

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**AND**

**INDEPENDENT AUDITORS' REPORT**



**FRIEDMAN LLP**

ACCOUNTANTS AND ADVISORS

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Fashion Delivers Charitable Foundation, Inc.

We have audited the accompanying financial statements of Fashion Delivers Charitable Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fashion Delivers Charitable Foundation, Inc. as of December 31, 2013 and 2012, 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.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

February 17, 2015

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	Year Ended December 31,	
	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,131,671	\$ 1,585,574
Accounts receivable	110,000	37,025
Investments	100,747	125,687
Fixed assets, net	542	1,296
	<u>\$ 1,342,960</u>	<u>\$ 1,749,582</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 87,657	\$ 96,519
Due to K.I.D.S.	21,673	-
Other liabilities	70,000	67,500
	<u>179,330</u>	<u>164,019</u>
<b>Net assets - unrestricted</b>	<u>1,163,630</u>	<u>1,585,563</u>
	<u>\$ 1,342,960</u>	<u>\$ 1,749,582</u>

See notes to financial statements.

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended December 31,	
	2013	2012
<b>Public support and revenues</b>		
Public support		
Donated products	\$ 28,557,081	\$ 28,060,198
Donated services	53,674	-
Contributions	286,248	126,086
	28,897,003	28,186,284
Special events revenue	708,064	919,125
Less - Direct special event expenses	(336,353)	(314,320)
Special events, net	371,711	604,805
Other revenue		
Investment income	439	501
Other income	-	447
	439	948
Total public support and revenues	29,269,153	28,792,037
<b>Program and supporting services</b>		
Program services	28,893,645	28,326,037
Management	785,741	605,282
Fundraising	11,700	11,631
	29,691,086	28,942,950
<b>Change in net assets</b>	(421,933)	(150,913)
Net assets - unrestricted, beginning of year	1,585,563	1,736,476
<b>Net assets - unrestricted, end of year</b>	\$ 1,163,630	\$ 1,585,563

See notes to financial statements.

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2013	2012
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (421,933)	\$ (150,913)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	754	1,663
Unrealized gain on investments	(60)	(150)
Changes in assets and liabilities		
Accounts receivable	(72,975)	(17,525)
Accounts payable	(8,862)	68,156
Due to K.I.D.S.	21,673	-
Other liabilities	2,500	25,250
Net cash used in operating activities	(478,903)	(73,519)
<b>Cash flows from investing activities</b>		
Proceeds from maturity of investment	25,000	-
<b>Net decrease in cash and cash equivalents</b>	<b>(453,903)</b>	<b>(73,519)</b>
Cash and cash equivalents, beginning of year	1,585,574	1,659,093
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,131,671</b>	<b>\$ 1,585,574</b>

See notes to financial statements.

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2013**

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ -	\$ 435,825	\$ -	\$ 435,825	\$ 435,825
Payroll taxes	-	41,655	-	41,655	41,655
Outside services	-	2,667	-	2,667	2,667
Bonuses	-	132,000	-	132,000	132,000
Employee benefits	-	45,337	-	45,337	45,337
Contracted services	-	657,484	-	657,484	657,484
Special event expenses	-	-	336,353	336,353	336,353
Freight	316,685	-	-	-	316,685
Professional fees	-	24,775	-	24,775	24,775
Marketing and advertising	9,888	-	-	-	9,888
Product purchases	9,991	-	-	-	9,991
Office expense and supplies	-	1,129	-	1,129	1,129
Meetings and seminars	-	-	641	641	641
Design, typography and printing	-	800	-	800	800
Telecommunications	-	1,045	-	1,045	1,045
Travel and entertainment	-	10,350	-	10,350	10,350
Web	-	12,248	-	12,248	12,248
Bank and credit card fees	-	-	11,059	11,059	11,059
Charity	-	5,540	-	5,540	5,540
Dues and subscriptions	-	792	-	792	792
Computer expense	-	5,397	-	5,397	5,397
Other expenses	-	11,753	-	11,753	11,753
Depreciation expense	-	754	-	754	754
	336,564	732,067	348,053	1,080,120	1,416,684
Donated products	28,557,081	-	-	-	28,557,081
Donated legal services	-	53,674	-	53,674	53,674
Less - Expenses deducted directly from revenue on statements of activities	-	-	(336,353)	(336,353)	(336,353)
	\$ 28,893,645	\$ 785,741	\$ 11,700	\$ 797,441	\$ 29,691,086

See notes to financial statements.



**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2012**

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ -	\$ 368,477	\$ -	\$ 368,477	\$ 368,477
Payroll taxes	-	29,172	-	29,172	29,172
Outside services	-	2,800	-	2,800	2,800
Bonuses	-	67,250	-	67,250	67,250
Employee benefits	-	36,338	-	36,338	36,338
Contracted services	-	504,037	-	504,037	504,037
Special event expenses	-	-	314,320	314,320	314,320
Freight	257,230	-	-	-	257,230
Professional fees	-	24,693	-	24,693	24,693
Marketing and advertising	8,609	-	-	-	8,609
Office expense and supplies	-	854	-	854	854
Meetings and seminars	-	-	1,879	1,879	1,879
Design, typography and printing	-	1,623	-	1,623	1,623
Telecommunications	-	1,175	-	1,175	1,175
Insurance	-	4,177	-	4,177	4,177
Travel and entertainment	-	17,461	-	17,461	17,461
Web	-	13,360	-	13,360	13,360
Bank and credit card fees	-	-	9,752	9,752	9,752
Charity	-	12,615	-	12,615	12,615
Dues and subscriptions	-	879	-	879	879
Computer expense	-	8,885	-	8,885	8,885
Other expenses	-	13,860	-	13,860	13,860
Depreciation expense	-	1,663	-	1,663	1,663
	265,839	605,282	325,951	931,233	1,197,072
Donated products	28,060,198	-	-	-	28,060,198
Less - Expenses deducted directly from revenue on statements of activities	-	-	(314,320)	(314,320)	(314,320)
	\$ 28,326,037	\$ 605,282	\$ 11,631	\$ 670,587	\$ 28,942,950

See notes to financial statements.

# FASHION DELIVERS CHARITABLE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Fashion Delivers Charitable Foundation, Inc. (the “Foundation”) was formed in 2005 in response to the devastation of Hurricane Katrina. The Foundation is dedicated to mobilizing the fashion community through donations of new products from the men’s, women’s and home industries. These donations provide relief to survivors of natural disasters and other people in need. The Foundation sources its product donations from the above-noted industries and coordinates the delivery of products through a network of more than 1,000 local agencies worldwide.

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

#### **Tax Status**

The Foundation is a nonprofit organization exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code and is classified as a publicly supported organization as described in Section 509(a).

The Foundation’s tax filings are subject to examination by tax authorities for three years from the date of filing.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and highly liquid financial instruments with original maturity dates of three months or less from the date purchased. Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

#### **Investments**

Investments in marketable equity securities with readily determinable fair value and all debt securities are stated at fair value. Donated marketable securities are recorded at fair value at the date of donation. Realized and unrealized gains or losses on investments are reported in the statement of activities and changes in net assets as increases and decreases in unrestricted net assets.

# FASHION DELIVERS CHARITABLE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Fixed Assets**

Purchased assets are carried at cost and depreciated over the expected life of the assets using the straight-line method.

#### **Public Support and Revenue**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized as revenue in the period received.

#### **Contributed Goods and Services**

Contributed goods and services are recognized in the financial statements if the services or goods enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Foundation receives donated clothing from various donors, which is recorded at wholesale value (fair value). Contributed goods and services have been reported as revenues and expenses in the accompanying statements of activities and changes in net assets. The Foundation also receives contributed use of office space, utilities including phone service, use of equipment and office supplies and other services. No amounts have been reflected in the financial statements for such contributed items as no reasonable basis exists to measure such values.

#### **Net Assets**

The Foundation's net assets are unrestricted and not subject to donor-imposed stipulations. The Foundation records contributions received with donor-imposed stipulations that are met in the same reporting period as unrestricted.

#### **Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, costs have been directly charged to the program and supporting services benefited.

The direct costs of special events include expenses for the benefit of the donor. For example, meals, facilities and rentals are considered direct costs of special events.

#### **Subsequent Events**

These financial statements were approved by management and available for issuance on February 17, 2014. Management has evaluated subsequent events through this date.

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**3 - INVESTMENTS**

Investments include the following:

	December 31,	
	2013	2012
Certificate of deposit	\$ 100,747	\$ 100,687
State of Israel Bond	-	25,000
	<u>\$ 100,747</u>	<u>\$ 125,687</u>

The certificate of deposit has a stated interest rate of 0.02% and matured on November 21, 2014. The State of Israel Bond has a stated interest rate of 1.4% and matured on December 1, 2013.

**4 - FIXED ASSETS, NET**

Fixed assets consist of the following:

	December 31,	
	2013	2012
Equipment	\$ 4,992	\$ 4,992
Computer software	8,948	8,948
	<u>13,940</u>	<u>13,940</u>
Less - Accumulated depreciation	13,398	12,644
	<u>\$ 542</u>	<u>\$ 1,296</u>

**5 - SUBSEQUENT EVENT**

On April 7, 2014, the Foundation merged with Kids In Distressed Situations, Inc. (“K.I.D.S”), a New York not-for-profit corporation. The primary reason for the merger is to utilize the combined organizational resources to better serve families, kids and adults in need. The surviving corporation is called K.I.D.S. / Fashion Delivers, Inc.

As of December 31, 2013, the Foundation has a liability due to K.I.D.S. in the amount of \$21,673 related to the sharing of revenues from the gala event.