

Dress for Success Cincinnati and Affiliate

**Consolidated Financial Statements
with Supplementary Information
December 31, 2022 and 2021, and
Independent Auditors' Report**

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE
December 31, 2022 and 2021

Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 – 5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 – 18
Supplementary Information:	
Consolidating Statements of Financial Position	19 – 20
Consolidating Statements of Activities	21 – 22
Consolidating Statements of Functional Expenses	23 – 24

Independent Auditors' Report

The Board of Directors
Dress for Success Cincinnati and Affiliate
Cincinnati, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Dress for Success Cincinnati and Affiliate (non-profit organizations), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dress for Success Cincinnati and Affiliate as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dress for Success Cincinnati and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, Dress for Success Cincinnati and Affiliate have adopted Accounting Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dress for Success Cincinnati and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dress for Success Cincinnati and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dress for Success Cincinnati and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules are presented on pages 19 to 24 for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



May 22, 2023
Cincinnati, Ohio

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidated Statements of Financial Position December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 824,566	\$ 1,487,730
Pledges, grants and other receivables	86,310	74,722
Donated inventory	133,275	235,608
Prepaid expenses and other assets	11,316	18,472
Investments	504,316	-
Property and equipment, net	165,143	185,542
Right-of-use-asset - operating lease	797,126	-
	<u>2,522,052</u>	<u>2,002,074</u>
Total assets	<u>\$ 2,522,052</u>	<u>\$ 2,002,074</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 21,079	\$ 16,928
Straight-line rent liability	-	37,420
Lease liability - operating lease	849,959	-
	<u>871,038</u>	<u>54,348</u>
Total liabilities	<u>871,038</u>	<u>54,348</u>
Net Assets		
Without donor restrictions	709,044	907,013
With donor restrictions	941,970	1,040,713
	<u>1,651,014</u>	<u>1,947,726</u>
Total net assets	<u>1,651,014</u>	<u>1,947,726</u>
Total liabilities and net assets	<u>\$ 2,522,052</u>	<u>\$ 2,002,074</u>

See accompanying notes to consolidated financial statements

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidated Statement of Activities Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contributions	\$ 379,318	\$ 98,500	\$ 477,818
TransformHER campaign donations	-	5,000	5,000
Special events	246,721	-	246,721
Boutique sales	139,421	-	139,421
Donated inventory	75,304	-	75,304
In-kind contributions	25,952	-	25,952
Fee for service and other	49,931	-	49,931
Investment income	4,135	-	4,135
Other revenues	7,247	-	7,247
Released from restriction	202,243	(202,243)	-
	<u>1,130,272</u>	<u>(98,743)</u>	<u>1,031,529</u>
Total support and revenue			
	<u>1,130,272</u>	<u>(98,743)</u>	<u>1,031,529</u>
Expenses			
Program	1,071,952	-	1,071,952
Management and general	102,693	-	102,693
Fundraising	153,596	-	153,596
	<u>1,328,241</u>	<u>-</u>	<u>1,328,241</u>
Total expenses			
	<u>1,328,241</u>	<u>-</u>	<u>1,328,241</u>
Change in net assets	(197,969)	(98,743)	(296,712)
Net assets, beginning of year	<u>907,013</u>	<u>1,040,713</u>	<u>1,947,726</u>
Net assets, end of year	<u>\$ 709,044</u>	<u>\$ 941,970</u>	<u>\$ 1,651,014</u>

See accompanying notes to consolidated financial statements

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidated Statement of Activities Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contributions	\$ 311,206	\$ 31,800	\$ 343,006
TransformHER campaign donations	-	902,741	902,741
Special events	217,085	-	217,085
Boutique sales	124,332	-	124,332
Donated inventory	87,012	-	87,012
Paycheck Protection Program grants	79,293	-	79,293
Fee for service and other	9,255	-	9,255
Released from restriction	320,839	(320,839)	-
	<u>1,149,022</u>	<u>613,702</u>	<u>1,762,724</u>
Total support and revenue			
	<u>1,149,022</u>	<u>613,702</u>	<u>1,762,724</u>
Expenses			
Program	868,598	-	868,598
Management and general	61,880	-	61,880
Fundraising	148,720	-	148,720
	<u>1,079,198</u>	<u>-</u>	<u>1,079,198</u>
Total expenses			
	<u>1,079,198</u>	<u>-</u>	<u>1,079,198</u>
Change in net assets	69,824	613,702	683,526
Net assets, beginning of year	<u>837,189</u>	<u>427,011</u>	<u>1,264,200</u>
Net assets, end of year	<u>\$ 907,013</u>	<u>\$ 1,040,713</u>	<u>\$ 1,947,726</u>

See accompanying notes to consolidated financial statements

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidated Statements of Functional Expenses Years Ended December 31, 2022 and 2021

	2022				2021			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 473,208	\$ 66,734	\$ 66,734	\$ 606,676	\$ 303,784	\$ 37,973	\$ 37,972	\$ 379,729
Clothing donated	182,653	-	-	182,653	317,058	-	-	317,058
Rent	124,439	6,913	6,913	138,265	34,267	1,903	1,904	38,074
Legal and professional	56,428	7,053	7,053	70,534	27,985	6,219	27,986	62,190
Telephone and technology	45,353	2,519	2,521	50,393	26,682	1,482	1,482	29,646
Payroll taxes	38,429	5,420	5,419	49,268	27,411	3,427	3,425	34,263
Special events	-	-	47,270	47,270	-	-	34,869	34,869
Consulting	17,369	7,844	2,802	28,015	18,168	3,179	24,073	45,420
Depreciation	20,679	1,149	1,149	22,977	13,944	775	774	15,493
Miscellaneous	18,595	1,033	1,033	20,661	13,400	353	353	14,106
Meeting	16,673	927	925	18,525	6,764	376	376	7,516
Insurance	16,047	-	-	16,047	8,783	-	-	8,783
Printing	8,086	311	7,152	15,549	6,658	277	6,935	13,870
Supplies	10,562	278	278	11,118	4,417	186	47	4,650
Relocation	9,275	515	515	10,305	31,720	1,762	1,762	35,244
Repairs and maintenance	9,600	253	252	10,105	2,853	159	158	3,170
Advertising	6,209	-	1,096	7,305	11,919	-	243	12,162
Utilities	6,356	353	353	7,062	4,973	276	277	5,526
Memberships and dues	4,917	922	307	6,146	3,812	715	238	4,765
Travel	5,378	299	298	5,975	944	52	53	1,049
Postage	1,696	170	1,526	3,392	3,056	382	4,203	7,641
Bank charges	-	-	-	-	-	2,384	1,590	3,974
Total expenses	\$ 1,071,952	\$ 102,693	\$ 153,596	\$ 1,328,241	\$ 868,598	\$ 61,880	\$ 148,720	\$ 1,079,198

See accompanying notes to consolidated financial statements

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidated Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (296,712)	\$ 683,526
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash change in donated inventory	102,333	227,758
Depreciation	22,977	15,493
Non-cash lease expense	15,413	-
Changes in:		
Pledges, grants and other receivables	(11,588)	56,945
Prepaid expenses and other assets	7,156	(4,036)
Accounts payable and accrued expenses	4,151	(22,677)
Straight-line rent liability	-	(37,510)
Net cash provided by (used in) operating activities	(156,270)	919,499
Cash flows from investing activities		
Proceeds from sale of investments	3,567	-
Purchase of investments	(507,883)	-
Purchase of property and equipment	(2,578)	(187,047)
Net cash used in investing activities	(506,894)	(187,047)
Net change in cash and cash equivalents	(663,164)	732,452
Cash and cash equivalents, beginning of year	1,487,730	755,278
Cash and cash equivalents, end of year	\$ 824,566	\$ 1,487,730

See accompanying notes to consolidated financial statements

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Dress for Success Cincinnati (DFSC) empowers women to achieve economic independence by providing a network of support, professional attire, and development tools to help them thrive in work and in life. Its affiliate, Fourth Street Basement Boutique dba Portaluca (Portaluca), is a social enterprise that sells donated clothing; the net proceeds are transferred to Dress for Success Cincinnati. Both DFSC and Portaluca relocated from downtown Cincinnati to Norwood, Ohio in 2021, at the request of a new landlord, which wanted to convert the space previously occupied into residential units (see Note 10). In part to support the costs of the unplanned move, DFSC undertook a campaign to raise funds, a portion of which would subsidize the increased occupancy costs (see Note 4).

During 2022, DFSC and Portaluca began a process to further align their strategic direction. To facilitate this alignment, the entities consolidated their individual boards of directors and entered into an intercompany service agreement to consolidate administrative efforts, resulting in all Portaluca employees becoming employees of DFSC effective January 1, 2023 with DFSC being reimbursed by Portaluca for all intercompany activity on a monthly basis.

Principles of Consolidation

The consolidated financial statements include the accounts of Dress for Success Cincinnati and Portaluca (collectively, the Organization), 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 on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net asset with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted primarily of money market deposit accounts. The Organization maintains its cash in bank deposit accounts which may, 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.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest, and realized and unrealized gains and losses on investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Donated Inventory

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

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of receipt. Depreciation is computed on a straight-line basis over an estimated useful life of the respective assets. The cost of maintenance and repairs are expensed as incurred, while significant improvements are capitalized.

Contributions

The Organization records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. A gift that is originally restricted by the donor and for which the restriction is met in the same year that the gift is received is recorded as revenue without donor restrictions.

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.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Revenue Recognition

The Organization identified its contracts with customers for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Organization evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgement.

Revenue from contracts with customers is primarily recognized from boutique sales. These contracts consist of a single performance obligation, which is the promise to transfer the goods. Revenue is recognized by the Organization at a point in time, as the customer obtains control of the promised goods and the Organization satisfies its performance obligation.

The transaction price is stated in the contracts and is known at the time of contract inception. Variable consideration consists of discounts, which are recognized at the time of sale. The Organization does not extend credit to its boutique customers and payment is received at the time of sale.

Leases

DFSC leases office space in Norwood, Ohio. DFSC determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, DFSC uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that DFSC will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

DFSC has lease agreements with lease and non-lease components. DFSC accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of maintenance, security, janitorial services, utilities, and taxes are recognized in operating expenses in the period in which the obligation for those payments was incurred.

DFSC has elected to apply the short-term lease exemption to any lease agreements lasting less than 12 months. In 2022, DFSC has no leases that qualify for the exemption.

DFS sublease certain store front space to Portaluca for store front facilities. Sublease income recognized and disclosed for this lease in 2022 is \$13,179. All sublease income is eliminated upon consolidation.

In evaluating contracts to determine if they qualify as a lease, DFSC considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990s are subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional classification basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses, which were allocated based on time and effort, and occupancy and depreciation, which were allocated based on square footage.

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.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting New Accounting Standard

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, description of valuation techniques and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. The Organization adopted the standard effective January 1, 2022, applied retrospectively. The most significant impact of adoption is enhanced disclosures surrounding in-kind donations.

In February 2016, the FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition on the consolidated statement of financial position of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The expense recognition for operating leases remained substantially unchanged and continues to be recognized as lease expense. Additionally, capital leases under FASB ASC 840 are referred to as finance leases under FASB ASC 842, however the classification criteria and expense recognition criteria remained substantially unchanged. Other changes include referring to contingent lease expense as variable lease expense under FASB ASC 842 and providing various practical expedients to ease the burden of complying with the standard. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022, and recognized and measured leases existing at, or entered after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, a lease liability of \$926,947, which represents the present value of the remaining operating lease payments of \$1,014,986, discounted using a risk-free rate for a period comparable to the remaining lease term, and a right-of-use asset of \$926,947.

The standard had a material impact on the consolidated statement of financial position but did not have a material impact on the consolidated statements of activities, functional expenses, and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing the consolidated financial statements, the Organization has evaluated events subsequent to the consolidated statement of financial position date through May 22, 2023, which is the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization maintains liquid assets sufficient to cover three months of general expenditures as required by its Operating Reserve Policy adopted in November 2018. Financial assets in excess of daily cash requirements and grant funding are invested in money market funds.

The following table reflects the Organization's financial assets as of December 31, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

	2022	2021
Cash and cash equivalents	\$ 824,566	\$ 1,487,730
Pledges, grants and other receivables	86,310	74,722
Investments	504,316	-
Total financial assets	1,415,192	1,562,452
Less net assets with donor restrictions	(941,970)	(1,040,713)
Add amounts budgeted for general expenses included in net assets with donor restrictions	157,742	137,093
Total financial assets available for general expenditures within one year	\$ 630,964	\$ 658,832

NOTE 3 INVESTMENTS AT FAIR VALUE

Investments at fair value as of December 31 consisted of:

	2022	2021
Level 2:		
Money market funds	\$ 504,316	\$ -

Fair values for investments in money market funds are estimated using pricing models or quoted prices of securities with similar characteristics. These items are categorized as using Level 2 inputs. There were no valuations using Level 1 or 3 inputs.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 4 TRANSFORMHER CAMPAIGN

During 2020, the Organization embarked on a \$1,200,000 TransformHER fundraising campaign to facilitate the move to a new location, establish a *Fund for the Future*, and create a major gifts program. Funds raised by the campaign have been designated to cover relocation expenses, a portion of the rent for the new location through 2024 (the date the prior lease was supposed to terminate) and the estimated personnel cost of hiring and three years of compensation of a development director. The remaining funds will be designated as a fund for the future, which can only be spent for future projects approved by the Board of Directors of DFSC. As of December 31, 2022 and 2021, the Organization had raised \$1,265,066 and \$1,260,066, respectively, in donations and pledges toward this campaign and utilized \$446,032 and \$304,096, respectively, for qualifying campaign expenses.

NOTE 5 PLEDGES, GRANTS AND OTHER RECEIVABLES

Pledges, grants and other receivables at December 31 as due to be collected as follows:

	2022	2021
Due within one year	\$ 76,310	\$ 59,722
Due in one to five years	10,000	15,000
	\$ 86,310	\$ 74,722

No allowance for uncollectible receivables or discount on long-term receivables was recorded as of December 31, 2022 and 2021.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2022	2021
Furniture and fixtures	\$ 46,498	\$ 46,498
Vehicles	34,089	34,089
Computer hardware and software	54,441	54,441
Leasehold improvements	163,558	160,980
Less accumulated depreciation	(133,443)	(110,466)
	\$ 165,143	\$ 185,542

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
TransformHER campaign	\$ 819,034	\$ 955,970
HigherHER career development program	43,750	-
ACT assessments	25,968	25,968
Satellite locations	20,000	-
Technology	15,996	36,982
HigherHER career center	10,000	-
Mobile unit	5,756	9,323
Client assistance and incentives	1,466	4,515
Workforce development programs	-	5,455
Advertising/marketing/printing	-	2,500
	<u>\$ 941,970</u>	<u>\$ 1,040,713</u>

NOTE 8 CONDITIONAL CONTRIBUTIONS

The Organization has grants for which the grantor agencies' promise to give is conditional upon the Organization incurring certain qualifying expenses under the grant programs. At December 31, 2022 and 2021 the Organization had remaining available award balances on these conditional grants of \$72,127 and \$-0-, respectively. These award balances are not recognized as an asset and will be recognized as revenue as the conditions are met, generally as qualifying expenses are incurred.

NOTE 9 CONCENTRATION

One special event, The Fashion Show, comprised approximately 24% and 12% of total support and revenue for December 31, 2022 and 2021, respectively.

NOTE 10 LEASES

As discussed in Note 1, the Organization adopted ASC 842 effective January 1, 2022. Lease disclosures for 2022 are in accordance with ASC 842, while lease disclosures for 2021 are in accordance with ASC 840.

Leases for the Year Ended December 31, 2022

The Organization has an operating lease for office space in Norwood, Ohio. The lease has a remaining lease term of 9 years, which may include options to terminate the lease after a certain number of years.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 10 LEASES (CONTINUED)

A summary of total lease costs and other lease information for the year ended December 31, 2022 is as follows:

Operating lease expense	\$	96,665
Cash paid for amounts included in the measurement of operating lease liabilities		77,269
Right-of-use assets obtained in exchange for operating lease obligations	\$	926,947
Weighted-average remaining lease term (in years)		8.92
Weighted-average discount rate		1.63%

Future minimum lease payments under non-cancellable leases as of December 31, 2022, are as follows:

2023	\$	94,734
2024		96,628
2025		98,561
2026		100,532
2027		102,543
Thereafter		<u>422,840</u>
Total future minimum lease payments		915,838
Less imputed interest		<u>(65,879)</u>
	\$	<u><u>849,959</u></u>

Leases for the Year Ended December 31, 2021

The Organization leased office and retail space in downtown Cincinnati, Ohio under a noncancelable lease that originally expired in 2024. In 2021, this lease was terminated and rental obligations from March 1, 2021 through June 30, 2021 were waived, and accrued and unpaid rent for certain months in 2020, which had been withheld pending resolution of the lease termination and were reflected as accounts payable at December 31, 2020, were paid in 2021.

On March 4, 2021, the Organization entered into a new lease agreement for office and retail space that commenced on June 1, 2021 and expires on November 30, 2031. This lease calls for escalating rental payments to be made over the life of the lease. The straight-line annual rental expense is \$98,152 per year.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 10 LEASES (CONTINUED)

Future minimum lease payments for the new lease will be:

2022	\$	92,876
2023		94,734
2024		96,628
2025		98,561
2026		100,532
Thereafter		<u>524,310</u>
		<u>\$ 1,007,641</u>

NOTE 11 PAYCHECK PROTECTION PROGRAM (PPP) GRANTS

On March 5, 2021, DFSC entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Paycheck Protection Program (the Program) for a second round of funding for \$61,692. In accordance with its terms, all or a portion of the note may be forgiven in accordance with the Program requirements and interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the initial 6-month deferral period after issuance. After the initial 6-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 18 equal installments of principal. On October 22, 2021, DFSC received notification from the bank that the loan was fully forgiven and used in accordance with the Program requirements. Accordingly, DFSC has elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the liability. In accordance with this guidance, the derecognition threshold for the liability is when the conditions of the Paycheck Protection Program are "substantially met" and occurred on or before the statement of financial position date.

On February 23, 2021, Portaluca entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Paycheck Protection Program (the Program) for a second round of funding for \$17,601. In accordance with its terms, all or a portion of the note may be forgiven in accordance with the Program requirements and interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the initial 6-month deferral period after issuance. After the initial 6-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 18 equal installments of principal. On October 22, 2021, Portaluca received notification from the bank that the loan was fully forgiven and used in accordance with the Program requirements. Accordingly, Portaluca has elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the liability. In accordance with this guidance, the derecognition threshold for the liability is when the conditions of the Paycheck Protection Program are "substantially met" and occur on or before the statement of financial position date.

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Notes to Consolidated Financial Statements (Continued)

NOTE 12 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following noncash donations that are recognized within revenues and expenses on the statement of activities for the year ending December 31:

	2022	2021
Donated clothing	\$ 75,304	\$ 87,012
Video production	10,000	-
Legal services	9,702	-
Fashion show wine and center pieces	3,250	-
Fashion show programs	3,000	-
	\$ 101,256	\$ 87,012

The Organization records the value of donated clothing on the basis of wholesale values that would be received for selling similar products in the United States. All other donated goods are recorded at the fair value at which the Organization could purchase the goods.

The Organization records donated services as revenues in the period received only if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. The value of these services is recorded at the fair value at which the Organization could go out and procure the services. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, which is not recorded as donated services.

All non-cash donations are used in the Organizations program services and do not have donor restrictions.

The following table provides a reconciliation of contributed non-financial assets reported within the statement of activities that sum to the total of the same such amounts shown in the table above as of December 31:

	2022	2021
Donated inventory	\$ 75,304	\$ 87,012
Other in-kind contributions	25,952	-
	\$ 101,256	\$ 87,012

SUPPLEMENTARY INFORMATION

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

**Consolidating Statement of Financial Position
December 31, 2022**

	<u>Dress for Success</u>	<u>Portaluca</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Cash and cash equivalents	\$ 769,572	\$ 54,994	\$ -	\$ 824,566
Pledges, grants and other receivables	86,395	-	(85)	86,310
Donated inventory	85,140	48,135	-	133,275
Prepaid expenses and other assets	11,316	-	-	11,316
Investments	504,316	-	-	504,316
Property and equipment, net	165,143	-	-	165,143
Right-of-use-asset - operating lease	797,126	14,849	(14,849)	797,126
	<u>\$ 2,419,008</u>	<u>\$ 117,978</u>	<u>\$ (14,934)</u>	<u>\$ 2,522,052</u>
Total assets				
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 20,039	\$ 1,125	\$ (85)	\$ 21,079
Lease liability - operating lease	849,959	14,849	(14,849)	849,959
	<u>869,998</u>	<u>15,974</u>	<u>(14,934)</u>	<u>871,038</u>
Total liabilities				
Net Assets				
Without donor restrictions	607,040	102,004	-	709,044
With donor restrictions	941,970	-	-	941,970
	<u>1,549,010</u>	<u>102,004</u>	<u>-</u>	<u>1,651,014</u>
Total net assets				
Total liabilities and net assets	<u>\$ 2,419,008</u>	<u>\$ 117,978</u>	<u>\$ (14,934)</u>	<u>\$ 2,522,052</u>

See independent auditors' report

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

**Consolidating Statement of Financial Position
December 31, 2021**

	<u>Dress for Success</u>	<u>Portaluca</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Cash and cash equivalents	\$ 1,428,276	\$ 59,454	\$ -	\$ 1,487,730
Pledges, grants and other receivables	75,096	-	(374)	74,722
Donated inventory	130,379	105,229	-	235,608
Prepaid expenses and other assets	18,472	-	-	18,472
Property and equipment, net	<u>185,542</u>	<u>-</u>	<u>-</u>	<u>185,542</u>
Total assets	<u><u>\$ 1,837,765</u></u>	<u><u>\$ 164,683</u></u>	<u><u>\$ (374)</u></u>	<u><u>\$ 2,002,074</u></u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 15,743	\$ 1,559	\$ (374)	\$ 16,928
Straight-line rent liability	<u>37,420</u>	<u>-</u>	<u>-</u>	<u>37,420</u>
Total liabilities	<u>53,163</u>	<u>1,559</u>	<u>(374)</u>	<u>54,348</u>
Net Assets				
Without donor restrictions	743,889	163,124	-	907,013
With donor restrictions	<u>1,040,713</u>	<u>-</u>	<u>-</u>	<u>1,040,713</u>
Total net assets	<u>1,784,602</u>	<u>163,124</u>	<u>-</u>	<u>1,947,726</u>
Total liabilities and net assets	<u><u>\$ 1,837,765</u></u>	<u><u>\$ 164,683</u></u>	<u><u>\$ (374)</u></u>	<u><u>\$ 2,002,074</u></u>

See independent auditors' report

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidating Statement of Activities Year Ended December 31, 2022

	Dress for Success			Portaluca			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue										
Grants and contributions	\$ 425,773	\$ 98,500	\$ 524,273	\$ 1,545	\$ -	\$ 1,545	\$ (48,000)	\$ 379,318	\$ 98,500	\$ 477,818
TransformHER campaign donations	-	5,000	5,000	-	-	-	-	-	5,000	5,000
Special events	246,721	-	246,721	-	-	-	-	246,721	-	246,721
Boutique sales	-	-	-	139,421	-	139,421	-	139,421	-	139,421
Donated inventory	75,304	-	75,304	-	-	-	-	75,304	-	75,304
In-kind contributions	25,952	-	25,952	-	-	-	-	25,952	-	25,952
Fee for service	49,931	-	49,931	-	-	-	-	49,931	-	49,931
Investment income	4,135	-	4,135	-	-	-	-	4,135	-	4,135
Other revenues	25,609	-	25,609	72	-	72	(18,434)	7,247	-	7,247
Released from restriction	202,243	(202,243)	-	-	-	-	-	202,243	(202,243)	-
Total support and revenue	1,055,668	(98,743)	956,925	141,038	-	141,038	(66,434)	1,130,272	(98,743)	1,031,529
Expenses	1,192,517	-	1,192,517	202,158	-	202,158	(66,434)	1,328,241	-	1,328,241
Change in net assets	(136,849)	(98,743)	(235,592)	(61,120)	-	(61,120)	-	(197,969)	(98,743)	(296,712)
Net assets, beginning of year	743,889	1,040,713	1,784,602	163,124	-	163,124	-	907,013	1,040,713	1,947,726
Net assets, end of year	\$ 607,040	\$ 941,970	\$ 1,549,010	\$ 102,004	\$ -	\$ 102,004	\$ -	\$ 709,044	\$ 941,970	\$ 1,651,014

See independent auditors' report

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidating Statement of Activities Year Ended December 31, 2021

	Dress for Success			Portaluca			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue										
Grants and contributions	\$ 310,812	\$ 31,800	\$ 342,612	\$ 394	\$ -	\$ 394	\$ -	\$ 311,206	\$ 31,800	\$ 343,006
TransformHER campaign donations	-	902,741	902,741	-	-	-	-	-	902,741	902,741
Special events	217,085	-	217,085	-	-	-	-	217,085	-	217,085
Boutique sales	-	-	-	124,332	-	124,332	-	124,332	-	124,332
Donated inventory	74,079	-	74,079	12,933	-	12,933	-	87,012	-	87,012
Paycheck Protection Program grants	61,692	-	61,692	17,601	-	17,601	-	79,293	-	79,293
Fee for service	9,255	-	9,255	-	-	-	-	9,255	-	9,255
Released from restriction	320,839	(320,839)	-	-	-	-	-	320,839	(320,839)	-
Total support and revenue	993,762	613,702	1,607,464	155,260	-	155,260	-	1,149,022	613,702	1,762,724
Expenses	1,004,783	-	1,004,783	74,415	-	74,415	-	1,079,198	-	1,079,198
Change in net assets	(11,021)	613,702	602,681	80,845	-	80,845	-	69,824	613,702	683,526
Net assets, beginning of year	754,910	427,011	1,181,921	82,279	-	82,279	-	837,189	427,011	1,264,200
Net assets, end of year	\$ 743,889	\$ 1,040,713	\$ 1,784,602	\$ 163,124	\$ -	\$ 163,124	\$ -	\$ 907,013	\$ 1,040,713	\$ 1,947,726

See independent auditors' report

DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidating Statement of Functional Expenses Year Ended December 31, 2022

	Dress for Success				Portaluca				Consolidated				
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Eliminations	Total
Salaries and benefits	\$ 429,884	\$ 60,625	\$ 60,624	\$ 551,133	\$ 47,000	\$ 6,628	\$ 6,629	\$ 60,257	\$ 476,884	\$ 67,253	\$ 67,253	\$ (4,714)	\$ 606,676
Clothing donated	125,558	-	-	125,558	57,095	-	-	57,095	182,653	-	-	-	182,653
Rent	124,439	6,913	6,913	138,265	11,861	659	659	13,179	136,300	7,572	7,572	(13,179)	138,265
Legal and professional	52,506	6,563	6,563	65,632	3,922	490	490	4,902	56,428	7,053	7,053	-	70,534
Telephone and technology	45,060	2,503	2,504	50,067	293	16	17	326	45,353	2,519	2,521	-	50,393
Payroll taxes	34,098	4,809	4,809	43,716	4,331	611	610	5,552	38,429	5,420	5,419	-	49,268
Special events	-	-	47,270	47,270	-	-	-	-	-	-	47,270	-	47,270
Consulting	17,369	7,844	2,802	28,015	-	-	-	-	17,369	7,844	2,802	-	28,015
Depreciation	20,679	1,149	1,149	22,977	-	-	-	-	20,679	1,149	1,149	-	22,977
Miscellaneous	14,316	795	796	15,907	47,479	2,638	2,637	52,754	61,795	3,433	3,433	(48,000)	20,661
Meeting	16,663	926	925	18,514	10	1	-	11	16,673	927	925	-	18,525
Insurance	15,081	-	-	15,081	966	-	-	966	16,047	-	-	-	16,047
Printing	7,975	307	7,054	15,336	111	4	98	213	8,086	311	7,152	-	15,549
Supplies	8,042	212	211	8,465	2,520	66	67	2,653	10,562	278	278	-	11,118
Relocation	9,275	515	515	10,305	-	-	-	-	9,275	515	515	-	10,305
Repairs and maintenance	9,086	239	239	9,564	514	14	13	541	9,600	253	252	-	10,105
Advertising	3,596	-	635	4,231	2,613	-	461	3,074	6,209	-	1,096	-	7,305
Utilities	6,271	348	349	6,968	572	32	31	635	6,843	380	380	(541)	7,062
Memberships and dues	4,917	922	307	6,146	-	-	-	-	4,917	922	307	-	6,146
Travel	5,378	299	298	5,975	-	-	-	-	5,378	299	298	-	5,975
Postage	1,696	170	1,526	3,392	-	-	-	-	1,696	170	1,526	-	3,392
Total expenses	\$ 951,889	\$ 95,139	\$ 145,489	\$ 1,192,517	\$ 179,287	\$ 11,159	\$ 11,712	\$ 202,158	\$ 1,131,176	\$ 106,298	\$ 157,201	\$ (66,434)	\$ 1,328,241

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DRESS FOR SUCCESS CINCINNATI AND AFFILIATE

Consolidating Statement of Functional Expenses Year Ended December 31, 2021

	Dress for Success				Portaluca				Consolidated			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 255,402	\$ 31,925	\$ 31,925	\$ 319,252	\$ 48,382	\$ 6,048	\$ 6,047	\$ 60,477	\$ 303,784	\$ 37,973	\$ 37,972	\$ 379,729
Clothing donated	317,058	-	-	317,058	-	-	-	-	317,058	-	-	317,058
Rent	46,301	2,572	2,572	51,445	(12,034)	(669)	(668)	(13,371)	34,267	1,903	1,904	38,074
Legal and professional	24,111	5,358	24,112	53,581	3,874	861	3,874	8,609	27,985	6,219	27,986	62,190
Telephone and technology	26,320	1,462	1,462	29,244	362	20	20	402	26,682	1,482	1,482	29,646
Payroll taxes	21,149	2,644	2,643	26,436	6,262	783	782	7,827	27,411	3,427	3,425	34,263
Special events	-	-	34,869	34,869	-	-	-	-	-	-	34,869	34,869
Consulting	18,168	3,179	24,073	45,420	-	-	-	-	18,168	3,179	24,073	45,420
Depreciation	13,944	775	774	15,493	-	-	-	-	13,944	775	774	15,493
Miscellaneous	13,367	352	352	14,071	33	1	1	35	13,400	353	353	14,106
Meeting	6,629	368	369	7,366	135	8	7	150	6,764	376	376	7,516
Insurance	7,637	-	-	7,637	1,146	-	-	1,146	8,783	-	-	8,783
Printing	6,633	276	6,909	13,818	25	1	26	52	6,658	277	6,935	13,870
Supplies	3,509	148	37	3,694	908	38	10	956	4,417	186	47	4,650
Relocation	31,720	1,762	1,762	35,244	-	-	-	-	31,720	1,762	1,762	35,244
Repairs and maintenance	2,261	126	125	2,512	592	33	33	658	2,853	159	158	3,170
Advertising	8,489	-	173	8,662	3,430	-	70	3,500	11,919	-	243	12,162
Utilities	4,973	276	277	5,526	-	-	-	-	4,973	276	277	5,526
Memberships and dues	3,812	715	238	4,765	-	-	-	-	3,812	715	238	4,765
Travel	944	52	53	1,049	-	-	-	-	944	52	53	1,049
Postage	3,056	382	4,203	7,641	-	-	-	-	3,056	382	4,203	7,641
Bank charges	-	-	-	-	-	2,384	1,590	3,974	-	2,384	1,590	3,974
Total expenses	\$ 815,483	\$ 52,372	\$ 136,928	\$ 1,004,783	\$ 53,115	\$ 9,508	\$ 11,792	\$ 74,415	\$ 868,598	\$ 61,880	\$ 148,720	\$ 1,079,198

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