

● FASHION GIRLS FOR HUMANITY ●

**Financial Statements & Review Report  
For the Year Ended December 31, 2012**

# ● FASHION GIRLS FOR HUMANITY ●

Financial Statements  
For the Year Ended December 31, 2012

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors  
Fashion Girls for Humanity

We have reviewed the accompanying statement of financial position of Fashion Girls for Japan Foundation d/b/a Fashion Girls for Humanity ("Fashion Girls" or the "Organization") (a nonprofit organization) as of December 31, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*John Vazzana*

**John Vazzana CPA PLLC**

10/25/2013

**Fashion Girls for Humanity**  
**Statement of Financial Position**  
**December 31, 2012**

**ASSETS**

Cash and cash equivalents	\$ 43,570
Accounts receivable	<u>7,933</u>
<b>Total Assets</b>	<u><u>\$ 51,503</u></u>

**LIABILITIES & NET ASSETS**

Accrued expenses	<u>\$ 1,000</u>
<b>Total Liabilities</b>	<u>1,000</u>

**Net Assets**

Unrestricted	50,503
Temporarily restricted	-
Permanently restricted	<u>-</u>
<b>Total Net Assets</b>	<u>50,503</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 51,503</u></u>

**Fashion Girls for Humanity**  
**Statement of Activities**  
**December 31, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains, and other support</b>				
General contributions	\$ 6,554	\$ -	\$ -	\$ 6,554
Contributed apparel (Note 4)	147,539	-	-	147,539
Sale of contributed apparel (Note 4)	147,539	-	-	147,539
Cost of goods sold (Note 4)	(147,539)	-	-	(147,539)
Special Events (net)	5,439	-	-	5,439
<b>Total income</b>	<b>159,532</b>	<b>-</b>	<b>-</b>	<b>159,532</b>
<b>Expenses:</b>				
Program services	100,250	-	-	100,250
Management and general	8,779	-	-	8,779
Fundraising	-	-	-	-
<b>Total expenses</b>	<b>109,029</b>	<b>-</b>	<b>-</b>	<b>109,029</b>
<b>Changes in net assets</b>	<b>50,503</b>	<b>-</b>	<b>-</b>	<b>50,503</b>
<b>Net assets at beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at end of year</b>	<b>\$ 50,503</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,503</b>

**Fashion Girls for Humanity**  
**Statement of Cash Flows**  
**December 31, 2012**

**CASH FLOW FROM OPERATING ACTIVITIES:**

**Changes in Net Assets** \$ 50,503

**Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:**

Changes in operating assets and liabilities

Decrease/(increase) in:

Accounts receivable (7,933)

(Decrease)/increase in:

Accrued expenses 1,000

**Net cash provided by/(used in) operating activities** 43,570

**CASH FLOW FROM INVESTING ACTIVITIES:**

None

**Net cash provided by/(used in) investing activities** -

**CASH FLOW FROM FINANCING ACTIVITIES:**

None

**Net cash provided by/(used in) financing activities** -

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 43,570

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** -

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 43,570

**SUPPLEMENTAL CASH FLOWS INFORMATION:**

None

**Fashion Girls for Humanity**  
**Statement of Functional Expenses**  
**December 31, 2012**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Direct assistance - disaster relief (Note 5)	\$ 100,250	\$ -	\$ -	\$ 100,250
Professional fees		8,406		8,406
Bank service charges		373		373
<b>Total Expenses</b>	<u>\$ 100,250</u>	<u>\$ 8,779</u>	<u>\$ -</u>	<u>\$ 109,029</u>

**Fashion Girls for Humanity**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 1 - Description of Organization**

**Fashion Girls for Japan Foundation d/b/a Fashion Girls for Humanity** (“Fashion Girls” or the “Organization”) is a not-for-profit organization incorporated April 19, 2012 in the state of Delaware. The mission of Fashion Girls for Humanity is to provide support to organizations and individuals who help rebuild communities that are struck by severe natural disasters. The organization focuses on the longer term reconstruction of the communities and provides assistance intended for communal or public use. Fashion Girls’ funding is derived mainly from contributions of cash and apparel. The Organization is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within Internal Revenue Code requirements.

**Note 2 - Significant Accounting Policies**

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. The significant accounting and reporting policies used by the organization are described below.

*Use of Estimates.* The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

*Net Assets.* The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

*Unrestricted Net Assets.* Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.

*Temporarily Restricted Net Assets.* Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.



**Fashion Girls for Humanity**  
**Notes to Financial Statements**  
**December 31, 2012**

*Permanently Restricted Net Assets.* Net assets that are subject to donor-imposed stipulations that neither expire by passage of time, nor can be fulfilled or removed by actions of the Organization.

For the year ending December 31, 2012 the Organization has no temporarily or permanently restricted net assets.

*Cash Equivalents.* Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

*Contributions Receivable.* Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

*Land, Buildings, Property and Equipment.* Land, buildings, property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

*Accounting for Contributions.* Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Fashion Girls for Humanity**  
**Notes to Financial Statements**  
**December 31, 2012**

*Gifts-in-Kind Contributions.* The organization periodically receives contributions in a form other than cash or investments. If the organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

*Expense Recognition and Allocation.* The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities.

*Tax Status.* The organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation. The organization recognizes the tax effects from an uncertain tax position in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition or disclosure

**Note 3 - Fair Value Measurements**

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

**Fashion Girls for Humanity**  
**Notes to Financial Statements**  
**December 31, 2012**

- *Level 2.* Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions). The primary use of fair value measures in the organization's financial statements is the initial measurement of contributed apparel.

**Note 4 - Contributed Apparel, Sales and Cost of Goods Sold**

The organization receives donations of apparel through a global network of fashion and design industry professionals. The items are sold at fund raising events. The organization records the amount of contributions for donated apparel, sales and cost of goods sold in the amount of the ultimate sales price which approximates fair market value. There was no inventory at December 31, 2012.

**Note 5 - Direct assistance - Disaster Relief**

In the year ending December 31, 2012, the organization provided a \$100,250 grant to fund the building of a communal house in Rikuzentakata, Japan, a town that had been destroyed by the tsunami that followed the Tōhoku earthquake in 2011.

**Note 6 - Subsequent Events**

Subsequent events have been evaluated through October 25, 2013, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.