

**SHOES THAT FIT
FINANCIAL STATEMENT
AND
AUDITOR'S REPORT
DECEMBER 31, 2014**

**SHOES THAT FIT
DECEMBER 31, 2014**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

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



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

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, 2014, 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, 2014, 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 16, 2015

SHOES THAT FIT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(With comparative totals for December 31, 2013)

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 169,796	\$ 111,893
Investments	660,627	702,733
Inventory	278,925	249,875
Prepaid expenses	3,442	9,648
Total current assets	<u>1,112,790</u>	<u>1,074,149</u>
FIXED ASSETS		
Office equipment	84,956	84,956
Less accumulated depreciation	<u>(75,988)</u>	<u>(71,182)</u>
Total fixed assets	<u>8,968</u>	<u>13,774</u>
OTHER ASSETS		
Deposits	<u>2,749</u>	<u>2,749</u>
TOTAL ASSETS	<u><u>\$ 1,124,507</u></u>	<u><u>\$ 1,090,672</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,442	\$ 4,670
Accrued vacation	6,459	13,838
Total current liabilities	<u>11,901</u>	<u>18,508</u>
NET ASSETS		
Unrestricted		
Undesignated	573,902	480,303
Designated endowment	<u>487,704</u>	<u>570,861</u>
Total unrestricted	1,061,606	1,051,164
Temporarily restricted	<u>51,000</u>	<u>21,000</u>
Total net assets	<u>1,112,606</u>	<u>1,072,164</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,124,507</u></u>	<u><u>\$ 1,090,672</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative totals for year ended December 31, 2013)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2014 TOTAL</u>	<u>2013 TOTAL</u>
REVENUES AND SUPPORT				
Contributions	\$ 551,611	\$ 55,000	\$ 606,611	\$ 557,191
Contributions-emergency clothing	121,199		121,199	167,284
Donated shoes and clothing	3,023,588		3,023,588	2,841,548
Interest and dividends	15,550		15,550	29,909
Unrealized gains (loss) on investments	(3,262)		(3,262)	(10,887)
Other income	4,725		4,725	2,513
Net assets released from restriction by payment	25,000	(25,000)	-	-
Total revenues and support	<u>3,738,411</u>	<u>30,000</u>	<u>3,768,411</u>	<u>3,587,558</u>
EXPENSES				
Program services	3,566,946		3,566,946	3,224,649
Management and general	55,881		55,881	65,693
Fundraising	105,142		105,142	134,141
Total expenses	<u>3,727,969</u>		<u>3,727,969</u>	<u>3,424,483</u>
CHANGE IN NET ASSETS	10,442	30,000	40,442	163,075
NET ASSETS, BEGINNING OF YEAR	<u>1,051,164</u>	<u>21,000</u>	<u>1,072,164</u>	<u>909,089</u>
NET ASSETS, END OF YEAR	<u>\$ 1,061,606</u>	<u>\$ 51,000</u>	<u>\$ 1,112,606</u>	<u>\$ 1,072,164</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, 2014
(With comparative totals for year ended December 31, 2013)

	Program Services	Management and general	Fund Raising	2014 Total	2013 Total
Distribution of shoes & clothing	\$ 2,994,538	\$	\$	\$2,994,538	\$ 2,639,873
Salaries and wages	266,914	29,349	61,752	358,015	339,240
Payroll taxes	26,715	2,937	6,159	35,811	27,661
Retirement	18,739	2,060	4,320	25,119	26,363
Professional	12,578	1,383	2,900	16,861	22,760
Credit card charges		3,432		3,432	563
Development			1,868	1,868	2,544
Emergency shoes	125,176			125,176	169,124
Insurance	10,622	1,328	1,328	13,278	13,302
Newsletter	6,801		6,801	13,602	14,780
Office supplies	4,622	578	578	5,778	9,772
Postage	3,045	380	380	3,805	4,081
Printing	2,628	329	329	3,286	3,770
Publicity	5,168		1,073	6,241	5,939
Recognition	1,809			1,809	1,702
Rent	33,053	4,132	4,132	41,317	36,557
Repairs & maintenance	5,476	685	685	6,846	6,961
Telephone	5,370	671	671	6,712	7,207
Travel & entertainment	7,143	893	893	8,929	15,112
Depreciation	3,846	480	480	4,806	5,044
Utilities	3,113	389	389	3,891	4,168
Advertising	738		737	1,475	1,086
Dues	3,620	452	452	4,524	3,528
Contract labor	9,215		9,215	18,430	56,164
Bank and Investment fees		4,210		4,210	5,864
Licenses		1,005		1,005	1,246
Warehouse remodel	16,017			16,017	
Miscellaneous		1,188		1,188	72
Total	\$ 3,566,946	\$ 55,881	\$105,142	\$3,727,969	\$ 3,424,483

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative totals for year ended December 31, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 40,442	\$ 163,075
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	4,806	5,044
(Increase) decrease in inventory	(29,050)	(201,675)
(Increase) decrease in prepaid expenses	6,206	(9,446)
Increase in accounts payable	772	647
Increase (decrease) in accrued vacation	(7,379)	7,254
Net cash provided (used) by operating activities	15,797	(35,101)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in investments	42,106	79,801
Purchase of equipment		(7,900)
Net cash provided by investing activities	42,106	71,901
 NET INCREASE IN CASH	57,903	36,800
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	111,893	75,093
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 169,796	\$ 111,893

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

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, 2014

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, 2014 and through April 16, 2015, 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, 2013, from which the summarized information was derived.

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

NOTE 2 INVESTMENTS

Investments are presented in the financial statements at market value. Investments at December 31, 2014 are as follows:

Money Market funds	\$ 56,065
Mutual funds	212,756
Exchange Traded Funds	<u>391,806</u>
	<u>\$ 660,627</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 \$41,317. Minimum lease payments for years ending December 31 is as follows:

2014	\$ 42,231
2015	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 \$25,119.

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, 2014**

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, 2014 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	\$ 56,065	\$ 56,065	-	-
Mutual Funds	212,756	212,756		
Exchange Traded Funds	391,806	391,806	-	-
Total	\$ 660,627	\$ 660,627	\$ -	\$ -