

# **Undies for Everyone**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2023 and 2022

# Undies for Everyone

## Table of Contents

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of December 31, 2023 and 2022	3
Statement of Activities for the year ended December 31, 2023	4
Statement of Activities for the year ended December 31, 2022	5
Statements of Functional Expenses for the years ended December 31, 2023 and 2022	6
Statements of Cash Flows for the years ended December 31, 2023 and 2022	7
Notes to Financial Statements for the years ended December 31, 2023 and 2022	8

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## Independent Auditors' Report

To the Board of Directors of  
Undies for Everyone:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Undies for Everyone, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Undies for Everyone as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Undies for Everyone and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Undies for Everyone's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that

includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Undies for Everyone's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Undies for Everyone's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Blazek & Vetterling*

August 21, 2024

## Undies for Everyone

Statements of Financial Position as of December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 488,597	\$ 392,864
Accounts receivable and other assets	9,874	16,030
Contributions receivable (Note 3)	185,308	327,923
Underwear supplies	1,133,496	1,180,239
Operating lease right-of-use asset (Note 4)	60,774	120,755
Equipment, net	<u>26,500</u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 1,904,549</u>	<u>\$ 2,037,811</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 145,431	\$ 102,405
Operating lease liability (Note 4)	<u>66,829</u>	<u>132,936</u>
Total liabilities	<u>212,260</u>	<u>235,341</u>
Net assets:		
Without donor restrictions	1,588,162	1,347,470
With donor restrictions (Note 5)	<u>104,127</u>	<u>455,000</u>
Total net assets	<u>1,692,289</u>	<u>1,802,470</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,904,549</u>	<u>\$ 2,037,811</u>

*See accompanying notes to financial statements.*

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## Undies for Everyone

Statement of Activities for the year ended December 31, 2023

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions of cash and other financial assets:			
Cash and other financial assets	\$ 514,277	\$ 514,574	\$ 1,028,851
Contributions of nonfinancial assets ( <i>Note 6</i> ):			
Underwear	745,560		745,560
Discount on purchased underwear	673,330		673,330
Special events	171,707		171,707
Direct donor benefit costs	(21,221)		(21,221)
Other income	<u>2,929</u>		<u>2,929</u>
Total revenue	2,086,582	514,574	2,601,156
Net assets released from restrictions:			
Expended for restricted purpose	<u>865,447</u>	<u>(865,447)</u>	
Total	<u>2,952,029</u>	<u>(350,873)</u>	<u>2,601,156</u>
EXPENSES:			
Program services	2,286,464		2,286,464
Management and general	132,728		132,728
Fundraising	<u>292,145</u>		<u>292,145</u>
Total expenses	<u>2,711,337</u>		<u>2,711,337</u>
CHANGES IN NET ASSETS	240,692	(350,873)	(110,181)
Net assets, beginning of year	<u>1,347,470</u>	<u>455,000</u>	<u>1,802,470</u>
Net assets, end of year	<u>\$ 1,588,162</u>	<u>\$ 104,127</u>	<u>\$ 1,692,289</u>

*See accompanying notes to financial statements.*

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## Undies for Everyone

Statement of Activities for the year ended December 31, 2022

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions of cash and other financial assets:			
Cash and other financial assets	\$ 373,485	\$ 1,032,774	\$ 1,406,259
Government grant		58,713	58,713
Contributions of nonfinancial assets (Note 6):			
Underwear	1,412,017		1,412,017
Discount on purchased underwear	779,567		779,567
Special events	140,232		140,232
Direct donor benefit costs	(21,103)		(21,103)
Other income	2,337		2,337
Total revenue	2,686,535	1,091,487	3,778,022
Net assets released from restrictions:			
Expended for restricted purpose	636,487	(636,487)	
Total	3,323,022	455,000	3,778,022
EXPENSES:			
Program services	1,912,117		1,912,117
Management and general	99,766		99,766
Fundraising	225,967		225,967
Total expenses	2,237,850		2,237,850
CHANGES IN NET ASSETS	1,085,172	455,000	1,540,172
Net assets, beginning of year	262,298		262,298
Net assets, end of year	\$ 1,347,470	\$ 455,000	\$ 1,802,470

*See accompanying notes to financial statements.*

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## Undies for Everyone

### Statements of Functional Expenses for the years ended December 31, 2023 and 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL EXPENSES
Salary and benefits	\$ 317,084	\$ 60,693	\$ 123,545	\$ 501,322
Distributions of underwear to partner organizations	1,789,191			1,789,191
Contract and professional fees	22,291	28,689	99,421	150,401
Equipment and supplies	45,228	15,027	55,379	115,634
Building rent, utilities, and insurance	90,585	4,872	3,310	98,767
Fees and dues		21,271		21,271
Depreciation	486			486
Other	<u>21,599</u>	<u>2,176</u>	<u>10,490</u>	<u>34,265</u>
Total expenses	<u>\$ 2,286,464</u>	<u>\$ 132,728</u>	<u>\$ 292,145</u>	2,711,337
Direct donor benefit costs				<u>21,221</u>
Total				<u>\$ 2,732,558</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL EXPENSES
Salary and benefits	\$ 273,316	\$ 43,096	\$ 96,673	\$ 413,085
Distributions of underwear to partner organizations	1,461,980			1,461,980
Contract and professional fees	27,780	28,980	67,397	124,157
Equipment and supplies	48,443	7,559	46,985	102,987
Building rent, utilities, and insurance	81,812	4,455	4,622	90,889
Fees and dues		14,000		14,000
Depreciation	5,400			5,400
Other	<u>13,386</u>	<u>1,676</u>	<u>10,290</u>	<u>25,352</u>
Total expenses	<u>\$ 1,912,117</u>	<u>\$ 99,766</u>	<u>\$ 225,967</u>	2,237,850
Direct donor benefit costs				<u>21,103</u>
Total				<u>\$ 2,258,953</u>

*See accompanying notes to financial statements.*

## Undies for Everyone

### Statements of Cash Flows for the years ended December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (110,181)	\$ 1,540,172
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	486	5,400
Amortization of right-of-use asset	59,981	78,052
Changes in operating assets and liabilities:		
Accounts receivable and other assets	6,156	(16,030)
Contributions receivable	142,615	(282,158)
Underwear supplies	46,743	(1,054,271)
Accounts payable	43,026	57,536
Accrued payroll liabilities		(30,653)
Refundable advance – Paycheck Protection Program		(58,713)
Operating lease liability	<u>(66,107)</u>	<u>(65,871)</u>
Net cash provided by operating activities	<u>122,719</u>	<u>173,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	<u>(26,986)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Draws on line of credit	125,000	
Repayments on line of credit	<u>(125,000)</u>	
Net cash provided by financing activities	<u>0</u>	
NET CHANGE IN CASH	95,733	173,464
Cash, beginning of year	<u>392,864</u>	<u>219,400</u>
Cash, end of year	<u>\$ 488,597</u>	<u>\$ 392,864</u>

*See accompanying notes to financial statements.*

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## Undies for Everyone

Notes to Financial Statements for the years ended December 31, 2023 and 2022

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Undies for Everyone was incorporated in 2012 under the Texas Non-Profit Corporation Act. Its mission is to provide children living in poverty or crisis with new underwear, recognizing the importance of a small basic need as part of a child’s increased chances for long-term success. Undies for Everyone serves children through partner organizations throughout the United States, in twenty-seven cities in fourteen states, by partnering with public school district homeless departments, Child Protective Services, Boys and Girls Clubs, Children’s hospitals mobile units and community closets. Additionally, Undies for Everyone implemented a new program, Undies for Change, which allows organizations to host offsite packing and distribution events to support local children’s organizations.

Federal income tax status – Undies for Everyone is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

Cash includes demand deposits and cash on hand. At times, demand deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. An allowance for uncollectible contributions receivable is provided when it is believed that contributions may not be collected in full.

It is Undies for Everyone’s policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of bad debt expense or loss on valuation of contributions receivable recognized each period and the resulting adequacy of the allowance at the end of each period are determined using an individual account-by-account analysis of receivable balances. It is possible that management’s estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of contributions receivable.

Underwear supplies consist of children’s underwear and are recorded at fair value based on the average wholesale costs at the time of purchase or donation.

Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease, adjusted as appropriate, for certain other payments and allowances related to obtaining the lease. The operating lease right-of-use asset is amortized so that lease costs remain constant over the lease term. The following accounting policy elections were made:

- *Short-term leases* – Undies for Everyone has elected to not apply the new guidance to leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – Undies for Everyone has elected to use the risk-free U. S. Treasury rate as the discount rate when the rate implicit in the lease is not readily determinable.
- *Lease and non-lease components* – Undies for Everyone has elected the practical expedient to choose whether to separate non-lease components from lease components by class of underlying assets or account for them as a single lease component and has elected not to separate lease and non-lease components for the office lease.

Equipment having a cost of more than \$5,000 and an estimated life of more than one year is reported at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is computed on the straight-line method over the estimated useful life of the asset. Fixed assets were fully depreciated at December 31, 2022.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Undies for Everyone is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions are substantially met. Funding received before conditions are met is reported as a refundable advance.

In-kind contributions of underwear are recognized at estimated fair value based on average wholesale costs at the time of donation when an unconditional commitment is received from the donor. The related expense is recognized as the item is distributed.

Undies for Everyone recognized the following contributed nonfinancial assets as revenue and distributions of contributed underwear as follows:

	<u>2023</u>	<u>2022</u>
Contributed nonfinancial assets – underwear	\$ 745,560	\$ 1,412,017
Distributions of contributed underwear	<u>822,598</u>	<u>1,038,751</u>
Impact on changes in net assets	<u>\$ (77,038)</u>	<u>\$ 373,266</u>

Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2023 and 2022, 1,893 and 1,485 volunteers, respectively, contributed approximately 4,753 and 3,702 hours, respectively, preparing inventory for distribution for which no amount has been reported in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Rent and insurance are allocated based on estimated square footage. Professional fees for marketing and publication are allocated between management and general and fundraising based on the purpose of the marketing message.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 488,597	\$ 392,864
Accounts receivable and other assets		7,673
Contributions receivable	<u>185,308</u>	<u>327,923</u>
Total financial assets	673,905	728,460
Less financial assets not available for general expenditure:		
Approved board-designated reserves	(80,664)	(55,021)
Other donor-restricted assets not expected to be satisfied in the coming year		<u>(150,000)</u>
Total financial assets available for general expenditure	<u>\$ 593,241</u>	<u>\$ 523,439</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Undies for Everyone considers all expenditures related to its ongoing activities of underwear distribution to partner organizations, to be general expenditures. Undies for Everyone expects to fund general expenditures in excess of financial assets available to meet cash needs with future contributions.

The Board of Directors adopted a cash reserve policy to designate excess cash flows for reserves or specific projects, as deemed prudent. Reserve balances are \$80,664 at December 31, 2023 with a goal to obtain a six-month reserve over the next three to five years. In addition, Undies for Everyone has a line of credit available from a bank in the amount of \$125,000 to fund unexpected cash flow needs. The line of credit will mature on September 19, 2026 and bears interest at the prime rate plus 3.25%. No amounts were outstanding on the line of credit at December 31, 2023 or 2022.

## NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 185,308	\$ 331,673
Discount to net present value at 2.5%		<u>(3,750)</u>
Total contributions receivable	<u>\$ 185,308</u>	<u>\$ 327,923</u>

#### NOTE 4 – LEASES

Undies for Everyone leases office space in Houston, Texas under a noncancellable operating lease agreement ending on December 31, 2024. The agreement contains one renewal option to extend the lease for an additional 3-year period at market rates.

The components of lease cost are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 61,578	\$ 61,438
Short-term lease cost	<u>12,299</u>	<u>9,462</u>
Total lease cost	<u>\$ 73,877</u>	<u>\$ 70,900</u>

Cash paid for amounts included in the measurement of the lease liability during the years ended December 31, 2023 and 2022 was \$67,704 and \$62,843, respectively.

The weighted-average term and discount rates for the operating lease outstanding are as follows:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term	12 months	24 months
Risk-free discount rate	1.65%	1.65%

Undiscounted cash flows related to the operating lease liability as of December 31, 2023 are as follows:

2024	\$ 68,068
Less present value discount	<u>(1,239)</u>
Total present value of lease liability	<u>\$ 66,829</u>

#### NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Capacity building	\$ 87,307	\$ 405,000
City specific underwear	<u>16,820</u>	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 104,127</u>	<u>\$ 455,000</u>

#### NOTE 6 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

Undies for Everyone receives contributions of underwear. Underwear is valued at the average wholesale costs at the time of donation. Management performed a market survey of the costs of comparable underwear distributed by the organization and determined an average wholesale value. Undies for Everyone also receives a significant discount on its purchases of underwear from a vendor. The difference between the wholesale value of the underwear and the price paid by Undies for Everyone are recognized as contributions of nonfinancial assets.

Contributed nonfinancial assets, none of which had donor restrictions, were recognized as follows:

<u>CONTRIBUTED NONFINANCIAL ASSETS</u>	<u>MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES</u>	<u>VALUATION TECHNIQUES AND INPUTS</u>	<u>2023</u>	<u>2022</u>
Donated underwear	Utilized in programs	Valued using wholesale market pricing.	\$ 745,560	\$ 1,412,017
Discount on purchased underwear	Utilized in programs	Valued based on difference between cost and wholesale market pricing.	<u>673,330</u>	<u>779,567</u>
Total			<u>\$ 1,418,890</u>	<u>\$ 2,191,584</u>

#### **NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 21, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.