



Report of Independent Auditors and
Financial Statements

Shoes That Fit

June 30, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
Shoes That Fit

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shoes That Fit, which comprise the statements of financial position as of June 30, 2025 and 2024, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Shoes That Fit as of June 30, 2025 and 2024, and the change 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Shoes That Fit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 raise substantial doubt about Shoes That Fit'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 misstatement, 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 GAAS 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 are considered material if there is a substantial likelihood that, 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 Shoes That Fit's 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 Shoes That Fit'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.

Other Matter

Prior Period Financial Statements and Summarized Comparative Information

We have previously audited Shoes That Fit's June 30, 2024, financial statements, and our report, dated September 12, 2024, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it was derived.

Baker Tilly US, LLP

Los Angeles, California
September 5, 2025

Financial Statements

Shoes That Fit
Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 922,824	\$ 891,835
Investments	1,237,150	1,064,041
Inventory	2,146,400	6,440,596
Total current assets	4,306,374	8,396,472
FIXED ASSETS		
Office equipment	318,136	176,413
Leasehold improvements	57,422	22,532
Less accumulated depreciation	(179,582)	(142,123)
Total fixed assets	195,976	56,822
OTHER ASSETS		
Prepaid expenses and other assets	37,417	12,176
Right-of-use asset, net	745,623	247,593
TOTAL ASSETS	<u>\$ 5,285,390</u>	<u>\$ 8,713,063</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,972	\$ 48,437
Accrued liabilities	155,741	104,668
Current portion of notes payable	3,918	13,088
Current portion of operating lease liabilities	350,269	127,389
Total current liabilities	513,900	293,582
Notes payable, net of current portion	137,704	175,298
Operating lease liabilities, net of current portion	409,089	121,888
TOTAL LIABILITIES	1,060,693	590,768
NET ASSETS		
Without donor restrictions	3,326,422	7,434,519
With donor restrictions	898,275	687,776
Total net assets	4,224,697	8,122,295
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,285,390</u>	<u>\$ 8,713,063</u>

See accompanying notes.

Shoes That Fit
Statement of Activities
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	2025 Total
REVENUES AND SUPPORT			
Contributions	\$ 5,148,911	\$ 800,000	\$ 5,948,911
Donated shoes and clothing	7,252,017	-	7,252,017
Net assets released from restriction by payment	600,385	(600,385)	-
Total revenues and support	13,001,313	199,615	13,200,928
EXPENSES			
Program services	15,742,891	-	15,742,891
Management and general	723,601	-	723,601
Fundraising	768,405	-	768,405
Total expenses	17,234,897	-	17,234,897
CHANGE IN NET ASSETS	(4,233,584)	199,615	(4,033,969)
OTHER CHANGES			
Investment income, net	125,487	10,884	136,371
Total other changes	125,487	10,884	136,371
CHANGE IN NET ASSETS	(4,108,097)	210,499	(3,897,598)
NET ASSETS, BEGINNING OF YEAR	7,434,519	687,776	8,122,295
NET ASSETS, END OF YEAR	\$ 3,326,422	\$ 898,275	\$ 4,224,697

See accompanying notes.

Shoes That Fit
Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2024 Total
REVENUES AND SUPPORT			
Contributions	\$ 4,407,730	\$ 597,000	\$ 5,004,730
Contributions-emergency clothing	4,491	-	4,491
Donated shoes and clothing	13,655,321	-	13,655,321
Net assets released from restriction by payment	3,368	(3,368)	-
Total revenues and support	18,070,910	593,632	18,664,542
EXPENSES			
Program services	11,739,377	-	11,739,377
Management and general	595,672	-	595,672
Fundraising	561,018	-	561,018
Total expenses	12,896,067	-	12,896,067
CHANGE IN NET ASSETS	5,174,843	593,632	5,768,475
OTHER CHANGES			
Investment income, net	112,051	9,954	122,005
Total other changes	112,051	9,954	122,005
CHANGE IN NET ASSETS	5,286,894	603,586	5,890,480
NET ASSETS, BEGINNING OF YEAR	2,147,625	84,190	2,231,815
NET ASSETS, END OF YEAR	\$ 7,434,519	\$ 687,776	\$ 8,122,295

See accompanying notes.

Shoes That Fit
Statements of Functional Expenses
(with prior year summarized comparative information)
For the Years Ended June 30, 2025 and 2024

	Program Services	Management & General	Fund Raising	2025 Total	2024 Total
Distribution of donated shoes & items	\$ 11,546,213	\$ -	\$ -	\$ 11,546,213	\$ 8,525,765
Purchase and distribution of shoes & items	2,250,266	-	-	2,250,266	2,001,388
Salaries and wages	930,931	379,714	469,756	1,780,401	1,360,361
Payroll taxes	68,615	26,998	31,625	127,238	101,551
Retirement	31,777	24,005	18,630	74,412	66,088
Employee benefits	35,423	8,318	18,685	62,426	32,146
Professional	-	118,888	58,557	177,445	163,796
Accounting	-	80,597	-	80,597	-
Legal	-	1,052	518	1,570	-
Bank and investment fees	-	19,206	-	19,206	17,421
Credit card fees	-	6,550	-	6,550	8,763
Professional development	6,725	3,843	8,648	19,216	11,544
Insurance	29,553	7,388	-	36,941	29,641
Newsletter	-	-	-	-	2,660
Office supplies, equipment & technology	89,026	4,744	10,473	104,243	47,368
Postage	13,004	4,335	-	17,339	18,878
Printing	14,214	4,738	-	18,952	52,367
Advertising and promotion	68,048	7,561	75,608	151,217	5,054
Publicity	-	-	-	-	77,806
Recognition (Donor & Volunteer)	3,516	-	879	4,395	4,552
Lease expense	303,113	17,829	35,661	356,603	164,450
Repairs & maintenance	10,928	644	1,285	12,857	8,845
Telephone	7,399	434	870	8,703	8,015
Utilities	9,115	538	1,073	10,726	5,221
Travel & entertainment	77,408	-	19,351	96,759	63,766
Depreciation	31,840	1,873	3,747	37,460	26,848
Dues	-	-	-	-	958
Contract labor	69,543	4,346	13,039	86,928	20,892
Licenses	11,868	-	-	11,868	7,968
Special projects	134,366	-	-	134,366	61,955
Total	<u>\$ 15,742,891</u>	<u>\$ 723,601</u>	<u>\$ 768,405</u>	<u>\$ 17,234,897</u>	<u>\$ 12,896,067</u>

See accompanying notes.

Shoes That Fit
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,897,598)	\$ 5,890,480
Depreciation	37,460	26,848
Amortization of operating lease right-of-use assets	250,529	143,065
Net unrealized gain on investments	(98,266)	(91,895)
Donated shoes and clothing in-kind received	(7,252,017)	(13,659,812)
Donated shoes and clothing in-kind distributed	11,546,213	8,525,765
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Inventory	-	4,491
Prepaid expenses and other assets	(25,241)	(64)
Accounts payable	(44,465)	(116,720)
Accrued liabilities	51,073	9,390
Right-of-use assets and operating lease liabilities	(238,478)	(147,291)
Net cash provided by operating activities	<u>329,210</u>	<u>584,257</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office equipment and leasehold improvements	(176,614)	-
Purchase of investments	(598,543)	(894,830)
Proceeds from sale of investments	<u>523,700</u>	<u>878,427</u>
Net cash used in investing activities	<u>(251,457)</u>	<u>(16,403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	50,005
Repayment of notes payable	<u>(46,764)</u>	<u>(10,632)</u>
Net cash (used in) provided by financing activities	<u>(46,764)</u>	<u>39,373</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	30,989	607,227
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>891,835</u>	<u>284,608</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 922,824</u></u>	<u><u>\$ 891,835</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-use assets obtained in exchange for operating lease liabilities	<u><u>\$ 817,686</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

Shoes That Fit

Notes to Financial Statements

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. The organization is dedicated to reducing barriers for children to stay in school and participate in curricular and extracurricular athletic activities, preparing them for a healthy and active future. Research has shown that stress, shame and living in survival mode for children living in poverty disrupt full participation and learning at school, leading to increased dropouts and absenteeism. Shoes are one of the most expensive items that low-income families must provide for children. They are an essential requirement to attend school and are intrinsically tied to a child's sense of self-worth and belonging. Research shows that just 31% of children living in poverty participate in sports and physical activity programs (compared to 70% of their more affluent peers) due to cost and lack of access. Teachers often tell us that Shoes That Fit is the only resource a school has to provide shoes for their students. Our program model provides kids with new shoes that they can be proud to wear.

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation – The Organization's resources are classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and types of transactions affecting each category follow:

Net assets without donor restrictions – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donor stipulations results in the release of such restrictions.

Net assets with donor restrictions – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the Organization. Net assets with donor restrictions also consist of contributed funds subject to donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Cash and cash equivalents – Cash and cash equivalents represent cash and short-term, liquid investments with an original maturity of three months or less, or amounts invested in registered money market funds.

Investments – Investments are carried at fair value. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with investment securities, it is reasonably possible that change in their values could occur in the near term and that such changes could materially affect the investment values.

At times, investments held with financial institutions may exceed the amount of insurance provided by the Securities Investor Protection Corporation. No losses have been experienced on such investments.

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Notes to Financial Statements

Investment transactions are recorded on a trade-date basis, which results in receivables and payables on investment income that have not yet settled at the financial statement date. At June 30, 2025 and 2024, there were no unsettled trades. Realized gains and losses are calculated using specific identification of units held. Unrealized gains and losses represent gains and losses from changes in the fair value investments from the prior year that have not yet been settled and realized.

Inventory – Inventory, consisting principally of finished goods, are stated at the lower of donated value or net realizable value. 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 at date of donation.

Fixed assets – The Organization capitalizes expenditures over \$1,000 as property and equipment. Office equipment and leasehold improvements are carried at cost or estimated fair value at date of donation. Depreciation is computed principally by the straight-line method over the useful lives of 5-7 years for office equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvement.

Income taxes – 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.

Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2025 and 2024, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and that material positions taken by the Organization would more likely than not be sustained by examination. Accordingly, the Organization has not recorded an income tax liability for uncertain tax benefits as of June 30, 2025 and 2024.

Use of estimates – The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. While management believes that these estimates are reasonable as of June 30, 2025 and 2024, it is possible that actual results could differ from those estimates.

Credit risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash that is placed in major financial institutions. The Organization has cash in a major financial institution at times in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) during the years ended June 30, 2025 and 2024. Management considers the risk of loss to be minimal due to the creditworthiness of the financial institution in which the funds are held.

Unconditional contributions – Unconditional contributions, including promises to give, are recognized when the donor makes a pledge to give to the Organization or when received. Contributions received with donor-imposed restrictions are reported as with donor restriction revenues. Upon meeting the restrictions imposed by the donor, the restricted revenues are reclassified to without donor restriction. Conditional contributions in which there is a barrier to overcome and a right of return exists are recorded as revenue in the period in which the condition is met. There were no conditional contributions for the years ended June 30, 2025 and 2024.

Shoes That Fit

Notes to Financial Statements

Donated shoes and clothing – The Organization receives a significant number of donated shoes and clothing for distribution to children. The donated items are recorded at estimated fair value at date of donation as a revenue and related expense on the accompanying financial statements. Such contributions amounted to \$7,252,017 and \$13,659,812 for the years ended June 30, 2025 and 2024. The fair value was derived from the average cost of the shoes and clothing donated.

Advertising – The Organization engages in advertising for certain programs and fundraising events. These costs are recorded as advertising expense in the period incurred. For the years ended June 30, 2025 and 2024, advertising costs were \$12,457 and \$5,054, respectively, and is included in advertising and promotion on the statements of functional expenses.

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. When appropriate, costs are allocated on a direct cost basis to the grant program or supporting services. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses for salaries, payroll taxes and employee benefits are allocated based on estimates of time and effort. Expenses are allocated based on usage of space.

Leases – ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. The Organization elected not to apply the recognition requirements in ASC 842 to short-term leases (i.e., leases of 12 months or less). Short-term leases are recognized on a straight-line basis over the lease term without recognition of a lease obligation liability and ROU asset. The Organization elected this accounting policy for all classes of underlying assets. In addition, in accordance with Topic 842, variable lease payments are expensed in the period in which the obligation for those payments is incurred and are not included in the recognition of a lease liability or ROU asset. The Organization has also elected a practical expedient to not separate non-lease components from the lease component.

Options to extend or terminate a lease are considered as part of calculating the lease term to the extent that the option is reasonably certain of exercise. The operating lease does not include the option to purchase the leased property, nor residual value guarantees provided by the lessee, nor restrictions or covenants imposed by the lease. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

The incremental borrowing rate represents the rate of interest that the Organization would expect to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. When determinable, the Organization uses the rate implicit in the lease to determine the present value of lease payments. As the Organization's leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at the lease commencement date in determining the present value of lease payments.

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Notes to Financial Statements

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Organization has evaluated events subsequent to June 30, 2025, and through September 5, 2025, the date the financial statements were available to be issued, and it was determined that no events have occurred that would require adjustments to the financial statements.

Note 2 – Investments

Investments at fair value consisted of the following as of June 30, 2025 and 2024:

	2025	2024
Money market funds	\$ 68,555	\$ 8,568
Mutual funds	303,318	288,398
Exchange traded funds	865,277	767,075
Total	<u>\$ 1,237,150</u>	<u>\$ 1,064,041</u>

Note 3 – Fair Value Measurements

U.S. GAAP defines fair value as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is based on the assumptions that market participants would use, including a consideration of non-performance risk. U.S. GAAP determines three levels of inputs that may be used to measure fair value as follows:

Level 1 – Quoted unadjusted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Notes to Financial Statements

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2025 and 2024, all investments were valued using the Level 1 fair value measurement (quoted prices in active markets).

Note 4 – 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 years ended June 30, 2025 and 2024, was \$74,412 and \$66,087, respectively.

Note 5 – Net Assets

At June 30, 2025 and 2024, net assets with donor restrictions consisted of the following:

	2025	2024
Restricted for time	\$ 800,000	\$ 597,000
Perpetually restricted	98,275	90,776
	<u>\$ 898,275</u>	<u>\$ 687,776</u>

Note 6 – Endowment

The Organization has funds that are functioning as an endowment solely through designation by the Board (quasi-endowment). The earnings provide revenues to fund future operations.

The Organization has adopted investment policies for its quasi-endowment assets that attempt to provide a predictable stream of funding to activities supported by its quasi-endowment while seeking to maintain the purchasing power of the quasi-endowment assets. The endowment assets are invested in a manner to earn, over the long term, an annualized return (net of investment management fees) that exceeds inflation and meets or outperforms the target asset mix relative to the assigned benchmark indices. Actual returns in any given year may vary from these amounts.

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Notes to Financial Statements

Changes in the Organization's quasi-endowment net assets at June 30, 2025 and 2024, consisted of the following:

	Without Donor Restrictions	
	2025	2024
Net assets without donor restrictions—board-designated, beginning of year	\$ 972,474	\$ 870,765
Investment gain	107,561	112,051
Transfers	-	(10,342)
Net assets without donor restrictions—board-designated, end of year	<u>\$ 1,080,035</u>	<u>\$ 972,474</u>

Net assets with donor restrictions include an endowment fund to be maintained in perpetuity. Any earnings are restricted for the purchase of shoes.

The Board has interpreted the California Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the following factors are to be considered in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the depreciation and appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Shoes That Fit

Notes to Financial Statements

Changes in the Organization's donor-restricted endowment at June 30, 2025 and 2024, consisted of the following:

	With Donor Restrictions	
	2025	2024
Net assets, beginning of year	\$ 90,776	\$ 84,190
Investment gain	10,884	9,954
Distributions	(3,385)	(3,368)
Net assets with donor restrictions, end of year	<u>\$ 98,275</u>	<u>\$ 90,776</u>

Note 7 – Liquidity and Availability

The following reflects the Organization's financial assets as of June 30, 2025 and 2024, and the amounts of those financial assets that are available for use within one year to meet general expenditures:

	2025	2024
Cash and cash equivalents	\$ 922,824	\$ 891,835
Investments	<u>1,237,150</u>	<u>1,064,041</u>
Total financial assets	2,159,974	1,955,876
Less amounts unavailable for general expenditure within one year		
Perpetual endowments	<u>98,275</u>	<u>90,776</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,061,699</u>	<u>\$ 1,865,100</u>

The Organization operates with a balanced budgeting process and anticipates collection of sufficient revenue to cover general expenditures. As part of the Organization's liquidity management plan, it considers the composition of its financial assets to ensure sufficient funds are available as obligations come due. The Organization does not normally spend from its quasi-endowment other than amounts appropriated for general expenditure; however, amounts from the quasi-endowment could be made available through Board's approval and are included in the table above.

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Notes to Financial Statements

Note 8 – Notes Payable

In 2020, the Organization received an unsecured Economic Injury Disaster 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 commenced in January 2023. 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. Principal maturities of the loan are as follows:

Years Ending June 30,

2026	\$ 3,918
2027	4,027
2028	4,138
2029	4,254
2030	4,382
Thereafter	<u>120,903</u>
Total	<u><u>\$ 141,622</u></u>

In August 2023, the Organization entered into a secured loan agreement for \$50,005. The loan is dated August 14, 2023, and matures on August 13, 2028. The organization paid the outstanding balance during the year ended June 30, 2024. There is no outstanding balance on the loan at June 30, 2025.

Note 9 – 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 July 1, 2022, and ending December 1, 2026. The Organization leased additional office space in 2024 under an operating lease beginning October 1, 2024, and ending October 1, 2027. Lease expense for the years ended June 30, 2025 and 2024, was \$356,603 and \$154,247, respectively. The leases are classified as operating leases and contains provisions calling for an increase in the monthly rental rate over time.

The components of lease expense for the years ended June 30, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Lease expense		
Operating lease expense	<u>\$ 356,603</u>	<u>\$ 154,247</u>
Total lease expense	<u><u>\$ 356,603</u></u>	<u><u>\$ 154,247</u></u>

Shoes That Fit

Notes to Financial Statements

The components of lease assets and liabilities on the statements of financial position as of June 30, 2025 and 2024, are as follows:

	2025	2024
Operating lease ROU assets	\$ 996,152	\$ 531,406
Accumulated amortization	<u>(250,529)</u>	<u>(283,813)</u>
Operating lease ROU assets, net	<u>\$ 745,623</u>	<u>\$ 247,593</u>
Current operating lease liabilities	\$ 350,269	\$ 127,389
Long-term operating lease liabilities	<u>409,089</u>	<u>121,888</u>
Total operating lease liabilities	<u>\$ 759,358</u>	<u>\$ 249,277</u>
Weighted-average remaining lease term in years for operating leases	1.88 years	2.15 years
Weighted-average discount rate for operating leases	3.76%	2.87%

The following table provides supplemental information related to the operating leases in measuring the lease liabilities as of and for the years ended June 30, 2025 and 2024:

	2025	2024
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 238,478	\$ 147,291
ROU assets obtained in exchange for new operating lease liabilities	\$ 817,686	\$ -

The following represents the minimum lease payments remaining under non-cancelable operating leases for premises as of June 30, 2025:

Years Ending June 30,	
2026	\$ 376,507
2027	344,576
2028	<u>75,723</u>
Total lease payments	796,806
Less imputed interest	<u>(37,448)</u>
Operating lease liabilities as of June 30, 2025	<u>\$ 759,358</u>

Shoes That Fit

Notes to Financial Statements

Note 10 – Commitments and Contingencies

Litigation – From time to time, the Organization may be subject to certain claims that arise in the ordinary course of its activities. The Organization accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management, there are no pending claims or assertions against the Organization of which the outcome is expected to result in a material adverse effect on the financial position, results of operations, or cash flows of the Organization.

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