

**DRESS FOR SUCCESS CINCINNATI
AND
FOURTH STREET BASEMENT BOUTIQUE
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2007

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**DRESS FOR SUCCESS CINCINNATI
AND
FOURTH STREET BASEMENT BOUTIQUE
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2007

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Report of Independent Certified Public Accountants

The Board of Directors
Dress for Success Cincinnati and Fourth Street Basement Boutique
Cincinnati, Ohio

We have reviewed the accompanying consolidated statement of financial position of Dress for Success Cincinnati and Fourth Street Basement Boutique (non-profit organizations) as of December 31, 2007 and the related consolidated statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these consolidated financial statements is the representation of the management of Dress for Success Cincinnati and Fourth Street Basement Boutique.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The accompanying Consolidating Statement of Financial Position, Consolidating Statement of Activities and Consolidating Schedule of Functional Expenses are presented for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to thereto.

Barnes, Dennig & Co., Ltd.

July 16, 2008

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2007

Assets

Cash and cash equivalents	\$ 420,859
Prepaid expenses	4,567
Inventory	90,480
Lease deposit	5,261
Property and equipment, net	<u>17,153</u>

Total assets \$ 538,320

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 9,515
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Unrestricted net assets 528,805

Total liabilities and net assets \$ 538,320

The accompanying notes are an integral part of these financial statements

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

Unrestricted support and revenue

Grants and contributions	\$ 212,799
Sales	171,762
Special events	161,887
In-kind services and donations	135,400
Miscellaneous	25,327
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Total unrestricted support and revenue	707,175

Expenses

Salaries and benefits	253,087
Clothing donated	130,839
Rent	54,804
Special events	37,544
Legal and professional	36,792
Utilities	25,306
Payroll taxes	24,364
Advertising	19,377
Supplies	12,474
Consulting	12,000
Printing	9,083
Miscellaneous	9,206
Repairs and maintenance	8,760
Memberships and dues	8,087
Telephone	7,086
Postage	6,153
Travel	5,760
Insurance	4,215
Bank charges	3,096
Depreciation	2,862
Meeting	1,143
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Total expenses	672,038

Change in unrestricted net assets	35,137
Unrestricted net assets, beginning of year	493,668
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Unrestricted net assets, end of year	\$ 528,805

The accompanying notes are an integral part of these financial statements

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

Cash flows from operating activities	
Change in net assets	\$ 35,137
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,862
Change in donated clothing	(3,738)
Changes in:	
Accounts payable	<u>(3,136)</u>
Net cash provided by operating activities	<u>31,125</u>
Cash flows from investing activities	
Purchase of property and equipment	<u>(8,712)</u>
Net increase in cash and cash equivalents	22,413
Cash and cash equivalents, beginning of year	<u>398,446</u>
Cash and cash equivalents, end of year	<u><u>\$ 420,859</u></u>

The accompanying notes are an integral part of these financial statements

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

Nature of Activities

Dress for Success Cincinnati (DFSCincy) and Fourth Street Basement Boutiques (4SBB) (collectively the Organizations) are both not-for-profit organizations exempt from Federal taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and are not considered private foundations. DFSCincy is an organization committed to providing high quality, interview-appropriate clothing and image counseling services for women seeking a way into the workforce. 4SBB is a thrift store located in downtown Cincinnati that sells donated clothing, the net proceeds of which are a contribution to DFSCincy.

Fourth Street Basement Boutique was incorporated as a not-for-profit organization under the laws of Ohio revised code and commenced operations in 2002. 4SBB Boutique was organized for the specific purpose of raising funds to provide financial support for DFSCincy.

Principle of Consolidation

The consolidated financial statements include the accounts of Dress for Success Cincinnati and Fourth Street Basement Boutique, an affiliate controlled by Dress for Success Cincinnati. All significant inter-organizational balances and transactions have been eliminated.

Financial Statement Presentation

The financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 requires, among other things, the net assets to be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and may be utilized at the discretion of the Board of Directors to support the Organization's mission.

Temporarily and permanently restricted net assets – Temporarily restricted net assets are those assets subject to donor-imposed stipulations that will be met either by satisfying the stipulated purpose or the passage of time. Permanently restricted net assets are those assets subject to donor-imposed stipulations that the principal be maintained intact in perpetuity and that only the income be expended. There were no temporarily or permanently restricted net assets at December 31, 2007.

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Recognition of Donations

The Organizations record gifts of cash and other assets at their fair market value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organizations record donated services as revenues in the period received only if the services received create or enhance non-financial assets or required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services and equipment are not recorded if no objective basis is available to measure the value received.

Various organizations and individuals contribute services and materials. Those services and materials for which a fair market value could be determined were recorded as support.

Cash and Cash Equivalents

Cash and cash equivalents include cash amounts and all highly liquid investments with an original maturity of three months or less. The Organizations maintain cash balances in our bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Inventory

Inventory donated to DFSCincy, which consists primarily of women's clothes are used in its programs, is recorded at fair market value. Other items of clothing that are donated to DFSCincy which cannot be used in its programs are not recorded, but are transferred and recorded by 4SBB for sale in its thrift shop.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of receipt. Depreciation is computed on a straight-line basis over an estimated useful life of seven years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Functional Expenses

Total expenses, including costs of goods donated, by function, for the year ended December 31, 2007 were as follows:

Program	\$ 482,049
Management and general	76,350
Fundraising	<u>113,639</u>
	<u>\$ 672,038</u>

Expenses are allocated by the Organizations based on management estimates for each expense category.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

2 - Property and Equipment

Property and equipment, net as of December 31, 2007 consisted of the following:

Furniture and fixtures	\$ 17,354
Computer hardware and software	9,982
Leasehold improvements	<u>5,416</u>
	32,752
Accumulated depreciation	<u>(21,449)</u>
	<u>\$ 17,153</u>

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3 - Lease Obligation

The Organizations entered into a five-year rental agreement to lease office space, utilities included. Rental payments under the lease agreement started on December 1, 2005, with an additional month's rent paid as a security deposit. Total rent expense under the lease for 2007 was \$54,804.

Future annual minimum lease payments at December 31, 2007 were:

2008	\$ 54,804
2009	54,804
2010	<u>50,237</u>
Total	<u>\$ 159,845</u>

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

	Dress for Success	Fourth Street Basement Boutique	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 325,373	\$ 95,486	\$ -	\$ 420,859
Prepaid expenses	4,567	1,580	(1,580)	4,567
Inventory	35,791	54,689	-	90,480
Lease deposit	5,261	-	-	5,261
Property and equipment, net	9,104	8,049	-	17,153
Total assets	\$ 380,096	\$ 159,804	\$ (1,580)	\$ 538,320
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 6,161	\$ 3,354	\$ -	\$ 9,515
Deferred income	1,580	-	(1,580)	-
Total liabilities	7,741	3,354	(1,580)	9,515
Unrestricted net assets	372,355	156,450	-	528,805
Total liabilities and net assets	\$ 380,096	\$ 159,804	\$ (1,580)	\$ 538,320

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATING STATEMENT OF ACTIVITIES

DECEMBER 31, 2007

	Dress for Success	Fourth Street Basement Boutique	Eliminations	Consolidated
Unrestricted support and revenue				
Grants and contributions	\$ 231,899	\$ 1,900	\$ (21,000)	\$ 212,799
Sales	-	171,762	-	171,762
Special events	161,587	300	-	161,887
In-kind services and donations	135,400	-	-	135,400
Miscellaneous	25,433	(106)	-	25,327
Total unrestricted support and revenue	554,319	173,856	(21,000)	707,175
Expenses				
Salaries and benefits	186,771	66,316	-	253,087
Clothing donated	129,081	1,758	-	130,839
Rent	35,844	18,960	-	54,804
Special events	37,544	-	-	37,544
Legal and professional	28,312	8,480	-	36,792
Utilities	15,460	9,846	-	25,306
Payroll taxes	16,817	7,547	-	24,364
Advertising	-	19,377	-	19,377
Supplies	9,664	2,810	-	12,474
Consulting	12,000	-	-	12,000
Printing	8,474	609	-	9,083
Miscellaneous	8,298	908	-	9,206
Repairs and maintenance	5,886	2,874	-	8,760
Memberships and dues	8,087	-	-	8,087
Telephone	3,910	3,176	-	7,086
Postage	5,822	331	-	6,153
Travel	5,760	-	-	5,760
Insurance	3,540	675	-	4,215
Bank charges	-	3,096	-	3,096
Depreciation	1,504	1,358	-	2,862
Meeting	-	1,143	-	1,143
Contributions	-	21,000	(21,000)	-
Total expenses	522,774	170,264	(21,000)	672,038
Change in net assets	31,545	3,592	-	35,137
Unrestricted net assets, beginning of year	340,810	152,858	-	493,668
Unrestricted net assets, end of year	\$ 372,355	\$ 156,450	\$ -	\$ 528,805

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

DECEMBER 31, 2007

	Dress for Success				Fourth Street Basement Boutique				Consolidated			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 122,354	\$ 32,311	\$ 32,106	\$ 186,771	\$ 43,444	\$ 11,473	\$ 11,399	\$ 66,316	\$ 165,798	\$ 43,784	\$ 43,505	\$ 253,087
Clothing provided to clients	129,081	-	-	129,081	1,758	-	-	1,758	130,839	-	-	130,839
Rent	32,260	1,792	1,792	35,844	17,064	948	948	18,960	49,324	2,740	2,740	54,804
Special events	-	-	37,544	37,544	-	-	-	-	-	-	37,544	37,544
Legal and professional	18,403	2,831	7,078	28,312	5,512	848	2,120	8,480	23,915	3,679	9,198	36,792
Utilities	13,914	773	773	15,460	8,861	492	493	9,846	22,775	1,265	1,266	25,306
Payroll taxes	11,017	2,909	2,891	16,817	4,944	1,306	1,297	7,547	15,961	4,215	4,188	24,364
Advertising	-	-	-	-	11,626	3,875	3,876	19,377	11,626	3,875	3,876	19,377
Supplies	6,765	2,416	483	9,664	1,967	703	140	2,810	8,732	3,119	623	12,474
Consulting	8,400	3,600	-	12,000	-	-	-	-	8,400	3,600	-	12,000
Printing	7,627	-	847	8,474	548	-	61	609	8,175	-	908	9,083
Miscellaneous	6,639	1,244	415	8,298	726	136	46	908	7,365	1,380	461	9,206
Repairs and maintenance	883	4,120	883	5,886	431	2,012	431	2,874	1,314	6,132	1,314	8,760
Memberships and dues	809	-	7,278	8,087	-	-	-	-	809	-	7,278	8,087
Telephone	3,910	-	-	3,910	3,176	-	-	3,176	7,086	-	-	7,086
Postage	4,658	873	291	5,822	265	50	16	331	4,923	923	307	6,153
Travel	4,608	864	288	5,760	-	-	-	-	4,608	864	288	5,760
Insurance	3,540	-	-	3,540	675	-	-	675	4,215	-	-	4,215
Bank charges	-	-	-	-	3,096	-	-	3,096	3,096	-	-	3,096
Depreciation	1,203	226	75	1,504	1,086	204	68	1,358	2,289	430	143	2,862
Meeting	-	-	-	-	800	343	-	1,143	800	343	-	1,143
Total expenses	\$ 376,071	\$ 53,959	\$ 92,744	\$ 522,774	\$ 105,979	\$ 22,390	\$ 20,895	\$ 149,264	\$ 482,050	\$ 76,349	\$ 113,639	\$ 672,038