

The Career Wardrobe

Financial Statements
For The Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

Margaret J. Capone
Certified Public Accountant
411 W. Germantown Pike, East Norriton, PA 19403-4229
(610) 272-4944 Fax (610) 272-2174

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Career Wardrobe

I have audited the accompanying financial statements of The Career Wardrobe (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Career Wardrobe as of June 30, 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.

Report on Summarized Comparative Information

I have previously audited The Career Wardrobe's 2017 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 11, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script, appearing to read "Margaret J. Spohn".

East Norriton, Pennsylvania
February 26, 2019

The Career Wardrobe

Financial Statements

Table Of Contents

	Page
Independent Auditor's Report	1, 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7, 8, 9, 10 & 11

The Career Wardrobe

Statements of Financial Position June 30, 2018 With Comparative Totals for June 30, 2017

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
ASSETS				
Current Assets				
Cash and cash equivalents	\$129,455	\$ 2,500	\$131,955	\$ 38,019
Revenue receivable	123,277	35,000	158,277	237,740
Prepaid expenses	25,689		25,689	16,429
Total Current Assets	278,421	37,500	315,921	292,188
Long-Term Assets				
Deposits	10,395		10,395	10,395
Property and equipment, net of accumulated depreciation	8,343		8,343	387
Total Long-Term Assets	18,738	0	18,738	10,782
Total Assets	\$297,159	\$ 37,500	\$334,659	\$302,970
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 63,375		\$ 63,375	\$ 54,438
Net Assets				
Unrestricted	233,784		233,784	176,718
Temporarily restricted		\$ 37,500	37,500	71,814
Total Net Assets	233,784	37,500	271,284	248,532
Total Liabilities and Net Assets	\$297,159	\$ 37,500	\$334,659	\$302,970

See independent auditor's report.
The accompanying notes are an integral part of the financial statements.

The Career Wardrobe

Statements of Activities
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenue and other support:				
Contributions:				
Corporations	\$ 57,240	\$ 2,500	\$ 59,740	\$ 34,197
Individuals	36,958		36,958	48,295
Foundations and trusts	171,766		171,766	195,814
Contributions in-kind:				
Clothing	1,297,833		1,297,833	1,192,797
Rent	7,311		7,311	3,900
Services	3,037		3,037	2,450
Contracts	828,851		828,851	832,830
Event income, net of expenses	104,256		104,256	97,729
Programs	187,314		187,314	158,663
Interest	13		13	11
Net assets released from restrictions:				
Satisfaction of program restrictions	36,814	(36,814)		
Total revenue and other support	2,731,393	(34,314)	2,697,079	2,566,686
Expenses:				
Program services	2,456,923		2,456,923	2,253,954
Support services:				
Management and general	162,701		162,701	133,098
Fund raising	54,703		54,703	49,541
Total expenses	2,674,327	0	2,674,327	2,436,593
Change in net assets	57,066	(34,314)	22,752	130,093
Net Assets at beginning of year	176,718	71,814	248,532	118,439
Net Assets at end of year	\$ 233,784	\$ 37,500	\$ 271,284	\$ 248,532

See independent auditor's report.

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

The Career Wardrobe

Statements of Functional Expenses
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	Program	Supporting Services		Total 2018	Total 2017
		Management and General	Fund Raising		
Salaries	\$ 490,705	\$ 92,007	\$ 30,669	\$ 613,381	\$ 574,272
Payroll taxes	43,893	8,230	2,743	54,866	51,590
Benefits	36,120	4,515	4,515	45,150	33,035
Total	570,718	104,752	37,927	713,397	658,897
Accounting and auditing	8,387	33,550		41,937	17,679
Bank charges	6,850		2,284	9,134	9,245
Boutique expenses	7,348			7,348	6,304
Clothing in-kind	1,297,833			1,297,833	1,192,797
Clothing	70,265			70,265	76,757
Communications	11,097	1,387	1,387	13,871	11,956
Consulting	29,155	7,578	4,082	40,815	34,441
Contractor payments	138,651			138,651	139,169
Insurance	8,720	2,180		10,900	12,318
Interest		1,382		1,382	1,979
Marketing	7,977		1,994	9,971	11,015
Office supplies	18,328	6,750	2,291	27,369	18,750
Postage and delivery	5,534	692	692	6,918	8,933
Printing	15,675	1,959	1,959	19,593	19,857
Rent	158,143			158,143	150,321
Rent in-kind	7,311			7,311	3,900
Repairs and maintenance	3,758	418		4,176	5,337
Staff development	3,886		432	4,318	4,637
Subscriptions	2,691		673	3,364	3,472
Travel	6,399	800	800	7,999	6,388
Utilities	76,562			76,562	38,795
Volunteer expenses	1,635		182	1,817	2,517
Total expenses before depreciation	2,456,923	161,448	54,703	2,673,074	2,435,464
Depreciation		1,253		1,253	1,129
Total expenses	<u>\$ 2,456,923</u>	<u>\$ 162,701</u>	<u>\$ 54,703</u>	<u>\$ 2,674,327</u>	<u>\$ 2,436,593</u>

See independent auditor's report.
The accompanying notes are an integral part of the financial statements.

The Career Wardrobe

Statements of Cash Flows
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Cash flows from operating activities				
Change in net assets	\$ 57,066	\$ (34,314)	\$ 22,752	\$ 130,093
Adjustment to reconcile change in net assets to net cash provided (used) for operations:				
Depreciation	1,253		1,253	1,129
Decrease (increase) in assets:				
Revenue receivable	45,149	34,314	79,463	(208,078)
Prepaid expenses	(9,260)		(9,260)	494
Increase in liabilities:				
Accounts payable	8,937		8,937	28,004
Net cash provided (used) for operations	103,145	0	103,145	(48,358)
Cash flows from investing activities				
Acquisition of assets	(9,209)		(9,209)	0
Net cash used for investing activities	(9,209)		(9,209)	0
Change in cash and cash equivalents	93,936	0	93,936	(48,358)
Cash and cash equivalents - beginning	35,519	2,500	38,019	86,377
Cash and cash equivalents - ending	<u>\$ 129,455</u>	<u>\$ 2,500</u>	<u>\$ 131,955</u>	<u>\$ 38,019</u>

See independent auditor's report.

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

The Career Wardrobe

Notes to Financial Statements
June 30, 2018
With Comparative Totals for June 30, 2017

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Mission Statement: The Career Wardrobe (the Organization) is a nonprofit corporation that empowers individuals in transition by providing programs which inspire the confidence necessary to achieve self-sufficiency and pursue a productive career. Since 1995, the Organization has assisted over 80,000 individuals.

The Organization provides professional work attire, educational programs, networking tools and opportunities to low-income, unemployed and under-employed individuals referred by approved job-training or social service programs.

In September 2009, The Career Wardrobe opened The Wardrobe Boutique, a clothing store which resells donated clothing and accessories that are not suitable for program activities. Proceeds from The Wardrobe Boutique are used to fund the Organization's program activities.

In April 2016, The Career Wardrobe expanded its service area beyond Philadelphia by opening sites in Chester and Bristol, Pennsylvania as part of an expanded contract with the Pennsylvania Department of Human Services. This PA Workwear Program funds professional attire for individuals receiving Temporary Assistance for Needing Families (TANF) benefits.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classes are based on the existence or absence of donor imposed restrictions. There were no permanently restricted net assets.

Revenue Recognition

Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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 restrictions.

The Career Wardrobe

Notes to Financial Statements
June 30, 2018
With Comparative Totals for June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

There were no financial instruments that potentially subject the Organization to credit risk included in cash as of June 30, 2018 and 2017.

Retirement Plan

The Organization maintains a retirement savings plan for all eligible employees. Under the plan, a percentage of the eligible employee's gross wages is contributed to the plan by the employee. There are no matching contributions required by the Organization.

Contributed Amounts

The Organization receives a substantial amount of hours donated by volunteers in carrying out the programs and performance of services. The financial statements do not reflect the value of these donated services in as much as there was no objective basis available to measure the value of such services.

Contributions of noncash items are recorded at fair value at the date of the gift.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Organization, a nonprofit corporation, is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Pennsylvania State Corporate taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the code.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of five to seven years. Leasehold improvements are being amortized over the lease term.

The Career Wardrobe

Notes to Financial Statements
June 30, 2018
With Comparative Totals for June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing program services 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.

Note 2 - Property and Equipment

The following is a summary of furniture and equipment:

	2018	2017
Computers and related items	\$ 29,934	\$ 20,725
Office furniture and equipment	9,568	9,568
	39,502	30,293
Less accumulated depreciation	(31,159)	(29,906)
Total	\$ 8,343	\$ 387
Depreciation expense	\$ 1,253	\$ 1,129

Note 3 - Revenue Receivable

Promises to give, grants and program service revenues included in revenue receivable consist of the following:

	2018	2017
Unrestricted		
Contracts	\$ 118,477	\$ 133,044
Program		3,437
Grants		25,000
Events	4,800	6,945
Subtotal unrestricted	123,277	168,426
Temporarily restricted		
Grants		
Receivable in less than one year	35,000	35,000
Receivable in more than one year		35,000
Less: discount to net present value		(686)
Subtotal temporarily restricted	35,000	69,314
Total	\$ 158,277	\$ 237,740

The Career Wardrobe

Notes to Financial Statements

June 30, 2018

With Comparative Totals for June 30, 2017

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes within the next two years:

	2018	2017
Operations	\$ 35,000	\$ 70,000
Less: discount to net present value		(686)
Total	\$ 35,000	\$ 69,314

Note 5 - Leases

The Organization entered into a lease agreement for the rental space at 1822 Spring Garden Street Philadelphia that is being used for The Wardrobe Boutique in addition to office space. The lease was revised beginning on September 1, 2015 and has a five year renewal term expiring August 31, 2020. Additionally, the lease was amended on January 1, 2018 to include additional square footage available as an expansion and the new addition will expire August 31, 2020.

Future annual minimum rentals are as follows:

Year ending June 30, 2019	\$ 147,196
Year ending June 30, 2020	\$ 150,510
Year ending June 30, 2021	\$ 49,066

In April of 2016, the Organization entered into a lease agreement for a program site located in Chester, Pennsylvania. The lease has a three year term, expiring in March 31, 2019, with an additional month-to-month term from April 1, 2019 to June 30, 2019. The future annual minimum rentals are as follows:

Year ending June 30, 2019	\$ 20,088
---------------------------	-----------

In March of 2016, the Organization entered into a lease agreement for a program site located in Bucks County, Bristol, Pennsylvania. The lease has a one year term, and is renewable each year for a fixed annual amount of \$3,411. During the current year, the facility usage was recorded as the value of donated facilities and services.

The Career Wardrobe

Notes to Financial Statements

June 30, 2018

With Comparative Totals for June 30, 2017

Note 6 - Contributions In Kind

The Career Wardrobe receives a significant amount of donated clothing which is valued by the donor at the date of the gift at estimated fair value. For the years ended June 30, 2018 and 2017, donated clothing was recorded as revenue and program expense in the amount of \$1,297,833 and \$1,192,797, respectively.

Additional contributions were recorded reflecting the value of donated facilities and services. For the years ended June 30, 2018 and 2017, contributions and rental expense were recorded in the amount of \$7,311 and \$3,900, respectively. The financial statements also reflect the contribution of donated services in the amount of \$3,037 and \$2,450 during the years ended June 30, 2018 and 2017, respectively.

Note 7 - Contingencies

The Career Wardrobe received a grant from the Pennsylvania Department of Public Welfare for the PA Workwear Program, for specific purposes, that is subject to audit requirements by the grantor agencies. Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of the grant agreement and applicable federal regulations. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the grant terms. Management currently believes that no disallowance exists, and, if any, it will be immaterial.