

**SHOES THAT FIT
FINANCIAL STATEMENT
AND
AUDITOR'S REPORT
DECEMBER 31, 2016**

**SHOES THAT FIT
DECEMBER 31, 2016**

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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, 2016, 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, 2016, 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.
March 24, 2017

SHOES THAT FIT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(With comparative totals for December 31, 2015)

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 356,125	\$ 447,578
Investments	689,369	650,203
Inventory	154,800	233,070
Prepaid expenses	16,866	-
Total current assets	<u>1,217,160</u>	<u>1,330,851</u>
FIXED ASSETS		
Office equipment	84,956	84,956
Less accumulated depreciation	<u>(83,149)</u>	<u>(80,808)</u>
Total fixed assets	<u>1,807</u>	<u>4,148</u>
OTHER ASSETS		
Deposits	<u>2,550</u>	<u>2,749</u>
TOTAL ASSETS	<u><u>\$ 1,221,517</u></u>	<u><u>\$ 1,337,748</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 26,875	\$ 11,674
Accrued vacation	16,998	13,346
Total current liabilities	<u>43,873</u>	<u>25,020</u>
NET ASSETS		
Unrestricted		
Undesignated	653,948	663,410
Designated endowment	<u>513,696</u>	<u>476,518</u>
Total unrestricted	1,167,644	1,139,928
Temporarily restricted	10,000	172,800
Total net assets	<u>1,177,644</u>	<u>1,312,728</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,221,517</u></u>	<u><u>\$ 1,337,748</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, 2016
(With comparative totals for year ended December 31, 2015)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2016 TOTAL</u>	<u>2015 TOTAL</u>
REVENUES AND SUPPORT				
Contributions	\$ 800,890	\$ 10,000	\$ 810,890	\$ 896,398
Contributions-emergency clothing	105,951		105,951	90,226
Donated shoes and clothing	3,064,230		3,064,230	3,559,934
Interest and dividends	14,513		14,513	13,355
Unrealized gains (loss) on investments	29,408		29,408	(19,032)
Other income	2,479		2,479	1,368
Net assets released from restriction by payment	172,800	(172,800)	-	-
Total revenues and support	<u>4,190,271</u>	<u>(162,800)</u>	<u>4,027,471</u>	<u>4,542,249</u>
EXPENSES				
Program services	3,935,740		3,935,740	4,160,631
Management and general	63,743		63,743	61,320
Fundraising	163,072		163,072	120,176
Total expenses	<u>4,162,555</u>		<u>4,162,555</u>	<u>4,342,127</u>
CHANGE IN NET ASSETS	27,716	(162,800)	(135,084)	200,122
NET ASSETS, BEGINNING OF YEAR	<u>1,139,928</u>	<u>172,800</u>	<u>1,312,728</u>	<u>1,112,606</u>
NET ASSETS, END OF YEAR	<u>\$ 1,167,644</u>	<u>\$ 10,000</u>	<u>\$ 1,177,644</u>	<u>\$ 1,312,728</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, 2016
(With comparative totals for year ended December 31, 2015)

	Program Services	Management and general	Fund Raising	2016 Total	2015 Total
Distribution of shoes & clothing	\$ 3,142,500			\$3,142,500	\$ 3,605,789
Salaries and wages	297,070	37,500	98,263	432,833	376,564
Payroll taxes	23,095	3,057	7,811	33,963	29,820
Retirement	22,970	3,040	7,769	33,779	29,036
Employee benefits	10,010	1,325	3,386	14,721	-
Professional	13,904	1,840	4,702	20,446	17,454
Credit card charges		883		883	3,819
Development			964	964	2,334
Emergency shoes	172,880			172,880	96,930
Insurance	12,467	733	1,467	14,667	14,900
Newsletter	15,777		15,777	31,554	28,190
Office supplies	5,214	306	613	6,133	4,837
Postage	8,442	496	993	9,931	5,089
Printing	3,163	186	372	3,721	6,440
Publicity	53,706			53,706	6,988
Recognition	453			453	447
Rent	39,715	2,336	4,672	46,723	42,334
Repairs & maintenance	7,161	421	842	8,424	7,433
Telephone	6,094	358	717	7,169	6,452
Travel & entertainment	12,117	713	1,425	14,255	7,789
Depreciation	1,990	117	234	2,341	4,820
Utilities	2,980	175	351	3,506	3,581
Advertising	590			590	749
Dues	4,565	268	537	5,370	4,941
Contract labor	12,178		12,177	24,355	8,557
Bank and Investment fees		8,004		8,004	4,366
Licenses		1,985		1,985	906
Special projects	66,699			66,699	-
Warehouse remodel				-	19,958
Events				-	1,604
Total	\$ 3,935,740	\$ 63,743	\$163,072	\$4,162,555	\$ 4,342,127

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SHOES THAT FIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for year ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (135,084)	\$ 200,122
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	2,341	4,820
Decrease in inventory	78,270	45,855
(Increase) decrease in prepaid expenses	(16,866)	3,442
Decrease in deposits	199	
Increase in accounts payable	15,201	6,232
Increase in accrued vacation	3,652	6,887
Net cash provided (used) by operating activities	(52,287)	267,358
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in investments	(39,166)	10,424
Net cash provided (used) by investing activities	(39,166)	10,424
NET INCREASE (DECREASE) IN CASH	(91,453)	277,782
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	447,578	169,796
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 356,125	\$ 447,578

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2016**

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, 2016**

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, 2016 and through March 24, 2017, 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, 2015, from which the summarized information was derived.

**SHOES THAT FIT
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2016**

NOTE 2 INVESTMENTS

Investments are presented in the financial statements at market value. Investments at December 31, 2016 are as follows:

Money Market funds	\$ 59,384
Mutual funds	286,229
Exchange Traded Funds	<u>343,756</u>
	<u>\$ 689,369</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 \$46,723. Minimum lease payments for years ending December 31 are as follows:

2017	\$ 10,953
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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 \$33,779.

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, 2016**

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 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the purchase of shoes and provide program services.

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, 2016 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	\$ 59,384	\$ 59,384	-	-
Mutual Funds	286,229	286,229		
Exchange Traded Funds	343,756	343,756	-	-
Total	\$ 689,369	\$ 689,369	\$ -	\$ -