

**SHOES THAT FIT  
FINANCIAL STATEMENT  
AND  
AUDITOR'S REPORT  
DECEMBER 31, 2013**

**SHOES THAT FIT  
DECEMBER 31, 2013**

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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, 2013, 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, 2013, 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.

*Bowen, McBeth Inc.*  
Bowen, McBeth, Inc.  
April 17, 2014

**SHOES THAT FIT**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**  
(With comparative totals for December 31, 2012)

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 111,893	\$ 75,093
Investments	702,733	782,534
Inventory	249,875	48,200
Prepaid expenses	9,648	202
Total current assets	<u>1,074,149</u>	<u>906,029</u>
<b>FIXED ASSETS</b>		
Office equipment	84,956	77,056
Less accumulated depreciation	<u>(71,182)</u>	<u>(66,138)</u>
Total fixed assets	<u>13,774</u>	<u>10,918</u>
<b>OTHER ASSETS</b>		
Deposits	<u>2,749</u>	<u>2,749</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,090,672</u>	<u>\$ 919,696</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,670	\$ 4,023
Accrued vacation	<u>13,838</u>	<u>6,584</u>
Total current liabilities	<u>18,508</u>	<u>10,607</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	480,303	351,869
Designated endowment	<u>570,861</u>	<u>557,220</u>
Total unrestricted	1,051,164	909,089
Temporarily restricted	<u>21,000</u>	<u>          </u>
Total net assets	<u>1,072,164</u>	<u>909,089</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,090,672</u>	<u>\$ 919,696</u>

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

**SHOES THAT FIT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(With comparative totals for year ended December 31, 2012)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2013 TOTAL</u>	<u>2012 TOTAL</u>
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 532,191	\$ 25,000	\$ 557,191	\$ 550,750
Contributions-emergency clothing	167,284		167,284	121,466
Donated shoes and clothing	2,841,548		2,841,548	2,709,863
Interest and dividends	29,909		29,909	21,215
Unrealized gains (loss) on investments	(10,887)		(10,887)	27,119
Other income	2,513		2,513	259
Special events, net			-	32,037
Net assets released from restriction by payment	4,000	(4,000)	-	-
Total revenues and support	<u>3,566,558</u>	<u>21,000</u>	<u>3,587,558</u>	<u>3,462,709</u>
<b>EXPENSES</b>				
Program services	3,224,649		3,224,649	3,314,078
Management and general	65,693		65,693	95,590
Fundraising	134,141		134,141	125,988
Total expenses	<u>3,424,483</u>		<u>3,424,483</u>	<u>3,535,656</u>
<b>CHANGE IN NET ASSETS</b>	142,075	21,000	163,075	(72,947)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>909,089</u>		<u>909,089</u>	<u>982,036</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,051,164</u>	<u>\$ 21,000</u>	<u>\$ 1,072,164</u>	<u>\$ 909,089</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, 2013**  
**(With comparative totals for year ended December 31, 2012)**

	Program Services	Management and general	Fund Raising	2013 Total	2012 Total
Distribution of shoes & clothing	\$ 2,639,873	\$	\$	\$2,639,873	\$ 2,715,788
Salaries and wages	239,035	33,725	66,480	339,240	302,159
Payroll taxes	19,501	2,794	5,366	27,661	25,052
Retirement	18,586	2,610	5,167	26,363	24,814
Professional	16,046	2,253	4,461	22,760	112,927
Credit card charges		563		563	76
Development			2,544	2,544	2,090
Emergency shoes	169,124			169,124	143,444
Insurance	10,642	1,330	1,330	13,302	11,757
Newsletter	7,390		7,390	14,780	29,590
Office supplies	7,818	977	977	9,772	9,307
Postage	3,265	408	408	4,081	6,309
Printing	3,016	377	377	3,770	5,225
Publicity	4,775		1,164	5,939	5,828
Recognition	1,702			1,702	2,324
Rent	29,245	3,656	3,656	36,557	35,773
Repairs & maintenance	5,569	696	696	6,961	6,829
Telephone	5,765	721	721	7,207	12,548
Travel & entertainment	12,090	1,511	1,511	15,112	11,564
Depreciation	4,036	504	504	5,044	5,307
Utilities	3,334	417	417	4,168	3,274
Advertising	1,086			1,086	672
Dues	2,822	353	353	3,528	3,244
Contract labor	19,929	5,616	30,619	56,164	28,970
Bank and Investment fees		5,864		5,864	10,744
Licenses		1,246		1,246	2,962
Moving				-	15,458
Miscellaneous		72		72	1,621
<b>Total</b>	<b>\$ 3,224,649</b>	<b>\$ 65,693</b>	<b>\$134,141</b>	<b>\$3,424,483</b>	<b>\$ 3,535,656</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, 2013**  
**(With comparative totals for year ended December 31, 2012)**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 163,075	\$ (72,947)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	5,044	5,307
(Increase) decrease in inventory	(201,675)	5,925
(Increase) decrease in prepaid expenses	(9,446)	27,010
(Increase) in deposits		(749)
Increase (decrease) in accounts payable	647	(28,491)
Increase (decrease) in accrued vacation	7,254	(2,935)
Increase (decrease) in deferred income		(11,649)
Net cash provided (used) by operating activities	(35,101)	(78,529)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in investments	79,801	6,780
Purchase of equipment	(7,900)	(1,915)
Net cash provided by investing activities	71,901	4,865
<b>NET INCREASE (DECREASE) IN CASH</b>	36,800	(73,664)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	75,093	148,757
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 111,893</b>	<b>\$ 75,093</b>

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

**SHOES THAT FIT  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2013**

**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, 2013**

**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.

**ADVERTISING EXPENSE**

Advertising costs are expensed as they are incurred.

**SUBSEQUENT EVENTS**

The Organization evaluated events subsequent to December 31, 2013 and through April 17, 2014, 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, 2012, from which the summarized information was derived.

**SHOES THAT FIT  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2013**

**NOTE 2 INVESTMENTS**

Investments are presented in the financial statements at market value. Investments at December 31, 2013 are as follows:

Money Market funds	\$ 53,200
Exchange Traded Funds	<u>649,533</u>
	<u>\$ 702,733</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 April 1, 2012 and ending March 31, 2017. Rent expense for the year was \$36,557. Minimum lease payments for years ending December 31 is as follows:

2014	\$ 41,001
2015	42,231
2016	43,494
2017	10,953

**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 \$26,363.

**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, 2013**

**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 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, 2013 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	\$ 53,200	\$ 53,200	-	-
Exchange Traded Funds	649,533	649,533	-	-
Total	<u>\$ 702,733</u>	<u>\$ 702,733</u>	<u>\$ -</u>	<u>\$ -</u>