

Undies For Everyone

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2018

Undies For Everyone

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Independent Auditors' Report

To the Board of Directors of
Undies For Everyone:

We have audited the accompanying financial statements of Undies For Everyone, which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, of functional expenses, and of cash flows for the year 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 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 our 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 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 Undies For Everyone as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

September 6, 2019

Undies For Everyone

Statement of Financial Position as of December 31, 2018

ASSETS

Cash	\$ 209,230
Accounts receivable	5,128
Underwear supplies	258,444
Equipment, net (<i>Note 3</i>)	<u>21,600</u>
TOTAL ASSETS	<u>\$ 494,402</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and other accrued liabilities	\$ 13,860
Net assets without donor restrictions	<u>480,542</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 494,402</u>

See accompanying notes to financial statements.

Undies For Everyone

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 218,493	\$ 92,777	\$ 311,270
In-kind contributions of underwear	152,379		152,379
Other	<u>2,600</u>	<u></u>	<u>2,600</u>
Total revenue	373,472	92,777	466,249
Net assets released from restrictions:			
Passage of time	5,000	(5,000)	
Expended for restricted purpose	<u>740,785</u>	<u>(740,785)</u>	<u></u>
Total	<u>1,119,257</u>	<u>(653,008)</u>	<u>466,249</u>
EXPENSES:			
Program services	996,934		996,934
Management and general	64,769		64,769
Fundraising	<u>107,155</u>	<u></u>	<u>107,155</u>
Total expenses	<u>1,168,858</u>	<u></u>	<u>1,168,858</u>
CHANGES IN NET ASSETS	(49,601)	(653,008)	(702,609)
Net assets, beginning of year	<u>530,143</u>	<u>653,008</u>	<u>1,183,151</u>
Net assets, end of year	<u>\$ 480,542</u>	<u>\$ 0</u>	<u>\$ 480,542</u>

See accompanying notes to financial statements.

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Statement of Functional Expenses for the year ended December 31, 2018

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Distributions to partner organizations	\$ 235,096			\$ 235,096
Distributions to partner organizations – disaster relief	<u>503,421</u>			<u>503,421</u>
Total distributions	738,517			738,517
Salary and benefits	187,605	\$ 21,095	\$ 50,345	259,045
Contract and professional fees	10,368	32,561	35,226	78,155
Printing, copying and supplies	18,228	384	13,053	31,665
Rent	20,400	2,200	2,200	24,800
Insurance	8,602	753	377	9,732
Information technology and telecommunications	1,425	3,740	4,102	9,267
Depreciation	5,400			5,400
Meals, travel and meetings	2,687	831	1,852	5,370
Warehouse equipment	3,381			3,381
Other	<u>321</u>	<u>3,205</u>	<u> </u>	<u>3,526</u>
Total expenses	<u>\$ 996,934</u>	<u>\$ 64,769</u>	<u>\$ 107,155</u>	<u>\$ 1,168,858</u>

See accompanying notes to financial statements.

Undies For Everyone

Statement of Cash Flows for the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ (702,609)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	5,400
Loss on disposal of equipment	639
Changes in operating assets and liabilities:	
Accounts receivable	(5,128)
Underwear supplies	337,064
Accounts payable and other accrued liabilities	<u>(85,493)</u>
Net cash used by operating activities	<u>(450,127)</u>
NET CHANGE IN CASH	(450,127)
Cash, beginning of year	<u>659,357</u>
Cash, end of year	<u>\$ 209,230</u>

See accompanying notes to financial statements.

Undies For Everyone

Notes to Financial Statements for the year ended December 31, 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Undies For Everyone was incorporated in 2012 under the Texas Non-Profit Corporation Act. Its mission is to enhance the self-esteem, dignity, hygiene, and success of disadvantaged students by providing them with clean underwear. Undies For Everyone serves students through partner organizations in Houston, Dallas and the surrounding areas.

Federal income tax status – Undies For Everyone is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Underwear supplies consist of children’s underwear and is recorded at cost if purchased or the estimated fair market value if donated.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

In-kind contributions of underwear are recognized at estimated fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is distributed. Contributions of services are recognized when services received (a) create or enhance nonfinancial 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.

During 2018, 975 volunteers contributed approximately 3,384 hours preparing inventory for distribution for which no amount has been reported in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Board-designated reserves – The Board of Directors does not have a specific policy in regards to establishing board-designated reserves. However, the Board of Directors may designate excess cash flows for reserves or specific projects as deemed prudent. Any amount used from board-designated funds must be approved by the Board of Directors.

Functional allocation of expenses – Expenses are reported by their functional classification as program services, management and general, or fundraising. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one program or supporting activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Rent and insurance are allocated based on estimated square footage. Professional fees for marketing and publication are allocated between management and general and fundraising based on purpose of the marketing message.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:

Cash	\$ 212,230
Accounts receivable	<u>2,129</u>
Total financial assets available for general expenditure	<u>\$ 214,359</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Undies For Everyone considers all expenditures related to its ongoing activities of underwear distribution to partner organizations, to be general expenditures. Undies For Everyone expects to fund general expenditures in excess of financial assets available to meet cash needs with future contributions.

NOTE 3 – EQUIPMENT

Equipment at December 31, 2018 consists of the following:

Van	\$ 27,000
Accumulated depreciation	<u>(5,400)</u>
Equipment, net	<u>\$ 21,600</u>

NOTE 4 – CONDITIONAL CONTRIBUTION

During 2018, Undies For Everyone was awarded a \$50,000 grant conditioned upon providing audited financial statements in accordance with generally accepted accounting principles (GAAP). Undies For Everyone will recognize the contribution revenue in 2019 upon providing the audited financial statements to the donor.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 6, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
