

**SHOES THAT FIT**  
**FINANCIAL STATEMENT**  
**AND**  
**AUDITOR'S REPORT**  
**DECEMBER 31, 2011**

JAMES M. GARBO, CPA  
JEFFREY L. WERNER, CPA  
RANDAL L. DOUGLASS, CPA  
CRAIG B. MILLER, CPA

The logo for Bowen, McBeth, Inc. features a stylized graphic of vertical lines and a diagonal line forming a partial 'B' shape. Below the graphic, the text reads "BOWEN, McBETH, INC." in a bold, serif font, with "CERTIFIED PUBLIC ACCOUNTANTS" in a smaller, sans-serif font underneath.

**BOWEN, McBETH, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

10722 ARROW ROUTE, SUITE 110  
RANCHO CUCAMONGA, CALIFORNIA 91730  
TELEPHONE (909) 944 6465 FAX OR MSG (909) 980 4788

Board of Directors  
Shoes That Fit  
Claremont, CA

**Independent Auditor's Report**

We have audited the accompanying statement of financial position of Shoes That Fit (a nonprofit Organization) as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Shoes That Fit as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Bowen, McBeth Inc.*  
Bowen McBeth, Inc.  
May 8, 2012

**SHOES THAT FIT**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**  
(With comparative totals for December 31, 2010)

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 148,757	\$ 204,429
Investments	789,314	904,273
Inventory	54,125	60,825
Prepaid expenses	27,212	
Total current assets	<u>1,019,408</u>	<u>1,169,527</u>
<b>FIXED ASSETS</b>		
Office equipment	75,141	60,851
Less accumulated depreciation	<u>(60,831)</u>	<u>(55,838)</u>
Total fixed assets	<u>14,310</u>	<u>5,013</u>
<b>OTHER ASSETS</b>		
Deposits	<u>2,000</u>	<u>2,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,035,718</u>	<u>\$ 1,176,540</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 32,514	\$ 8,827
Accrued vacation	9,519	6,035
Deferred income	11,649	
Total current liabilities	<u>53,682</u>	<u>14,862</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	441,995	604,607
Designated endowment	<u>533,833</u>	<u>555,571</u>
Total unrestricted	975,828	1,160,178
Temporarily restricted	<u>6,208</u>	<u>1,500</u>
Total net assets	<u>982,036</u>	<u>1,161,678</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,035,718</u>	<u>\$ 1,176,540</u>

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

**SHOES THAT FIT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(With comparative totals for year ended December 31, 2010)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2011 TOTAL</u>	<u>2010 TOTAL</u>
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 511,134	\$ 10,000	\$ 521,134	\$ 548,640
Contributions-emergency clothing	78,289		78,289	81,156
Donated shoes and clothing	2,668,706		2,668,706	2,721,676
Interest and dividends	21,308		21,308	29,237
Unrealized gains on investments	(30,072)		(30,072)	44,865
Other income	963		963	
Net assets released from restriction by payment	5,292	(5,292)	-	-
<b>Total revenues and support</b>	<u>3,255,620</u>	<u>4,708</u>	<u>3,260,328</u>	<u>3,425,574</u>
<b>EXPENSES</b>				
Program services	3,226,283		3,226,283	3,171,807
Management and general	72,377		72,377	51,998
Fundraising	141,310		141,310	108,756
<b>Total expenses</b>	<u>3,439,970</u>		<u>3,439,970</u>	<u>3,332,561</u>
<b>CHANGE IN NET ASSETS</b>	(184,350)	4,708	(179,642)	93,013
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,160,178</u>	<u>1,500</u>	<u>1,161,678</u>	<u>1,068,665</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 975,828</u>	<u>\$ 6,208</u>	<u>\$ 982,036</u>	<u>\$ 1,161,678</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**SHOES THAT FIT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(With comparative totals for year ended December 31, 2010)**

	Program Services	Management and general	Fund Raising	2011 Total	2010 Total
Distribution of shoes & clothing	\$ 2,675,406	\$	\$	\$2,675,406	\$ 2,713,576
Salaries and wages	199,675	30,375	63,240	293,290	272,577
Payroll taxes	16,456	2,420	5,324	24,200	23,389
Retirement	18,413	2,708	5,957	27,078	26,724
Professional	129,613	19,060	41,934	190,607	28,377
Credit card charges		586		586	1,742
Development			2,318	2,318	4,093
Emergency clothing	93,158			93,158	117,280
Insurance	9,186	1,148	1,148	11,482	10,526
Newsletter	9,597		9,598	19,195	13,782
Office supplies	8,521	1,065	1,065	10,651	8,824
Postage	4,774	597	597	5,968	7,125
Printing	913	114	114	1,141	9,643
Publicity	3,039		760	3,799	11,575
Recognition	1,717			1,717	5,507
Rent	21,427	2,678	2,678	26,783	25,899
Repairs & maintenance	3,438	430	430	4,298	5,073
Telephone	5,924	740	740	7,404	6,535
Travel & entertainment	11,149	1,593	3,186	15,928	14,320
Depreciation	3,995	499	499	4,993	3,870
Utilities	2,275	284	284	2,843	3,436
Advertising	189			189	222
Dues	3,330	416	416	4,162	3,015
Contract labor	4,088		1,022	5,110	6,380
Investment fees		7,664		7,664	4,315
Events					4,128
Miscellaneous					628
<b>Total</b>	<b>\$ 3,226,283</b>	<b>\$ 72,377</b>	<b>\$141,310</b>	<b>\$3,439,970</b>	<b>\$ 3,332,561</b>

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

**SHOES THAT FIT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(With comparative totals for year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (179,642)	\$ 93,013
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	4,993	3,870
Decrease (Increase) in inventory	6,700	(8,100)
(Increase) in prepaid expenses	(27,212)	
Increase in accounts payable	23,687	4,210
Increase in accrued vacation	3,484	588
Increase in deferred income	11,649	
Net cash provided (used) by operating activities	<u>(156,341)</u>	<u>93,581</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in investments	114,959	(69,093)
Purchase of equipment	(14,290)	
Net cash provided (used) by investing activities	<u>100,669</u>	<u>(69,093)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	(55,672)	24,488
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>204,429</u>	<u>179,941</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 148,757</u>	<u>\$ 204,429</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**SHOES THAT FIT  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

**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.

**DONOR IMPOSED RESTRICTIONS**

Contributions are recognized when the donor makes a promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**DONATED ASSETS**

Donated assets are recorded at estimated fair market value at the time of donation. The value of donated services is not recognized in the accompanying financial statements because no objective basis is available to measure the value of such services.

**PROPERTY AND EQUIPMENT**

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

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

**SHOES THAT FIT**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2011**

**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. In management's judgment there are no uncertain tax positions that would require measurement or disclosure.

**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.

**ADVERTISING EXPENSE**

Advertising costs are expensed as they are incurred.

**SUBSEQUENT EVENTS**

The Organization evaluated events subsequent to December 31, 2011 and through May 8, 2012.

**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, 2010, from which the summarized information was derived.

**SHOES THAT FIT**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2011**

**NOTE 2 INVESTMENTS**

Investments are presented in the financial statements at market value. Investments at December 31, 2011 are as follows:

Money Market funds	\$ 122,450
Equity Mutual funds	212,392
Index funds	411,097
Bond funds	<u>43,375</u>
	<u>\$ 789,314</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 May 1, 2008 and ending April 30, 2013. The minimum lease payments are \$24,692 per year. The organization also rents storage space on a month-to-month rental. Rent expense for the year was \$26,783.

**NOTE 4 DONATED ASSETS AND SERVICES**

The Organization receives a significant amount 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 \$27,078.

**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, 2011**

**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2011 are restricted for the purchase of shoes for distribution to children in need of shoes for school.

**NOTE 8 DESIGNATED NET ASSETS**

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

**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, 2011 are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Money Market Funds	\$ 122,450	\$122,450	-	-
Equity Mutual Funds	212,392	212,392		
Index Funds	411,097	411,097	-	-
Bond Funds	<u>43,375</u>	<u>43,375</u>	-	-
Total	<u>\$ 789,314</u>	<u>\$789,314</u>	<u>\$ -</u>	<u>\$ -</u>