

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

DECEMBER 31, 2006

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

December 31, 2006

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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, 2006 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 in the United States of America, 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 in the United States of America.

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 and Consolidating Statement of Activities are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements and are presented only 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 them.

Barnes, Dennig & Co., Ltd.

June 15, 2007

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2006

Assets

Cash and cash equivalents	\$ 398,446
Prepaid expenses	4,567
Inventory	86,742
Lease deposit	5,261
Property and equipment, net	<u>11,303</u>

Total assets \$ 506,319

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 12,651
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Unrestricted net assets 493,668

Total liabilities and net assets \$ 506,319

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, 2006

Unrestricted support and revenue	
Special event	\$ 261,347
Sales	152,213
Grants	201,369
In-kind services and donations	123,698
Miscellaneous	<u>27,662</u>
Total unrestricted support and revenue	<u>766,289</u>
Cost of goods sold	
Clothing donated	<u>119,266</u>
Net unrestricted support and revenue	<u>647,023</u>
Expenses	
Salaries and benefits	261,816
Special events	86,207
Rent	54,804
Legal and professional	38,296
Payroll taxes	26,301
Utilities	20,111
Advertising	11,669
Supplies	9,814
Printing	9,102
Repairs and maintenance	8,929
Memberships and dues	4,998
Telephone	4,758
Insurance	4,180
Depreciation	3,429
Bank charges	2,613
Postage	2,120
Miscellaneous	252
Travel	1,105
Meeting	120
Consulting	<u>50</u>
Total expenses	<u>550,674</u>
Change in unrestricted net assets	96,349
Unrestricted net assets, beginning of year	<u>397,319</u>
Unrestricted net assets, end of year	<u>\$ 493,668</u>

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, 2006

Cash flows from operating activities	
Change in net assets	\$ 96,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,429
Changes in:	
Inventory	(3,626)
Accounts payable	<u>10,842</u>
Net cash provided by operating activities	<u>106,994</u>
Cash flows from investing activities	
Purchase of property and equipment	<u>(299)</u>
Net increase in cash and cash equivalents	106,695
Cash and cash equivalents, beginning of year	<u>291,751</u>
Cash and cash equivalents, end of year	<u><u>\$ 398,446</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) 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, 2006.

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, 2006 were as follows:

Program	\$ 269,436
Management and general	74,243
Fundraising	<u>206,995</u>
	<u>\$ 550,674</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, 2006 consists 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>\$ 11,303</u>

3 - Lease Obligation

The Organizations entered into a five-year rental agreement effective October 1, 2000 to lease office space, utilities included. Rental payments under the lease agreement started on December 1, 2000, with an additional month's rent paid as a security deposit. Total rent expense under the lease for 2006 was \$54,804. The lease expired in October 2005 and has not been renewed.

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

	<u>Dress for Success</u>	<u>Fourth Street Basement Boutique</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Cash and cash equivalents	\$ 303,868	\$ 94,578	\$ -	\$ 398,446
Prepaid expenses	4,567	1,580	(1,580)	4,567
Inventory	30,296	56,446	-	86,742
Lease deposit	5,261	-	-	5,261
Property and equipment, net	7,783	3,520	-	11,303
Total assets	<u>\$ 351,775</u>	<u>\$ 156,124</u>	<u>\$ (1,580)</u>	<u>\$ 506,319</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 9,385	\$ 3,266	\$ -	\$ 12,651
Advance rent	1,580	-	(1,580)	-
Total liabilities	10,965	3,266	(1,580)	12,651
Unrestricted net assets	<u>340,810</u>	<u>152,858</u>	<u>-</u>	<u>493,668</u>
Total liabilities and net assets	<u>\$ 351,775</u>	<u>\$ 156,124</u>	<u>\$ (1,580)</u>	<u>\$ 506,319</u>

DRESS FOR SUCCESS CINCINNATI AND FOURTH STREET BASEMENT BOUTIQUE

CONSOLIDATING STATEMENT OF ACTIVITIES

DECEMBER 31, 2006

	Dress for Success	Fourth Street Basement Boutique	Eliminations	Consolidated
Unrestricted support and revenue				
Special events	\$ 260,887	\$ 460	\$ -	\$ 261,347
Sales	-	152,213	-	152,213
Grants and contributions	218,964	2,405	(20,000)	201,369
In-kind services and donations	122,348	1,350	-	123,698
Miscellaneous	27,490	172	-	27,662
Total unrestricted support and revenue	629,689	156,600	(20,000)	766,289
Cost of goods sold				
Clothing donated	119,266	-	-	119,266
Net unrestricted support and revenue	510,423	156,600	(20,000)	647,023
Expenses				
Salaries and benefits	200,053	61,763	-	261,816
Special events	86,207	-	-	86,207
Rent	35,844	18,960	-	54,804
Legal and professional	24,083	14,213	-	38,296
Payroll taxes	19,156	7,145	-	26,301
Utilities	12,721	7,390	-	20,111
Contributions	-	20,000	(20,000)	-
Advertising	-	11,669	-	11,669
Supplies	8,109	1,705	-	9,814
Printing	8,876	226	-	9,102
Repairs and maintenance	5,765	3,164	-	8,929
Memberships and dues	4,998	-	-	4,998
Telephone	3,665	1,093	-	4,758
Insurance	2,299	1,881	-	4,180
Depreciation	2,477	952	-	3,429
Bank charges	-	2,613	-	2,613
Postage	2,120	-	-	2,120
Miscellaneous	1,292	(1,040)	-	252
Travel	1,105	-	-	1,105
Meeting	-	120	-	120
Consulting	50	-	-	50
Total expenses	418,820	151,854	(20,000)	550,674
Change in net assets	91,603	4,746	-	96,349
Unrestricted net assets, beginning of year	249,207	148,112	-	397,319
Unrestricted net assets, end of year	\$ 340,810	\$ 152,858	\$ -	\$ 493,668