WORTHWHILE WEAR, INC.

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2019

WORTHWHILE WEAR, INC.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Worthwhile Wear, Inc.
Plumsteadville, PA

We have reviewed the accompanying financial statements of Worthwhile Wear, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—modified cash basis as of December 31, 2019 and the related statement of revenues, expenses, and other changes in net assets—modified cash basis and statement of functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Summarized Comparative Information

We previously reviewed the organization's 2018 financial statements and in our conclusion dated July 10, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in accordance with the modified cash basis of accounting. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

WORTHWHILE WEAR, INC.

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REVIEW REPORT

		2019		2018
ASSETS				
Cash	$	65,854	$	50,967
Deposits		880		3,630
Property and Equipment, Net of Accumulated Depreciation		75,755		72,709
TOTAL ASSETS	$	142,489	$	127,306
LIABILITIES				
Credit Cards Payable	$	4,138	$	3,963
Payroll Taxes Payable		7,571		5,353
Sales Tax Payable		799		1,066
TOTAL LIABILITIES		12,508		10,382
NET ASSETS				
Without Donor Restrictions		129,981		116,924
With Donor Restrictions		-		-
Total Net Assets		129,981		116,924
TOTAL LIABILITIES AND NET ASSETS	$	142,489	$	127,306

The accompanying notes are an integral part of the financial statements

WORTHWHILE WEAR, INC.

STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support, Revenue and Reclassifications:				
Support and Revenue				
Product Sales	$ 450,082	$ -	$ 450,082	$ 397,634
Program Services	12,500	-	12,500	12,500
Contributions	263,626	-	263,626	284,426
Special Events, Net of Direct Costs of $34,699 - 2019; $25,683 - 2018	139,328	-	139,328	127,653
Other Income	6,770	-	6,770	5,271
Total Support and Revenue	872,306	-	872,306	827,484
Net Assets Released From Restrictions	-	-	-	-
Total Support, Revenue and Reclassifications	872,306	-	872,306	827,484
Expenses:				
Program Services:				
Product Sales	400,028	-	400,028	325,330
The Well	307,892	-	307,892	271,834
Worth-It	32,068	-	32,068	-
Overseas	4,349	-	4,349	3,953
Total Program Services	744,337	-	744,337	601,117
Supporting Services:				
Management and General	89,073	-	89,073	93,145
Fundraising	25,839	-	25,839	58,753
Total Supporting Services	114,912	-	114,912	151,898
Total Expenses	859,249	-	859,249	753,015
Increase (Decrease) in Net Assets	13,057	-	13,057	74,469
Net Assets - Beginning of Year	116,924	-	116,924	42,455
Net Assets - End of Year	$ 129,981	$ -	$ 129,981	$ 116,924

WORTHWHILE WEAR, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

SEE ACCOMPANYING INDEPENDENT ACCOUNTANT'S REVIEW REPORT

	Program Services Expenses					Supporting Services				
	Product Sales	The Well	Worth-It	Overseas	Total	Management and General	Fund Raising	Total	2019 Totals	2018 Totals
Payroll	$ 170,925	$ 206,438	$ 26,440	$ 3,701	$ 407,504	$ 58,560	$ 15,087	$ 73,647	$ 481,151	$ 436,666
Payroll Taxes and Benefits	24,819	21,749	3,072	466	50,106	8,280	1,812	10,092	60,198	47,879
Commissions	4,262	-	-	-	4,262	-	-	-	4,262	7,375
Cost of Product	6,903	-	-	-	6,903	-	-	-	6,903	7,862
Other Direct Program Costs	-	25,538	-	-	25,538	-	34,699	34,699	60,237	38,143
Promotion and Advertising	4,682	1,338	425	-	6,445	-	3,382	3,382	9,827	14,218
Insurance	8,157	8,760	329	46	17,292	6,293	188	6,481	23,773	24,272
Supplies	5,213	7,667	557	-	13,437	530	41	571	14,008	11,689
Credit Card and Other Processing Charges	14,993	-	-	-	14,993	28	1,055	1,083	16,076	13,611
Repairs and Maintenance	12,825	4,320	-	-	17,145	514	129	643	17,788	13,479
Interest	-	-	-	-	-	1,126	-	1,126	1,126	5,660
Rents	109,359	-	-	-	109,359	8,276	2,758	11,034	120,393	92,292
Professional Fees	895	1,081	139	19	2,134	2,177	79	2,256	4,390	3,940
Travel and Meals	258	6,104	-	-	6,362	259	-	259	6,621	3,282
Vehicle Expenses	1,619	7,020	887	30	9,556	209	90	299	9,855	5,614
Communications	2,886	2,320	219	-	5,425	697	175	872	6,297	5,245
Utilities	22,127	6,977	-	-	29,104	1,162	388	1,550	30,654	31,133
Depreciation	10,009	8,580	-	-	18,589	230	655	885	19,474	13,363
Other	96	-	-	87	183	732	-	732	915	2,975
Total Expenses	400,028	307,892	32,068	4,349	744,337	89,073	60,538	149,611	893,948	778,698
Netted Against Revenue on Statement of Activities	-	-	-	-	-	-	(34,699)	(34,699)	(34,699)	(25,683)
Total Expenses on Statement of Activities	$ 400,028	$ 307,892	$ 32,068	$ 4,349	$ 744,337	$ 89,073	$ 25,839	$ 114,912	$ 859,249	$ 753,015

Note 1 – Nature of Activities and Summary of Significant Accounting Policies:

Nature of Activities:

Worthwhile Wear, Inc. ("Worthwhile") was organized April 2012 in the state of Delaware. It was established to serve present and potential victims of the sex slave trade. Its efforts focus on reaching girls and women already trapped in forced prostitution as well as creating opportunities to provide alternatives to entering the sex slave trade. Worthwhile's programs are designed to combat poverty and a lack of education, which are two key factors at the root of sex trafficking.

Whenever possible, Worthwhile partners with existing organizations, local governments, and law enforcement agencies to achieve its goals. The organization has established the following programs to address their objectives:

Overseas Outreach – As human sex trafficking is a global matter, Worthwhile organized vocational training and employment programs, primarily in the cities of Mumbai and Pune in India. The goal of these programs is to provide a source of income for girls and women as an alternative to sexual slavery.

The Well – The Well is located in Bucks County, Pennsylvania, in an area zoned for residential group homes. It was opened during the summer of 2014 largely through the efforts of volunteers who donated labor and materials. The program provides housing for up to two years, and is designed to assist sexually exploited women to cope with their past and prepare for their future through educational, employment and housing assistance. There is no cost to the participants in the program.

Worth-It – Worth-It is another program for survivors of sexual exploitation. It is designed to connect participants to area service providers that can meet their specialized needs and educate them about the legal issues pertaining to their situations.

Product Sales – Worthwhile sells merchandise produced from its Overseas Outreach program as well as items crafted by participants in organizations that have a similar mission as that of Worthwhile. These goods are sold through the organization's thrift store operations.

As described more fully at Note 6, during 2019 Worthwhile opened a new thrift store in Plumsteadville, and closed its thrift stores in Pipersville and Fountainville.

In addition to providing outlets for merchandise produced by its Overseas Outreach program, Worthwhile's sales efforts serve as additional financial support for the organization.

__Summary of Significant Accounting Policies:__

The summary of significant accounting policies of Worthwhile is presented to assist in understanding its financial statements. The financial statements and notes are representations of the organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to the modified cash basis of accounting and have been consistently applied in the preparation of the financial statements.

Basis of Accounting – Worthwhile's policy is to prepare its financial statements on a modified cash basis of accounting. Consequently, revenues are recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when incurred. The organization has modified its cash reporting to include the capitalization and depreciation of purchased long-lived assets, and the recording of borrowed funds, payroll and sales tax liabilities, and security deposits. The accompanying financial statements, therefore, are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States, which require the accrual basis of accounting.

Revenue Recognition – Revenue consists primarily of product sales, for which revenue is recognized when funds are collected at the point of sale. Program service fees are received in for the maintenance and welfare of the women housed at the Well and are recorded as revenue upon receipt. Contributions, special event revenue, and other income are recognized when cash is received. As with any organization, Worthwhile is dependent upon the health of the local economy.

Tax Status – Worthwhile is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code. Worthwhile was organized in the state of Delaware as a non-profit organization, and conducts its operations in Pennsylvania. It is exempt from Delaware and Pennsylvania taxation under the applicable provisions of the non-profit organization statutes of the respective states.

Pursuant to Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes,* management has reviewed its current and past federal and state tax positions, and has determined that the tax positions taken are certain and there is no likelihood that a material tax assessment would be made if the respective government agencies examined tax returns subject to audit. Accordingly, no provision for the effect of uncertain tax positions has been recorded, nor have any related interest or penalties been accrued.

The Internal Revenue Service and state taxing authorities retain the right to review filed tax returns, generally for three years after they were filed. Worthwhile is not currently under audit nor has it been contacted by any of these jurisdictions.

Financial Statement Presentation – Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or grantor) restrictions. These net assets can be used at the discretion of the organization's management and board of directors.

__Notes to Financial Statements – Continued:__

Net assets With Donor Restrictions: Net assets 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.

Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recognition of Donor Restrictions – Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property and Equipment – Purchased property and equipment are recorded at cost. Expenditures for minor additions are charged to expense as incurred, as are maintenance and repairs. Significant additions and betterments are capitalized and recorded as additions to net assets without restrictions. Donations of property and equipment are not recorded in the accompanying modified cash basis financial statements.

The capitalized value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Depreciation expense totaled $19,474 and $13,363 for the 2019 and 2018 years, respectively.

Funds Held Under Escrow – At times the organization will co-manage a participant's finances during her time in the residential shelter to insure that her funds are used appropriately. At the end of the participant's stay at the shelter (which can be any time up to a two year maximum) any remaining funds are the sole property of the participant. During 2018, $12,980 of escrow deposits were received and escrow disbursements of $7,693 were made which, when combined with the opening balance of $837, resulted in a $6,124 balance at December 31, 2018. During 2019 escrow deposits of $7,686 were received and escrow disbursements totaled $11,054, resulting in a balance of $2,756 at December 31, 2019. These funds are not included in these financial statements.

Contributed Materials – Worthwhile's thrift operations raise funds to support its programs. All the merchandise sold by the store is donated by the general public. The Well program received donated materials used for improvements to its residence, out-buildings, and grounds. These donations are not recognized in the accompanying financial statements as Worthwhile reports its financial results on the modified cash basis.

Contributed Facilities - There is no recognition of contributed facilities in the accompanying modified cash basis financial statements for the bargain rentals contained in the leases described in Note 6.

Notes to Financial Statements – Continued:

Contributed Services – There are many individuals who volunteer their time and perform a variety of tasks that assist Worthwhile in carrying out its programs. The value of that portion of these services which meet the requirements for recognition in the financial statements has not been recorded under the organization's modified cash basis of accounting.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Functional expenses have been allocated between program services and supporting services based on analysis of personnel time, program supplies, and space utilized for the related activities.

Advertising – The organization uses advertising to promote its programs among the audiences it serves, and advertising costs are expensed as incurred. Advertising expense for the years 2019 and 2018 totaled $9,827 and $14,218, respectively.

Reclassifications – Certain reclassifications were made to the 2018 amounts in order to conform with 2019 classifications. These reclassifications did not have any effect on the 2018 increase in net assets as originally reported.

Comparative 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Worthwhile's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Note 2 – Liquidity and Availability:

Financial assets available for general expenditure within one year of the balance sheet date, that is, financial assets without donor or other restrictions limiting their use, comprise cash of $65,854. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3 – Property and Equipment:

Following is a summary of property and equipment at December 31, 2019 and 2018:

	2019	2018
Leasehold Improvements	$103,984	$ 96,880
Furniture and Equipment	5,764	4,399
Vehicles	7,522	2,000
Sign	3,200	3,200
	120,470	106,479
Less: Accumulated Depreciation	(44,715)	(33,770)
Net Property and Equipment	$ 75,755	$ 72,709

Note 4 – Line of Credit

The organization has a line of credit with Univest National Bank and Trust ("Univest") with a borrowing capacity of $125,000. It is payable on demand with no set maturity date. Interest is charged on the outstanding balance at the lender's prime rate and is payable monthly. There was no outstanding balance on the line of credit at December 31, 2019 or 2018.

Note 5 – Net Assets with Donor Restrctions:

Donor restricted contributions were received for the following:

	2019	2018
Balance – beginning	$ --	$ --
Received and restricted for The Well	13,223	28,617
Expended in satisfaction of restrictions	(13,323)	(28,617)
Balance - ending	$ --	$ --

Note 6 – Leases:

Freedom Boutique and Worthwhile Thrift Store - The store that housed the Freedom Boutique and Worthwhile Thrift in Pipersville is leased under an agreement that began November 1, 2014. The lease agreement was modified during 2015 to a month-to-month arrangement, which continued in force throughout Worthwhile's tenancy.

All operating expenses are Worthwhile's responsibility. There is no security deposit required under the lease. Rent expense for 2019 was $55,170 and $57,492 for 2018.

As noted below, Worthwhile opened a new thrift store in Plumsteadville during April of 2019. The Pipersville store was changed from boutique and thrift merchandise to new and used furniture and household furnishings; however, during November of 2019 all retail activity at the store was discontinued. Rent was decreased to $1,500 per month effective November 1. The Pipersville location continued to house some of the administrative offices of the organization until April 30, 2020, the end of Worthwhile's tenancy.

The Well - The residence used in The Well program is leased under a twenty nine year agreement with Bucks County at an annual rental of $1.

Fountainville Thrift Store - During 2017 Worthwhile opened a second thrift store in Fountainville, New Britain Township. It entered a lease agreement that was for a three-year term at an annual rent of $34,800. The base term of the lease commenced in April of 2017, and was scheduled to expire in March of 2020.

Notes to Financial Statements – Concluded:

Worthwhile closed the Fountainville store during March of 2019. The existing lease was modified by the lessor under an agreement dated January 31, 2019. The rental terms and rents under the modified lease follow:

January 1 – March 31, 2019	$2,900 per month
April 1 – June 30, 2019	$2,300 per month
July 1 – September 30, 2019	$1,700 per month
October 1 – December 31, 2019	$1,100 per month

Rental expense was $15,223 and $34,800 for the 2019 and 2018 years, respectively. During August of 2019 the lessor leased the property and Worthwhile's rental obligations were terminated.

Plumsteadville Thrift Store - Worthwhile opened a new thrift store in Plumsteadville during April 2019. The lease for the Plumsteadville store calls for a rental term of two years, commencing April 1, 2019 and expiring March 31, 2021, with no renewal term. Monthly rent is $5,000; there are no common area maintenance costs. Rental expense for 2019 was $50,000. Scheduled rental payments are $60,000 in 2020 and $15,000 in 2021.

Note 7 – Subsequent Events:

Management has evaluated subsequent events for recognition or disclosure through the date of the review report, which is the date the financial statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses including Worthwhile's Plumsteadville store. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the company expects this matter to negatively impact its operating results in 2020. However, the related financial impact and duration cannot be reasonably estimated at this time. In response, Worthwhile applied and received approval for funds of $105,100 under the Payroll Protection Program of the CARES Act. Worthwhile expects to use all of the funds for eligible loan forgiveness costs.

No additional subsequent events requiring recognition or disclosure were noted.