Delivering Good, Inc.

Financial Statements

December 31, 2017 and 2016

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

The Board of Directors
Delivering Good, Inc.

We have audited the accompanying financial statements of Delivering Good, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2017 and 2016, 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.

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 of 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 auditors' 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 Delivering Good, Inc. as of December 31, 2017 and 2016, 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.

PKF O'Connor Davies, LLP

June 29, 2018

Delivering Good, Inc.

Statement of Financial Position

	December 31, 2017	December 31, 2016
ASSETS		
Cash	$ 2,237,393	$ 1,995,389
Accounts receivable	606,124	357,263
Prepaid expenses and other assets	69,150	58,304
Restricted cash	67,014	67,014
Property and equipment, net	88,150	124,035
	$ 3,067,831	$ 2,602,005
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 521,046	$ 179,776
Deferred rent	94,239	118,103
Loan payable	17,680	23,677
Total Liabilities	632,965	321,556
Net Assets		
Unrestricted	2,125,630	2,230,449
Temporarily restricted	309,236	50,000
Total Net Assets	2,434,866	2,280,449
	$ 3,067,831	$ 2,602,005

See notes to financial statements

Delivering Good, Inc.

Statement of Activities

	Year Ended December 31,					
		Temporarily	2017		Temporarily	2016
SUPPORT AND REVENUE	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Contributed merchandise, in-kind	$ 152,797,237	$ -	$ 152,797,237	$ 214,525,287	$ -	$ 214,525,287
Contributed professional services, in-kind	158,437	-	158,437	121,121	-	121,121
Contributions	927,473	105,000	1,032,473	806,125	50,000	856,125
Disaster relief support	1,060,540	179,236	1,239,776	-	-	-
Special events, net of direct costs of $507,144 and $479,059	1,767,545	-	1,767,545	1,617,492	-	1,617,492
Interest income	924	-	924	893	-	893
Other	27,949	-	27,949	40,814	-	40,814
Net assets released from restrictions	25,000	(25,000)	-	-	-	-
Total Support and Revenue	156,765,105	259,236	157,024,341	217,111,732	50,000	217,161,732
EXPENSES						
Programs	155,690,381	-	155,690,381	216,145,662	-	216,145,662
Management and general	608,267	-	608,267	631,425	-	631,425
Fundraising	571,276	-	571,276	476,741	-	476,741
Total Expenses	156,869,924	-	156,869,924	217,253,828	-	217,253,828
Change in Net Assets	(104,819)	259,236	154,417	(142,096)	50,000	(92,096)
NET ASSETS						
Beginning of year	2,230,449	50,000	2,280,449	2,372,545	-	2,372,545
End of year	$ 2,125,630	$ 309,236	$ 2,434,866	$ 2,230,449	$ 50,000	$ 2,280,449

See notes to financial statements

Delivering Good, Inc.

Statement of Functional Expenses

	Year Ended December 31,							
	Programs	Management and General	Fundraising	2017 Total	Programs	Management and General	Fundraising	2016 Total
Merchandise donated	$ 152,797,237	$ -	$ -	$ 152,797,237	$ 214,525,287	$ -	$ -	$ 214,525,287
Contributed professional services	-	158,437	-	158,437	-	121,121	-	121,121
Freight charges	1,314,171	-	-	1,314,171	711,659	-	-	711,659
Salaries and wages	619,019	216,092	343,341	1,178,452	578,807	253,662	293,618	1,126,087
Payroll taxes and employee benefits	113,090	39,478	62,726	215,294	97,528	43,983	49,720	191,231
Advertising and promotion	30,512	-	20,341	50,853	20,439	-	13,626	34,065
Management fees	8,000	64,000	8,000	80,000	10,175	81,397	10,175	101,747
Accounting	-	34,438	-	34,438	-	32,000	-	32,000
Legal	14,286	4,986	7,924	27,196	140	63	72	275
Consulting fees	23,610	6,374	7,000	36,984	20,843	6,536	7,389	34,768
Office expenses	48,991	17,102	27,173	93,266	44,878	20,239	22,879	87,996
Information technology	17,951	6,266	9,956	34,173	10,664	4,809	5,436	20,909
Occupancy	69,701	24,332	38,660	132,693	67,439	30,414	34,381	132,234
Travel	16,256	-	4,064	20,320	20,629	-	5,157	25,786
Gift Cards (Disaster relief)	558,200	-	-	558,200	-	-	-	-
Bad debt	-	17,000	-	17,000	-	12,000	-	12,000
Depreciation and amortization	18,850	6,580	10,455	35,885	17,321	7,811	8,830	33,962
Insurance	232	4,412	-	4,644	-	6,710	-	6,710
State registration fees	11,262	-	9,215	20,477	-	-	17,129	17,129
Bank fees	9,132	2,283	11,416	22,831	-	1,369	-	1,369
Miscellaneous	19,881	6,487	11,005	37,373	19,853	9,311	8,329	37,493
Total Expenses	$ 155,690,381	$ 608,267	$ 571,276	$ 156,869,924	$ 216,145,662	$ 631,425	$ 476,741	$ 217,253,828

See notes to financial statements

Delivering Good, Inc.

Statement of Cash Flows

	Year Ended December 31 2017	Year Ended December 31 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 154,417	$ (92,096)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	35,885	33,962
Deferred rent	(23,864)	(20,308)
Bad debt	17,000	12,000
Change in operating assets and liabilities		
Accounts receivable	(265,861)	(29,932)
Prepaid expenses and other assets	(10,846)	(22,102)
Accounts payable and accrued expenses	341,270	(78,655)
Net Cash from Operating Activities	248,001	(197,131)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	-	(12,946)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on loan payable	(5,997)	(5,774)
Net Change in Cash	242,004	(215,851)
CASH		
Beginning of the year	1,995,389	2,211,240
End of the year	$ 2,237,393	$ 1,995,389
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 352	$ 440

See notes to financial statements

Delivering Good, Inc.

Notes to Financial Statements
December 31, 2017

1. Organization and Tax Status

Delivering Good, Inc. (the "Organization"), formerly K.I.D.S./Fashion Delivers, Inc., was incorporated on December 10, 1985 under the laws of the State of New York and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. On April 5, 2017 the Organization applied to change its name to Delivering Good, Inc., which was approved by the Secretary of the State of New York, effective May 8, 2017.

The Organization is a public charity that receives, administers and expends products for charitable, educational, and disaster relief purposes to poor, distressed, and underprivileged children, individuals, and families. The Organization maintains its office at 266 West 37th Street, New York, New York.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. 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. Accordingly, actual results could differ from those estimates.

Allowance for Doubtful Accounts

An estimated allowance for doubtful accounts is provided when necessary, based upon management's assessment of historical and expected net collections and other business and economic conditions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Costs incurred for repairs and maintenance are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives that range from 3 to 5 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or related lease period. The Organization capitalizes amounts over $1,000 with a useful life greater than a year.

Asset Recoverability

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of the asset to aggregate future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount of fair value less costs to sell. There is no such impairment for the years ended December 31, 2017 and 2016.

2. Summary of Significant Accounting Policies *(continued)*

Deferred Rent

U.S. GAAP requires that the rent over the life of a lease be expensed on a straight-line basis notwithstanding the actual cash payments required under the lease, with the difference between the straight-line expense and the actual rent payments shown as deferred rent liability on the statement of financial position. The cumulative balance for deferred rent at December 31, 2017 and 2016 of $94,239 and $118,103, respectively, is reported in the accompanying statement of financial position. In addition, the liability initially recorded included landlord concessions of $140,215.

Net Asset Presentation

The financial statements report net assets separately by class of net assets. Unrestricted net assets are those that are not subject to donor-imposed or time restriction stipulations. Temporarily restricted net assets represent contributions with donor-imposed restrictions that have not yet been satisfied. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets are those which are established by donor gifts to provide a permanent endowment. The Organization did not have any permanently restricted net assets as of December 31, 2017 and 2016.

Contributions

Contributions and unconditional promises to give are measured at their fair values when received and are classified as unrestricted, temporarily restricted, or permanently restricted support, based on donor-imposed stipulations, if any. If donor restrictions are met within the same reporting period as when the contributions were made, those contributions are recorded as unrestricted support.

Contributions In-kind

The Organization receives donated merchandise as part of program services and recognizes such materials as support and expense in the statement of activities when the Organization has been granted explicit unilateral authority to dispose of such materials by transferring them to donee organizations. This merchandise is recorded in the accompanying financial statements at their fair value, as estimated by the donor and management on the date of use or receipt to the extent that such amounts can be reasonably estimated.

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are reflected in the accompanying statement of activities at their fair value at the time the services are rendered.

Donated services rendered by volunteers are not recorded as support and expense because they do not meet the criteria for recognition in the financial statements.

2. Summary of Significant Accounting Policies *(continued)*

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of cost of direct benefits to donors.

Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management in accordance with grant provisions or by another equitable basis.

Advertising Costs

Advertising costs are expensed as incurred.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to December 31, 2014.

Reclassifications

Certain amounts contained in the 2016 financial statements have been reclassified to conform to the 2017 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The FASB's Not-for-Profit Advisory Committee and other stakeholders indicated that existing standards for financial statements of not-for-profit entities, are sound but could be improved to provide more useful information to donors, grantors, creditors, and other users of financial statements. The final standard is the result of the FASB's effort to address these concerns and improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Organization is currently evaluating the impact this standard will have on the financial statements.

In February 2016, the FASB issued amended guidance on lease accounting which requires an entity to recognize a right-of-use asset and a corresponding lease liability on its statement of financial position for virtually all of its leases with a term of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the

2. Summary of Significant Accounting Policies *(continued)*

asset being subject to adjustments such as initial direct costs. Consistent with current U.S. GAAP guidance, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an entity's leasing activities. This amended guidance, which will be effective January 1, 2020, requires modified retrospective application, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 29, 2018.

3. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2017	2016
Grants and contributions receivable	$ 449,853	$ 173,813
Event revenue receivables	156,271	183,450
Total Accounts Receivable	$ 606,124	$ 357,263

The Organization considers all receivables at December 31, 2017 and 2016 to be fully collected within one year and accordingly there is no allowance for doubtful accounts recorded.

4. Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Leasehold improvements	$ 220,431	$ 220,431
Furniture and fixtures	805	805
Office equipment	30,427	30,427
	251,663	251,663
Accumulated depreciation and amortization	(163,513)	(127,628)
	$ 88,150	$ 124,035

5. Loan Payable

On August 2013, the Organization obtained a construction loan from its landlord for newly leased space. The loan is to be repaid over an 84 month period at an interest rate of 2% per annum. Interest expense totaled $352 in 2017 and $440 in 2016. Future payments for the years ending December 31 are payable as follows:

2018	$ 6,475
2019	6,605
2020	5,028
Total payments	18,108
Less interest	(428)
	$ 17,680

6. Restricted Cash

In lieu of a cash security deposit for an operating lease for office space, the Organization has provided an unconditional, irrevocable letter of credit to the landlord, which expires on September 20, 2018 and is annually renewed until the lease expires. The Organization, under the terms of the letter of credit with a bank, has agreed to maintain a compensating balance equal to the letter of credit. At December 31, 2017 and 2016, $67,014 of cash is restricted for the letter of credit.

7. Retirement Plan

The Organization maintains a 401(k) employee benefit plan (the "Plan"), which is an employee benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), and is intended to be a qualified plan under Section 401(k) of the Internal Revenue Code of 1986 (the "Code"). Participants in the Plan may contribute up to 100% of pretax income, subject to the legal limitations, except for participants who were age 50 or older who may make an additional "catch-up" contribution under the "Safe Harbor Matching Election" to the Plan. The Organization makes discretionary contributions to the Plan, which vest ratably over years 2-6 of service to the Organization. For the years ended December 31, 2017 and 2016, the discretionary contributions to the Plan totaled $40,233 and $22,283, respectively.

8. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash. The Organization maintains its cash with financial institutions held in checking and savings accounts, which is in excess of federally insured limits. The Organization has not experienced any losses in such accounts. There are no significant concentrations with regard to receivables due to the broad donor base of the Organization.

9. Contributions In-kind

The Organization receives merchandise from its supporters and is required to distribute this merchandise to qualified organizations. Donated merchandise is reported as in-kind contributions on the accompanying statement of activities in the amount of $152,797,237 and $214,525,287 for the years ended December 31, 2017 and 2016, respectively. The value of the merchandise was recorded at its fair value as of the date of receipt.

9. Contributions In-kind *(continued)*

The Organization receives pro bono professional services from various vendors for legal and marketing services. Donated services are reported as in-kind contributed professional services on the accompanying statement of activities in the amount of $158,437 and $121,121 for the years ended December 31, 2017 and 2016 respectively. The value of the services was recorded at its fair value on the date the service was provided.

10. Related Party Transactions

Members of the Board of Directors are affiliated with companies that donate product and cash contributions to the Organization. Donated products from these companies for 2017 and 2016 totaled $18,598,981 and $12,624,508, respectively, which are included and reported as in-kind contributions on the accompanying statement of activities. Cash contributions from these companies are included primarily within special events in the accompanying statement of activities in the amount of $815,250 and $626,231 in 2017 and 2016, respectively.

11. Operating Lease

The Organization leases its office space under a seven year lease expiring in July 2020. Future minimum lease payments for the years ending December 31 are payable as follows:

2018	$ 152,768
2019	161,186
2020	95,382
	$ 409,336

The lease contains escalation clauses based on increases in real estate taxes and utility expenses.

For 2017 and 2016, total rent expense was $132,693 and $132,234, respectively.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following periods at December 31:

	2017	2016
Purpose restrictions:		
Disaster relief	$ 179,236	$ -
Program	40,000	-
Time restrictions:		
Program time restrictions	90,000	50,000
	$ 309,236	$ 50,000

Temporarily restricted net assets released from restrictions consisted of the following for the years ended December 31:

	2017	2016
Time restrictions	$ 25,000	$ -

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