



Audited Financial Statements

For the Years Ended June 30, 2019 and 2018

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**Davies, Goldstein
& Associates CPA's PLLC**
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fashion & Compassion:

We have audited the accompanying financial statements of Fashion & Compassion (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 entity'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 entity'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.

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 & Compassion as of June 30, 2019 and 2018, 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.

Jones, Goldstein, Associates, CPA's PLLC

Matthews, North Carolina
November 5, 2019

Fashion & Compassion
Statements of Financial Position
As of June 30, 2019 and 2018

Assets	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current Assets		
Cash	\$ 104,096	\$ 126,634
Pledges and Other Receivables	12,382	25,408
Inventory	82,700	148,791
Other Current Assets	1,000	2,300
Total Current Assets	<u>200,177</u>	<u>303,133</u>
Long-term Assets		
Property and Equipment, net	8,777	11,572
Total Long-term Assets	<u>8,777</u>	<u>11,572</u>
Total Assets	<u><u>\$ 208,954</u></u>	<u><u>\$ 314,705</u></u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 25,730	\$ 103,605
Deferred Revenue	8,150	7,220
Total Current Liabilities	<u>33,880</u>	<u>110,825</u>
Total Liabilities	<u><u>33,880</u></u>	<u><u>110,825</u></u>
Net Assets		
Net Assets Without Donor Restrictions	175,074	203,880
Net Assets With Donor Restrictions	-	-
Total Net Assets	<u>175,074</u>	<u>203,880</u>
Total Liabilities and Net Assets	<u><u>\$ 208,954</u></u>	<u><u>\$ 314,705</u></u>

Fashion & Compassion
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Other Support						
Product Sales	\$ 375,623	\$ -	\$ 375,623	\$ 465,646	\$ -	\$ 465,646
Cost of Goods Sold	(261,938)	-	(261,938)	(360,474)	-	(360,474)
Gross Profit from Product Sales	113,685	-	113,685	105,172	-	105,172
Contributions and Donations	267,894	-	267,894	260,360	-	260,360
In-Kind Donations	30,668	-	30,668	85,100	-	85,100
Release from Restrictions	-	-	-	847	(847)	-
Total Revenues and Other Support	<u>\$ 412,247</u>	<u>\$ -</u>	<u>\$ 412,247</u>	<u>\$ 451,479</u>	<u>\$ (847)</u>	<u>\$ 450,632</u>
Expenses						
Program Expenses	317,075	-	317,075	354,383	-	354,383
Management and General Expenses	103,580	-	103,580	98,028	-	98,028
Fundraising Expenses	20,398	-	20,398	24,988	-	24,988
Total Expenses	<u>441,053</u>	<u>-</u>	<u>441,053</u>	<u>477,399</u>	<u>-</u>	<u>477,399</u>
Change in Net Assets	<u>\$ (28,806)</u>	<u>\$ -</u>	<u>\$ (28,806)</u>	<u>\$ (25,920)</u>	<u>\$ (847)</u>	<u>\$ (26,767)</u>
Net Assets, Beginning of Year	\$ 203,880	\$ -	\$ 203,880	\$ 229,800	\$ 847	\$ 230,647
Change in Net Assets	(28,806)	-	(28,806)	(25,920)	(847)	(26,767)
Net Assets, End of Year	<u>\$ 175,074</u>	<u>\$ -</u>	<u>\$ 175,074</u>	<u>\$ 203,880</u>	<u>\$ -</u>	<u>\$ 203,880</u>

The accompanying notes are an integral part of these financial statements

Fashion & Compassion
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program	Management and General	Fundraising	Total
Compensation	\$ 202,498	\$ 86,018	\$ 13,259	\$ 301,775
Occupancy	27,550	3,140	1,570	32,260
Donations to Partner Organizations	30,603	-	-	30,603
Advertising and Graphic Design	20,681	-	-	20,681
Travel and Conferences	14,751	-	-	14,751
Communications and Technology	8,494	1,100	550	10,144
Insurance	6,647	782	391	7,820
Professional Services	100	6,046	-	6,146
Development and Fundraising	-	-	4,628	4,628
Other General and Administrative	502	3,189	-	3,189
Office Expenses	1,044	1,939	-	2,983
Depreciation	2,796			2,796
Interest Expense	672	1,366	-	2,038
Dues and Subscriptions	737	-	-	737
Total Functional Expenses	<u>\$ 317,075</u>	<u>\$ 103,580</u>	<u>\$ 20,398</u>	<u>\$ 441,053</u>

Fashion & Compassion
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program	Management and General	Fundraising	Total
Compensation	\$ 243,711	\$ 76,999	\$ 16,554	\$ 337,264
Occupancy	24,607	2,895	1,448	28,950
Donations to Partner Organizations	35,376	-	-	35,376
Advertising and Graphic Design	10,617	1,865	2,943	15,425
Travel and Conferences	14,806	-	-	14,806
Communications and Technology	7,884	927	464	9,275
Insurance	6,066	-	-	6,066
Professional Services	8,553	6,023	-	14,576
Other General and Administrative	-	5,664	3,450	9,114
Office Expenses	1,297	3,047	-	4,344
Depreciation	900	257	129	1,286
Interest Expense	-	351	-	351
Dues and Subscriptions	367	-	-	367
Vision Trips and Education	199	-	-	199
Total Functional Expenses	<u>\$ 354,383</u>	<u>\$ 98,028</u>	<u>\$ 24,988</u>	<u>\$ 477,399</u>

Fashion & Compassion
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

Cash Flows from Operating Activities	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ (28,806)	\$ (26,767)
Depreciation Expense	2,796	1,286
Adjustments to reconcile Change in Net Assets to net cash flows provided by operating activities:		
Decrease (Increase) in Pledges and Other Receivables	13,026	(23,774)
Decrease in Inventory	66,091	20,153
Decrease (Increase) in Other Current Assets	1,300	(355)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(77,875)	75,578
Increase in Deferred Revenue	930	6,965
Net Cash (Used In) Provided By Operating Activities	<u>(22,538)</u>	<u>53,086</u>
 Cash Flows from Investing Activities		
Purchase of property and equipment	<u>-</u>	<u>(12,858)</u>
Net Cash Used In Investing Activities	<u>-</u>	<u>(12,858)</u>
 Net Change in Cash	(22,538)	40,228
 Cash, beginning of year	<u>126,634</u>	<u>86,406</u>
Cash, end of year	<u><u>\$ 104,096</u></u>	<u><u>\$ 126,634</u></u>
 Supplemental Data:		
Cash Paid for Interest	<u><u>\$ 2,102</u></u>	<u><u>\$ 351</u></u>

The accompanying notes are an integral part of these financial statements.

Fashion & Compassion
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 - The Organization

Fashion & Compassion (hereafter referred to as the “Organization”) is a nonprofit organization formed in 2013 that creates empowerment communities where vulnerable women connect with God, one another and resources as their lives are transformed. The Organization empowers vulnerable and at-risk women by providing economic mobility, social capital, and a safe space for healing and healthy community. They achieve this through personal development, goal-setting, and work readiness training and mentoring. Their clients are women overcoming a wide range of traumatic circumstances such as human trafficking, poverty, abuse, addiction, incarceration, ethnic persecution, and displacement. Through their innovative weekly jewelry projects, the Organization provides a unique combination of healing, support, and work readiness for women in need, empowering their clients with the capacity to set goals and achieve their aspirations. The Organization also helps these women develop individual Empowerment Plans that outline their goals for the future and the steps they can take to achieve their goals. These women are supported in achieving their goals by connecting them with the vast array of resources available in the Charlotte community. Meanwhile, the women receive a stipend, participate in one-on-one or group mentoring sessions, develop work readiness and life skills and create a support network that includes the other women in the program, volunteers and staff. Additionally, the Organization partners with international artisan projects to provide opportunities to vulnerable communities.

The mission of the Organization is funded through sales of jewelry, leather bags, home accessories and other goods as well as donations from private donors, faith partners, corporate donors and foundations. The Organization is based in Charlotte, North Carolina where it maintains a boutique storefront, jewelry making facilities, as well as programming and office space.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States (US GAAP).

Change in Accounting Policy: Adoption of ASU 2016-14

The Organization adopted the provisions of ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* in fiscal 2019. The key changes to the Organization’s accounting policy as it relates to the ASU are as follows:

- Net assets to be presented in two categories: net assets with donor restrictions and net assets without donor restrictions.
- Expanded disclosure requirements related to net assets, liquidity and availability of resources, and functional expenses.

The changes in presentation have been applied retroactively to the fiscal 2018 financial statements included in this report.

Use of Estimates

The accompanying financial statements have been prepared in accordance with US GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fashion & Compassion
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Cash

Cash includes cash on deposit at financial institutions and petty cash. Cash balances were within Federal Deposit Insurance Corporation limits at June 30, 2019 and 2018.

Contributions, Grants and Promises to Give

The Organization recognizes unconditional promises to give as support in the period the promise is received including contributions from private donors and grants. All promises to give are expected to be collected within one year. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2019 and 2018.

Inventory

Inventory is valued at the lower of cost or market value for finished goods and the lower of average cost or market value for raw materials used in jewelry making. The average cost is used for raw materials because the individual items (beads, clasps, wire, etc.) are of low dollar value per unit and tracking at that level is not cost effective. The cost of finished goods is determined using the wholesale cost for purchased items or the allocated cost and labor associated with making the piece. At June 30, 2019 and 2018 management has determined that no allowance for obsolescence is necessary.

Property and Equipment

Tangible assets exceeding \$1,500 are classified as property and equipment. Donated assets are recorded at fair market value if it can be reasonable estimated. Property and equipment are depreciated using the straight-line method over the expected useful life.

Net Assets

Net assets without donor restrictions are comprised of all resources without donor-imposed restrictions at the date of the contribution. Donor restricted contributions that are received and expended in the same year are classified as net assets without donor restrictions. Additionally, net assets without donor restrictions include the total carrying value of all property and equipment used in the Organization.

Net assets with donor restrictions carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. When a donor restriction expires, the net assets are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized and allocated on a functional basis in the accompanying Statement of Functional Expenses. These allocations are based on management's best estimate of time and funds spent across program, management and fundraising activities. The most significant allocations are in compensation and occupancy where management uses its best estimate of time and effort spent by employees in the allocation process. Management revisits the allocation each year and adjusts for changes in roles and employees as necessary.

Fashion & Compassion
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Items and Services

Contributed services for voluntary donation of services are recognized in the financial statements when those services: (1) create or enhance non-financial assets; or (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation. The Organization records those services as contributions and expenses in the Statement of Activities at their estimated value. At June 30, 2019 and 2018, the Organization recorded donated professional services of \$26,668 and \$80,000, respectively. Additionally, the Organization recorded donated items of \$4,000 and \$5,100 at June 30, 2019 and 2018, respectively.

In addition, a substantial number of unpaid volunteers, including the Board of Directors, have made significant contributions of their time to provide services to the Organization which do not meet the criteria for recognition described above. The estimated value of their contributed time is not reflected in the financial statements; however, the Organization is heavily reliant on the continued support of volunteers in the community to maintain operations.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction of North Carolina where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019.

During fiscal 2019, the Organization determined that sales taxes from the sale of goods needed to be remitted to the North Carolina Department of Revenue. Included in Accounts Payable and Accrued Expenses at June 30, 2018 is \$68,531 of accrued sales taxes and interest related to this determination. At June 30, 2019 all sales tax remittances are current.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 3 – Property and Equipment

Property and equipment consist of the following at June 30,

	<u>2019</u>	<u>2018</u>
Equipment	\$ 2,239	\$ 2,239
Software	10,620	10,620
Total	<u>\$12,859</u>	<u>\$12,859</u>
Less: Accumulated Depreciation	(4,082)	(1,286)
Property and Equipment, net	<u>\$8,777</u>	<u>\$11,572</u>

All property and equipment are currently depreciated using a 5-year useful life. Depreciation expense is \$2,796 and \$1,286 for the years ended June 30, 2019 and 2018, respectively.

Fashion & Compassion
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 4 – Commitments

The Organization has various retail credit cards. At June 30, 2019 and 2018, the outstanding balance of \$14,099 and \$16,888 is included in the accompanying Statement of Position in Accounts Payable and Accrued Expenses, respectively. All accounts were current. Additionally, the Organization has a line of credit available of \$100,000 which expires in March 2020. There was nothing drawn on the line as of June 30, 2019.

The Organization leases the boutique storefront, jewelry making facilities, and programming/office space for \$2,400 - \$3,150 a month (depending on how much is occupied by other tenants) and automatically renews each year unless cancelled.

Note 5 – Related Parties

The Organization has transactions with the following related parties:

- D&D Group - this company is partially owned by the former Executive Director of the Organization (and current board member) and is the owner of the property leased by the Organization. The Organization paid rent of \$31,400 and \$28,950 to this company during the years ended June 30, 2019 and 2018, respectively.
- Fashion & Compassion Uganda – this Organization operated as a division of Fashion & Compassion until May 31, 2018 at which point it became a separate legal entity. The Organization made charitable donations of \$15,460 and \$7,000 to the Uganda Organization during the years ended June 30, 2019 and 2018, respectively. The Organization pledged to provide additional support of approximately \$12,000 through June 2020.

Note 6 – Liquidity and Availability of Resources

At June 30, 2019 and 2018, there were no restrictions on financial assets. The financial assets available to meet cash needs for general expenditures within one year represents approximately 3 months of cash expenditures. The Organization has a multi-faceted revenue structure that includes the sale of goods, grants, individual donations, and fundraising events. Management believes that the resources available combined with the future receipts will be sufficient to meet operating cash needs in the next year and years to come.

Note 7 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 5, 2019, the date the financial statements were available to be issued. The Organization has no knowledge of significant subsequent events as of this date other than those previously disclosed.