

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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, 2012 and 2011, 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, 2012 and 2011, 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.

September 3, 2013

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

|                                   | Year Ended December 31, |                     |
|-----------------------------------|-------------------------|---------------------|
|                                   | 2012                    | 2011                |
| <b>ASSETS</b>                     |                         |                     |
| Cash and cash equivalents         | \$ 1,585,574            | \$ 1,659,093        |
| Accounts receivable               | 37,025                  | 19,500              |
| Investments                       | 125,687                 | 125,537             |
| Fixed assets, net                 | 1,296                   | 2,959               |
|                                   | <b>\$ 1,749,582</b>     | <b>\$ 1,807,089</b> |
| <b>LIABILITIES AND NET ASSETS</b> |                         |                     |
| <b>Liabilities</b>                |                         |                     |
| Accounts payable                  | \$ 96,519               | \$ 28,363           |
| Other liabilities                 | 67,500                  | 42,250              |
|                                   | 164,019                 | 70,613              |
| <b>Net assets - unrestricted</b>  | <b>1,585,563</b>        | <b>1,736,476</b>    |
|                                   | <b>\$ 1,749,582</b>     | <b>\$ 1,807,089</b> |

See notes to financial statements.

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

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

|   | Year Ended December 31, |               |
|---|-------------------------|---------------|
|   | 2012                    | 2011          |
| <b>Public support and revenues</b>            |                         |               |
| Public support                                |                         |               |
| Donated products                              | \$ 28,060,198           | \$ 13,497,489 |
| Donated services                              | -                       | 21,822        |
| Contributions                                 | 126,086                 | 38,664        |
|   | 28,186,284              | 13,557,975    |
| Special events revenue                        | 919,125                 | 1,334,436     |
| Less - Direct special event expenses          | (314,320)               | (392,411)     |
| Special events, net                           | 604,805                 | 942,025       |
| Other revenue                                 |                         |               |
| Investment income                             | 501                     | 489           |
| Other income                                  | 447                     | -             |
|   | 948                     | 489           |
| Total public support and revenues             | 28,792,037              | 14,500,489    |
| <b>Program and supporting services</b>        |                         |               |
| Program services                              | 28,326,037              | 13,572,122    |
| Management                                    | 605,282                 | 466,394       |
| Fundraising                                   | 11,631                  | 18,006        |
|   | 28,942,950              | 14,056,522    |
| <b>Change in net assets</b>                   | (150,913)               | 443,967       |
| Net assets - unrestricted, beginning of year  | 1,736,476               | 1,292,509     |
| <b>Net assets - unrestricted, end of year</b> | \$ 1,585,563            | \$ 1,736,476  |

See notes to financial statements.

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

|  | Year Ended December 31, |                     |
|--|-------------------------|---------------------|
|  | 2012                    | 2011                |
| <b>Cash flows from operating activities</b>  |                         |                     |
| Change in net assets   | \$ (150,913)            | \$ 443,967          |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |                         |                     |
| Depreciation   | 1,663                   | 1,705               |
| Unrealized gain on investments   | (150)                   | (174)               |
| Changes in assets and liabilities  |                         |                     |
| Accounts receivable  | (17,525)                | 25,550              |
| Accounts payable   | 68,156                  | 3,642               |
| Other liabilities  | 25,250                  | 26,910              |
| Net cash provided by (used in) operating activities  | (73,519)                | 501,600             |
| <b>Cash flows from investing activities</b>  |                         |                     |
| Purchase of fixed assets   | -                       | (1,417)             |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>(73,519)</b>         | <b>500,183</b>      |
| Cash and cash equivalents, beginning of year   | 1,659,093               | 1,158,910           |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$ 1,585,574</b>     | <b>\$ 1,659,093</b> |

See notes to financial statements.

**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2012**

|   | Program<br>Services | Supporting Services       |             |            | Total Expenses |
|---|---------------------|---------------------------|-------------|------------|----------------|
|   |                     | Management<br>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<br>revenue on statements of activities | -                   | -                         | (314,320)   | (314,320)  | (314,320)      |
|   | \$ 28,326,037       | \$ 605,282                | \$ 11,631   | \$ 616,913 | \$ 28,942,950  |

See notes to financial statements.



**FASHION DELIVERS CHARITABLE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2011**

|   | Program<br>Services | Supporting Services       |             |            | Total Expenses |
|---|---------------------|---------------------------|-------------|------------|----------------|
|   |                     | Management<br>and General | Fundraising | Total      |                |
| 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<br>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.

## 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 for years prior to 2009 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.

#### **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). The Foundation also receives donated advertising services, food and event rental for special events during 2011. Contributed goods and services have been reported as revenue and expenses in the accompanying statement 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 September 3, 2013. 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,      |                   |
|------------------------|-------------------|-------------------|
|                        | 2012              | 2011              |
| Certificate of deposit | \$ 100,687        | \$ 100,537        |
| State of Israel Bond   | 25,000            | 25,000            |
|                        | <u>\$ 125,687</u> | <u>\$ 125,537</u> |

The certificate of deposit has a stated interest rate of 0.10% and matured on May 15, 2013. 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,    |                 |
|---------------------------------|-----------------|-----------------|
|                                 | 2012            | 2011            |
| Equipment                       | \$ 4,992        | \$ 4,992        |
| Computer software               | 8,948           | 8,948           |
|                                 | <u>13,940</u>   | <u>13,940</u>   |
| Less - Accumulated depreciation | 12,644          | 10,981          |
|                                 | <u>\$ 1,296</u> | <u>\$ 2,959</u> |

**5 - SUBSEQUENT EVENT**

On April 18, 2013, the board of directors of the Foundation approved a merger with Kids In Distressed Situations, Inc., a New York not-for-profit corporation. It is anticipated that the surviving corporation will be called K.I.D.S. / Fashion Delivers, Inc.