177,330
Total Current Assets	<u>1,716,391</u>	<u>1,430,080</u>
FIXED ASSETS		
Office equipment	123,098	84,956
Leasehold improvements	20,648	-
Less accumulated depreciation	(33,572)	(84,956)
Total Fixed Assets	<u>110,174</u>	<u>-</u>
OTHER ASSETS		
Deposits	<u>9,170</u>	<u>2,550</u>
TOTAL ASSETS	<u>\$ 1,835,735</u>	<u>\$ 1,432,630</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 74,358	\$ 9,577
Accrued vacation	34,720	34,959
Accrued payroll	25,366	23,493
Total Current Liabilities	<u>134,444</u>	<u>68,029</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	712,824	647,700
Designated endowment	768,467	644,901
Total Without Donor Restrictions	<u>1,481,291</u>	<u>1,292,601</u>
With Donor Restrictions	<u>220,000</u>	<u>72,000</u>
Total Net Assets	<u>1,701,291</u>	<u>1,364,601</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,835,735</u>	<u>\$ 1,432,630</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUES AND SUPPORT				
Contributions	\$ 1,641,273	\$ 220,000	\$ 1,861,273	\$ 1,185,422
Contributions-emergency clothing	73,984		73,984	186,024
Donated shoes and clothing	3,872,350		3,872,350	4,650,179
Donated services	18,990		18,990	
Other income	6,236		6,236	3,414
Net assets released from restriction by payment	72,000	(72,000)	-	-
Total Revenues and Support	5,684,833	148,000	5,832,833	6,025,039
EXPENSES				
Program services	5,304,481		5,304,481	5,665,959
Management and general	93,971		93,971	82,643
Fundraising	235,445		235,445	245,156
Total Expenses	5,633,897		5,633,897	5,993,758
CHANGE IN NET ASSETS FROM OPERATIONS	50,936	148,000	198,936	31,281
OTHER CHANGES				
Interest and dividends	23,655		23,655	15,071
Unrealized gains (losses) on investments	114,099		114,099	(58,123)
Total Other Changes	137,754		137,754	(43,052)
CHANGE IN NET ASSETS	188,690	148,000	336,690	(11,771)
NET ASSETS, BEGINNING OF YEAR	1,292,601	72,000	1,364,601	1,376,372
NET ASSETS, END OF YEAR	\$ 1,481,291	\$ 220,000	\$ 1,701,291	\$ 1,364,601

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THT FIT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for year ended December 31, 2018)

	Program Services	Management & General	Fund Raising	2019 Total	2018 Total
Distribution of shoes & clothing	\$ 3,905,260	\$	\$	\$ 3,905,260	4,633,169
Salaries and wages	399,456	54,938	146,232	600,626	569,777
Payroll taxes	30,221	4,060	10,826	45,107	41,802
Retirement	28,250	3,795	10,119	42,164	45,976
Employee benefits	6,590	885	2,361	9,836	9,477
Professional	26,482	1,558	3,116	31,156	25,013
Donated professional fees	16,141	950	1,899	18,990	
Credit card charges		6,287		6,287	6,864
Professional Development	634			634	420
Emergency shoes	575,287			575,287	377,609
Insurance	13,228	778	1,556	15,562	13,542
Newsletter	20,151		20,152	40,303	35,801
Office supplies & equipment	7,838	461	922	9,221	7,019
Postage	12,086	711	1,422	14,219	14,790
Printing	9,372	551	1,103	11,026	11,964
Publicity	69,520			69,520	50,346
Recognition	2,809			2,809	2,266
Rent	60,573	3,563	7,126	71,262	52,391
Repairs & maintenance	8,165	480	960	9,605	10,465
Telephone	4,872	286	573	5,731	5,477
Travel & entertainment	38,017	2,236	4,473	44,726	42,366
Depreciation	6,488	382	763	7,633	31
Utilities	3,085	182	363	3,630	4,474
Advertising	2,429			2,429	506
Dues	25,444	1,496	2,993	29,933	11,266
Contract labor	18,485		18,486	36,971	9,119
Bank and investment fees		10,372		10,372	2,201
Licenses	1,495			1,495	1,475
Special projects	12,103			12,103	7,839
Total	\$ 5,304,481	\$ 93,971	\$ 235,445	\$ 5,633,897	\$ 5,993,445

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for year ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 336,690	\$ (11,771)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	7,633	31
(Increase) decrease in inventory	32,910	(17,010)
(Increase) decrease in prepaid expenses	(6,620)	
Increase (decrease) in accounts payable	64,781	(31,574)
Increase in accrued vacation	(239)	12,996
Increase in accrued payroll	1,873	1,905
Net Cash provided (used) by operating activities	437,028	(45,423)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(117,807)	
(Increase) decrease in investments	(131,123)	(36,992)
Net Cash provided (used) by investing activities	(248,930)	(36,992)
NET INCREASE (DECREASE) IN CASH	188,098	(82,415)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	447,895	530,310
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 635,993	\$ 447,895

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019**

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

SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

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 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.

ADVERTISING EXPENSE

Advertising costs are expensed as they are incurred.

SUBSEQUENT EVENTS

The Organization evaluated events subsequent to December 31, 2019 and through March 26, 2020, the date the financial statements were available to be issued.

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, 2018, from which the summarized information was derived.

SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2019

NOTE 2 INVESTMENTS

Investments are presented in the financial statements at market value. Investments at December 31, 2019 are as follows:

Money Market funds	\$ 16,845
Mutual funds	382,860
Exchange Traded Funds	<u>536,273</u>
	<u>\$ 935,978</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 \$71,262. Minimum lease payments for years ending December 31 are as follows:

2020	\$ 118,762
2021	122,325
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. The Organization has included the fair value of donated services of \$18,990 in the financial statements. These services would have been purchased if they were not donated. 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 \$42,164.

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, 2019**

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 December 31, 2019 are as follows:

Temporary restricted	\$ 195,000
Endowment fund	<u>25,000</u>
Total	<u>\$ 220,000</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 December 31, 2019 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	\$ 16,845	\$ 16,845	-	-
Mutual Funds	382,860	382,860		
Exchange Traded Funds	<u>536,273</u>	<u>536,273</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 935,978</u>	<u>\$ 935,978</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 10 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2019 and the amounts of those financial assets that are available for use within one year to meet general expenditures:

Cash and cash equivalents	\$ 635,993
Investments	<u>935,978</u>
Total Financial Assets	<u>\$ 1,571,971</u>