

FASHION DELIVERS CHARITABLE FOUNDATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

AND

INDEPENDENT AUDITORS' REPORT

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 statements of financial position of Fashion Delivers Charitable Foundation, Inc. (the "Foundation") as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

October 4, 2012

FASHION DELIVERS CHARITABLE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

	Year Ended December 31,	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 1,659,093	\$ 1,158,910
Accounts receivable	19,500	45,050
Investments	125,537	125,363
Fixed assets, net	2,959	3,247
	<u>\$ 1,807,089</u>	<u>\$ 1,332,570</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 28,363	\$ 24,721
Other liabilities	42,250	15,340
	<u>70,613</u>	<u>40,061</u>
Net assets - unrestricted	<u>1,736,476</u>	<u>1,292,509</u>
	<u>\$ 1,807,089</u>	<u>\$ 1,332,570</u>

See notes to financial statements.

FASHION DELIVERS CHARITABLE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31,	
	2011	2010
Public support and revenues		
Public support		
Donated products	\$ 13,497,489	\$ 20,821,583
Donated services	21,822	148,108
Contributions	38,664	85,048
	13,557,975	21,054,739
Special events revenue	1,334,436	1,591,488
Less - Direct special event expenses	(392,411)	(521,482)
Special events, net	942,025	1,070,006
Other revenue		
Investment income	489	363
Total public support and revenues	14,500,489	22,125,108
Program and supporting services		
Program services	13,572,122	21,153,497
Management	466,394	343,601
Fundraising	18,006	27,517
	14,056,522	21,524,615
Change in net assets	443,967	600,493
Net assets - unrestricted, beginning of year	1,292,509	692,016
Net assets - unrestricted, end of year	\$ 1,736,476	\$ 1,292,509

See notes to financial statements.

FASHION DELIVERS CHARITABLE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 443,967	\$ 600,493
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,705	2,412
Donated investments	-	(25,000)
Unrealized gain on investments	(174)	(363)
Changes in assets and liabilities		
Accounts receivable	25,550	191,717
Accounts payable	3,642	3,072
Other liabilities	26,910	(2,410)
Net cash provided by operating activities	501,600	769,921
Cash flow from investing activities		
Purchase of fixed assets	(1,417)	(3,805)
Net increase in cash and cash equivalents	500,183	766,116
Cash and cash equivalents, beginning of year	1,158,910	392,794
Cash and cash equivalents, end of year	\$ 1,659,093	\$ 1,158,910

See notes to financial statements.

FASHION DELIVERS CHARITABLE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	Program Services	Supporting Services			Total	Total Expenses
		Management and General	Fundraising			
Salaries	\$ -	\$ 300,740	\$ -	\$ 300,740	\$ 300,740	
Payroll taxes	-	28,764	-	28,764	28,764	
Outside services	-	6,296	-	6,296	6,296	
Bonuses	-	45,250	-	45,250	45,250	
Employee benefits	-	18,610	-	18,610	18,610	
Contracted services	-	399,660	-	399,660	399,660	
Special event expenses	-	-	392,411	392,411	392,411	
Freight	51,525	-	-	-	51,525	
Professional fees	-	19,231	-	19,231	19,231	
Marketing and advertising	1,286	-	-	-	1,286	
Office expense and supplies	-	1,009	-	1,009	1,009	
Meetings and seminars	-	-	1,483	1,483	1,483	
Design, typography and printing	-	3,397	-	3,397	3,397	
Telecommunications	-	2,512	-	2,512	2,512	
Insurance	-	1,300	-	1,300	1,300	
Travel and entertainment	-	18,497	-	18,497	18,497	
Web	-	11,198	-	11,198	11,198	
Bank and credit card fees	-	-	16,523	16,523	16,523	
Charity	-	2,325	-	2,325	2,325	
Dues and subscriptions	-	1,005	-	1,005	1,005	
Computer expense	-	525	-	525	525	
Other expenses	-	4,030	-	4,030	4,030	
Depreciation expense	-	1,705	-	1,705	1,705	
	52,811	466,394	410,417	876,811	929,622	
Donated products	13,497,489	-	-	-	13,497,489	
Donated services	21,822	-	-	-	21,822	
Less - Expenses deducted directly from revenue on statements of activities	-	-	(392,411)	(392,411)	(392,411)	
	\$ 13,572,122	\$ 466,394	\$ 18,006	\$ 484,400	\$ 14,056,522	

See notes to financial statements.

FASHION DELIVERS CHARITABLE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	Program Services	Supporting Services			Total	Total Expenses
		Management and General	Fundraising			
Salaries	\$ -	\$ 206,605	\$ -	\$ 206,605	\$ 206,605	
Payroll taxes	-	17,974	-	17,974	17,974	
Outside services	-	7,469	-	7,469	7,469	
Bonuses	-	32,700	-	32,700	32,700	
Employee benefits	-	16,553	-	16,553	16,553	
Contracted services	-	281,301	-	281,301	281,301	
Special event expenses	-	-	521,482	521,482	521,482	
Freight	181,442	-	-	-	181,442	
Professional fees	-	18,650	-	18,650	18,650	
Marketing and advertising	2,364	-	10,665	10,665	13,029	
Supplies	-	875	-	875	875	
Meetings and seminars	-	-	1,767	1,767	1,767	
Occupancy	-	15,519	-	15,519	15,519	
Equipment, rental and maintenance	-	1,559	-	1,559	1,559	
Design, typography and printing	-	5,460	-	5,460	5,460	
Telecommunications	-	1,330	-	1,330	1,330	
Insurance	-	1,000	-	1,000	1,000	
Travel and entertainment	-	10,669	-	10,669	10,669	
Web	-	2,042	-	2,042	2,042	
Bank and credit card fees	-	639	15,085	15,724	15,724	
Other expenses	-	2,145	-	2,145	2,145	
Depreciation expense	-	2,412	-	2,412	2,412	
	183,806	343,601	548,999	892,600	1,076,406	
Donated products	20,821,583	-	-	-	20,821,583	
Donated services	148,108	-	-	-	148,108	
Less - Expenses deducted directly from revenue on statements of activities	-	-	(521,482)	(521,482)	(521,482)	
	\$ 21,153,497	\$ 343,601	\$ 27,517	\$ 371,118	\$ 21,524,615	

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 their 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 for years prior to 2008 are no longer subject to examination by tax authorities.

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.

FASHION DELIVERS CHARITABLE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The Foundation has determined fair value of donated clothing as donor stated retail value discounted to wholesale value. The Foundation also receives donated advertising services, food and event rental for special events. 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 not been reflected in the financial statements for such contributed items as no reasonable basis exists to measure such values.

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 October 4, 2012. 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,	
	2011	2010
Certificate of deposit	\$ 100,537	\$ 100,363
State of Israel Bond	25,000	25,000
	<u>\$ 125,537</u>	<u>\$ 125,363</u>

The certificate of deposit has a stated interest rate of 0.15% and matures on November 27, 2012. The State of Israel Bond has a stated interest rate of 1.4% and matures on December 1, 2013.

4 - FIXED ASSETS, NET

Fixed assets consist of the following:

	December 31,	
	2011	2010
Equipment	\$ 4,992	\$ 4,992
Computer software	8,762	6,820
	<u>13,754</u>	<u>11,812</u>
Less - Accumulated depreciation	<u>10,795</u>	<u>8,565</u>
	<u>\$ 2,959</u>	<u>\$ 3,247</u>