

WORKING WARDROBES FOR A NEW START
Financial Statements
December 31, 2024
With Summarized Comparative Information as of December 31, 2023
With Independent Auditor's Report

Working Wardrobes for a New Start
Table of Contents
December 31, 2024

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Working Wardrobes for a New Start:

Opinion

We have audited the financial statements of Working Wardrobes for a New Start (the "Organization"), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Working Wardrobes for a New Start as of December 31, 2024, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Withum Smith & Brown, PC

August 27, 2025

Working Wardrobes for a New Start
Statement of Financial Position
December 31, 2024
With Summarized Comparative Information as of December 31, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	
			<u>2024</u>	<u>2023</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 1,320,537	\$ -	\$ 1,320,537	\$ 848,069
Investments	750,271	-	750,271	467,231
Accounts and grants receivable	247,005	-	247,005	341,864
Other receivable	5,243	-	5,243	259,060
Current portion of unconditional promises to give	-	100,000	100,000	200,000
Prepaid expenses	55,836	-	55,836	65,555
Inventory	<u>1,498,242</u>	<u>-</u>	<u>1,498,242</u>	<u>4,046,023</u>
Total current assets	<u>3,877,134</u>	<u>100,000</u>	<u>3,977,134</u>	<u>6,227,802</u>
Unconditional promises to give, net current portion	-	-	-	100,000
Property and equipment, net	325,968	-	325,968	446,038
Right-of-use assets - operating, net	1,765,973	-	1,765,973	1,931,907
Deposits	<u>76,780</u>	<u>-</u>	<u>76,780</u>	<u>79,276</u>
Total assets	<u>\$ 6,045,855</u>	<u>\$ 100,000</u>	<u>\$ 6,145,855</u>	<u>\$ 8,785,023</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 224,385	\$ -	\$ 224,385	\$ 176,775
Current portion of lease liabilities - operating	<u>630,364</u>	<u>-</u>	<u>630,364</u>	<u>411,324</u>
Total current liabilities	<u>854,749</u>	<u>-</u>	<u>854,749</u>	<u>588,099</u>
Long-term liabilities				
Refundable advance	83,262	-	83,262	-
Lease liabilities - operating, net current portion	<u>1,180,800</u>	<u>-</u>	<u>1,180,800</u>	<u>1,541,728</u>
Total long-term liabilities	<u>1,264,062</u>	<u>-</u>	<u>1,264,062</u>	<u>1,541,728</u>
Total liabilities	<u>2,118,811</u>	<u>-</u>	<u>2,118,811</u>	<u>2,129,827</u>
Net assets				
Without donor restrictions	3,927,044	-	3,927,044	6,355,196
With donor restrictions	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>300,000</u>
Total net assets	<u>3,927,044</u>	<u>100,000</u>	<u>4,027,044</u>	<u>6,655,196</u>
Total liabilities and net assets	<u>\$ 6,045,855</u>	<u>\$ 100,000</u>	<u>\$ 6,145,855</u>	<u>\$ 8,785,023</u>

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start
Statement of Activities
Year Ended December 31, 2024
With Summarized Comparative Information for the Year Ended December 31, 2023

	Without	With Donor	Total	
	Donor		Restrictions	2024
	Restrictions	Restrictions		
Operating revenues and public support				
Grants and contributions	\$ 2,632,733	\$ -	\$ 2,632,733	\$ 2,394,573
Client service fees	267,702	-	267,702	377,235
Special events revenue, net	382,845	-	382,845	284,309
Donated wardrobes	716,061	-	716,061	1,919,971
Contributions of nonfinancial assets	10,000	-	10,000	3,000
Resale revenue	1,184,869	-	1,184,869	1,566,832
Miscellaneous income	64,269	-	64,269	97,108
Net assets released from restrictions	200,000	(200,000)	-	-
Total operating revenues and public support	<u>5,458,479</u>	<u>(200,000)</u>	<u>5,258,479</u>	<u>6,643,028</u>
Expenses				
Program services				
Career services	6,326,672	-	6,326,672	5,055,323
Total program services	<u>6,326,672</u>	<u>-</u>	<u>6,326,672</u>	<u>5,055,323</u>
Supporting services				
General and administrative	1,018,982	-	1,018,982	1,240,284
Fundraising	550,744	-	550,744	407,806
Total supporting services	<u>1,569,726</u>	<u>-</u>	<u>1,569,726</u>	<u>1,648,090</u>
Total expenses	<u>7,896,398</u>	<u>-</u>	<u>7,896,398</u>	<u>6,703,413</u>
Non-operating income				
Realized and unrealized gain on investments	9,767	-	9,767	31,116
Total non-operating income	<u>9,767</u>	<u>-</u>	<u>9,767</u>	<u>31,116</u>
Changes in net assets	(2,428,152)	(200,000)	(2,628,152)	(29,269)
Net assets				
Beginning of year	<u>6,355,196</u>	<u>300,000</u>	<u>6,655,196</u>	<u>6,684,465</u>
End of year	<u>\$ 3,927,044</u>	<u>\$ 100,000</u>	<u>\$ 4,027,044</u>	<u>\$ 6,655,196</u>

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start
Statement of Functional Expenses
Year Ended December 31, 2024
With Summarized Comparative Information for the Year Ended December 31, 2023

	Program Services	Supporting Services			Subtotal	Total	
	Career Services	General and Administrative	Fundraising	Direct Costs of Donor Benefits		2024	2023
Advertising	\$ 70	\$ 13,775	\$ -	\$ -	\$ 13,775	\$ 13,845	\$ 11,930
Bank fees	604	4,869	9,432	-	14,301	14,905	13,739
Career readiness services	194,982	183	-	-	183	195,165	142,942
Computer	71,476	28,590	23,660	-	52,250	123,726	75,639
Cost of goods sold and utilized	3,270,955	-	-	-	-	3,270,955	1,998,609
Dues and subscriptions	361	2,066	410	-	2,476	2,837	3,593
Employee benefits	70,952	15,182	9,471	-	24,653	95,605	116,829
Equipment rental	2,851	2,132	1,480	-	3,612	6,463	9,259
Grant writing	-	-	-	-	-	-	54,600
Insurance	109,261	18,210	18,210	-	36,420	145,681	118,886
Interest expense	-	-	-	-	-	-	892
Licenses and permits	1,335	5,164	1,100	-	6,264	7,599	7,325
Marketing and media	-	-	203	-	203	203	2,357
Memberships	75	2,669	15	-	2,684	2,759	4,567
Miscellaneous	1,134	38,313	606	-	38,919	40,053	7,364
Office expenses	31,691	16,239	3,194	-	19,433	51,124	75,189
Outside services	210,689	84,643	136,741	-	221,384	432,073	462,957
Payroll fees	-	35,407	-	-	35,407	35,407	31,543
Payroll taxes	96,838	76,732	18,424	-	95,156	191,994	198,807
Personnel development	17,052	4,973	185	-	5,158	22,210	11,282

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start
Statement of Functional Expenses
Year Ended December 31, 2024
With Summarized Comparative Information for the Year Ended December 31, 2023

	Program Services	Supporting Services			Total		
	Career Services	General and Administrative	Fundraising	Direct Costs of Donor Benefits	Subtotal	2024	2023
Printing and postage	\$ 115	\$ 6,886	\$ 945	\$ -	\$ 7,831	\$ 7,946	\$ 18,037
Promotions	-	-	-	-	-	-	1,304
Rent	700,323	29,648	29,648	-	59,296	759,619	722,431
Repairs and maintenance	8,180	2,577	-	-	2,577	10,757	14,910
Salaries and wages	1,365,343	561,929	280,288	-	842,217	2,207,560	2,331,623
Security	2,402	480	-	-	480	2,882	3,832
Telephone	29,553	2,364	678	-	3,042	32,595	48,308
Travel, meals and entertainment	34,079	15,505	5,065	136,708	157,278	191,357	179,469
Utilities	49,487	774	-	-	774	50,261	40,933
Total expenses before depreciation and amortization	6,269,808	969,310	539,755	136,708	1,645,773	7,915,581	6,709,156
Depreciation and amortization	56,864	49,672	10,989	-	60,661	117,525	138,062
Total expenses	6,326,672	1,018,982	550,744	136,708	1,706,434	8,033,106	6,847,218
Less: Expenses included with revenues on the statement of activities							
Direct costs of donor benefits	-	-	-	(136,708)	(136,708)	(136,708)	(143,805)
	<u>\$ 6,326,672</u>	<u>\$ 1,018,982</u>	<u>\$ 550,744</u>	<u>\$ -</u>	<u>\$ 1,569,726</u>	<u>\$ 7,896,398</u>	<u>\$ 6,703,413</u>

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start

Statement of Cash Flows

Year Ended December 31, 2024

With Summarized Comparative Information for the Year Ended December 31, 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Changes in net assets	\$ (2,628,152)	\$ (29,269)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	117,525	138,062
Amortization of right-of-use assets - operating	610,492	652,256
Realized and unrealized gain on investments	(9,767)	(31,116)
Change in assets		
Accounts receivable	94,859	(138,424)
Other receivable	253,817	-
Unconditional promises to give	200,000	(300,000)
Prepaid expenses	9,719	(37,188)
Inventory	2,547,781	78,638
Deposits	2,496	-
Change in liabilities		
Accounts payable and accrued liabilities	47,610	(3,396)
Refundable advance	83,262	-
Lease liabilities - operating	<u>(586,446)</u>	<u>(730,553)</u>
Net cash provided by (used in) operating activities	<u>743,196</u>	<u>(400,990)</u>
Investing activities		
Purchase of investments	(679,418)	(1,533,622)
Proceeds from sales of investments	406,145	2,158,233
Purchases/disposal of property and equipment	<u>2,545</u>	<u>(56,335)</u>
Net cash (used in) provided by investing activities	<u>(270,728)</u>	<u>568,276</u>
Net change in cash and cash equivalents	472,468	167,286
Cash and cash equivalents		
Beginning of year	<u>848,069</u>	<u>680,783</u>
End of year	<u>\$ 1,320,537</u>	<u>\$ 848,069</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	<u>\$ -</u>	<u>\$ 892</u>

Supplemental disclosure of noncash investing and financing activities

During the year ended December 31, 2024, the Organization capitalized an operating lease as right-of-use asset and operating lease obligations in the amount of \$444,559.

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2024 and 2023

1. ORGANIZATION AND NATURE OF SERVICES

Working Wardrobes for a New Start (the “Organization”), incorporated in May 1995, is a nonprofit community-based organization formed to empower men, women, young adults and veterans overcoming difficult challenges to confidently enter the workforce and achieve self-sufficiency. The Organization provides career training, job placement assistance, and wardrobe services in an environment of dignity and respect.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Program Services

The Organization’s program services are as follows:

Career services offer career development services to low-income men, women, and young adults as well as veterans who are overcoming difficult challenges and barriers to employment. These services include career assessment, resume development, customer service training, soft and hard skill trainings, financial literacy workshops, job referrals, job placement, and job retention services. Volunteer success coaches and job developers support these efforts, coordinated by a talented staff team. Professional wardrobing and grooming services are also provided with the help of volunteer personal shoppers.

The Organization has one upscale resale boutique located in Laguna Niguel, California that sells a wide selection of top-quality donated clothing and accessories to the general public. The upscale resale boutique located in Tustin, California was closed in January 2024.

The Organization has two resale outlets located in Costa Mesa and Garden Grove, California that sell men’s and women’s clothing and miscellaneous items to the general public. The Organization offers paid work experience programs to clients that give them on the job training and real world experience to enhance their resumes.

The income derived from the sales in all three shops supports the services provided to the Organization’s clients.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations including amounts designated by the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2024 and 2023

Comparative Data

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended December 31, 2023 from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate adopted at the time of the gift is the incremental borrowing rate of the Organization or the US Treasury bill rate for the term of the agreement. The discount rate remains consistent annually. Conditional pledges are recognized when the conditions on which they depend are substantially met. Management believes potentially uncollectible pledges to be negligible as of December 31, 2024 and 2023.

Contributions

Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2024 and 2023

Contributed Services and Contributed Nonfinancial Assets

Donated materials and other nonfinancial contributions are reflected in the accompanying financial statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received creates or enhances nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

The Organization received donations of various non-cash items of \$10,000 and \$3,000 for the years ended December 31, 2024 and 2023, respectively. The various non-cash items for the years ended December 31, 2024 and 2023 consisted of legal professional services valued based on standard industry pricing for similar services. The Organization also received donated wardrobes of \$716,061 and \$1,919,971 for the years ended December 31, 2024 and 2023, respectively valued at fair market value. The amount of donated wardrobes in inventory as of December 31, 2024 and 2023 was \$1,498,242 and \$4,046,023, respectively.

Accounts and Grants Receivable

Accounts and grants receivable consist mostly of grants classified as conditional promises to the extent that conditions have been met but reimbursement from the grantor has not yet been received. Accounts and grants receivable are reported as restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period.

Inventory

Donations of professional wardrobes to the Organization are recorded at estimated fair value at the date of donation. The fair value of donated wardrobes is based on management's estimate which is derived from various valuation techniques including historical resale prices at the various store locations. The costs associated with selling the wardrobes are recorded as resale operations expense in the statement of activities. Costs associated with selling and distributing the wardrobes as part of the Organization's Career Services function are recorded as career services expense in the statement of activities.

The fair value of inventory for donated wardrobes is based on the estimated price per wardrobe item that the Organization can recover from resale operations.

Concentration of Credit Risk

The Organization has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, changes in net assets, and cash flows.

Investments

Investments are measured and reported at fair value. Those with readily determinable fair values are based on quotations obtained from national security exchanges. Investments with fair values that are not readily determinable are carried at estimated fair values as provided by the investment managers. Organization management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed.

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2024 and 2023

Changes in fair value are reported as realized or unrealized gain or loss on investments in the statement of activities. All investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation. Donated assets are recorded at the estimated fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Furniture and equipment	5-10
Computer software	3-5
Auto	5

Leasehold improvements are amortized over the shorter of the term of the lease or the life of the improvement.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment was recorded for the years ended December 31, 2024 and 2023.

Revenue Recognition

Revenue is recognized consistent with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For services provided to individuals through the Client Career Services program, revenues are recognized as the services have been provided over time and the appropriate party has been billed.

For resale revenue in the Hanger Boutique and Outlets revenues are recognized at the point of sale.

The Organization recognizes revenue from government and private grant and contract agreements, which are generally considered nonexchange transactions, when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as refundable advance. Grant funds expended in advance of reimbursement from the funding source are classified as grants receivable in the statements of financial position.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2024 and 2023

Special event revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference. The contribution portion is recognized as revenue with or without donor restrictions when received. Revenue from the exchange portion is recognized at a point in time, when the event is held.

Contributory Retirement Plan

The Organization started a qualified 401(k) employee salary deferral and profit-sharing plan (the "Plan") for the benefit of its employees, effective January 1, 2020. Employees are eligible to participate in the Plan at the age of 21 and upon completing 6 months and 1,000 hours of service. The Organization may elect to make a profit-sharing contribution. These contributions are discretionary and determined by management on an annual basis. The Organization did not make any contributions to the Plan during the years ended December 31, 2024 and 2023.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Certain expenses reported on the accompanying statement of functional expenses, such as bad debt, interest expense, career readiness services, grant writing, and cost of goods sold have been allocated to programs, administrative, and retail based on direct usage. Expenses including office, printing and postage, rent, and property taxes are allocated based on the location and square footage of the location where expenses are incurred. The majority of the remaining natural expenses have generally been allocated to the program and supporting services based on time and effort of the employees involved. For certain expenses including advertising, bank fees, dues and subscriptions, events, insurance, miscellaneous, repairs and maintenance, and travel, meals and entertainment, the cost directly attributable to program or supporting services has been allocated as such, with the remaining amount of shared cost being allocated based on the time and effort of the employees involved.

Sales Taxes

The Organization collects sales taxes from nonexempt customers and remits the entire amounts to the governmental authorities. The Organization's accounting policy is to exclude the taxes collected and remitted from revenue and expenses.

Income Taxes

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The Organization has adopted the accounting standards relating to accounting and reporting for uncertainty in income taxes. For the Organization, these standards could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because of the Organization's general tax-exempt status, these standards are not anticipated to have a material impact on the Organization's financial statements at December 31, 2024 and 2023. Further, there are no income tax related penalties and interest included in these financial statements.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2024 and 2023

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities reflect all transactions attributable to the Organization's ongoing programs. Non-operating activities reflect transactions considered to be nonrecurring nature or not directly related to the Organization's mission including realized and unrealized gain or loss on investments.

Advertising and Media Costs

All advertising and media costs, which include direct response advertising costs, are expensed by the Organization as they are incurred. Total advertising and media costs for the years ended December 31, 2024 and 2023 were \$14,048 and \$14,287, respectively.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded in the statement of financial position. The Organization had no material finance leases during 2024 and 2023.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes and maintenance. For leases of property, the Organization account for these other services as a component of the lease.

Lease liabilities are recognized at the present value of the fixed lease payments, using the risk-free rate as the discount rate. Right of use assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Reclassification

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

Subsequent Events

The Organization evaluated subsequent events through August 27, 2025, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2024 and 2023

3. AVAILABILITY AND LIQUIDITY

	<u>2024</u>	<u>2023</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,320,537	\$ 848,069
Investments	750,271	467,231
Accounts receivable	247,005	341,864
Other receivable	5,243	259,060
Current portion of unconditional promises to give	<u>100,000</u>	<u>200,000</u>
Total financial assets	<u>2,423,056</u>	<u>2,116,224</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,423,056</u>	<u>\$ 2,116,224</u>

The Organization receives contributions and grants restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet at least 30 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity monthly, and its reserves quarterly. During the years ended December 31, 2024 and 2023 the level of liquidity and reserves was managed within the policy requirements.

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. A discount to present value has not been recorded for future collection of the pledges as management does not believe the amount to be material. Management believes that all pledges are fully collectible.

Unconditional promises to give consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 100,000	\$ 200,000
One to five years	<u>-</u>	<u>100,000</u>
Unconditional promises to give	<u>\$ 100,000</u>	<u>\$ 300,000</u>

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2024 and 2023

5. INVESTMENTS RECORDED AT FAIR VALUE

The carrying value of financial instruments in the financial statements approximates fair value.

For fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis, the Organization has adopted US GAAP standards that define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

US GAAP establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities. The Organization's Level 1 assets include exchange-traded funds.

Level 2 - Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Organization's Level 2 assets include fixed income corporate bonds.

Level 3 - Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Organization has no Level 3 assets.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering from sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fixed income corporate bonds, equity securities and exchange-traded funds - Valued at the settlement date basis at the close of the period as provided by independent pricing services.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2024 and 2023:

	2024			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income corporate bonds	\$ -	\$ 709,860	\$ -	\$ 709,860
Exchange-traded funds	40,411	-	-	40,411
Total investments	<u>\$ 40,411</u>	<u>\$ 709,860</u>	<u>\$ -</u>	<u>\$ 750,271</u>

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2024 and 2023

	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income corporate bonds	\$ -	\$ 434,471	\$ -	\$ 434,471
Exchange-traded funds	32,760	-	-	32,760
Total investments	<u>\$ 32,760</u>	<u>\$ 434,471</u>	<u>\$ -</u>	<u>\$ 467,231</u>

Investment income for the years ended December 31, 2024 and 2023 is summarized as follows:

	<u>2024</u>	<u>2023</u>
Realized and unrealized gain on investments	<u>\$ 9,767</u>	<u>\$ 31,116</u>

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net are recorded at cost and consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 645,412	\$ 648,727
Computer software	98,355	98,355
Leasehold improvements	424,365	424,490
Auto	<u>35,000</u>	<u>35,000</u>
Total property and equipment, at cost	1,203,132	1,206,572
Less: Accumulated depreciation and amortization	<u>(877,164)</u>	<u>(760,534)</u>
Total property and equipment, net	<u>\$ 325,968</u>	<u>\$ 446,038</u>

Total depreciation expense for the years ended December 31, 2024 and 2023 was \$117,525 and \$138,062, respectively.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accounts payable	\$ 15,993	\$ 20,848
Accrued vacation	73,295	54,791
Credit cards payable	-	40,702
Accrued payroll	72,859	45,956
Sales tax payable	7,686	4,858
Other	<u>54,552</u>	<u>9,620</u>
	<u>\$ 224,385</u>	<u>\$ 176,775</u>

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2024 and 2023

8. LINE OF CREDIT

In March 2016, the Organization entered into a revolving line of credit (“LOC”) with Pacific Premier Bank. The LOC provides for borrowings through May 2022 to provide the Organization with short-term working capital. The maturity date was extended to May 2024. The line of credit was not renewed. Borrowings bear interest at the bank’s prime rate plus 2.00%. The maximum amount that may be outstanding under the agreement is \$150,000. The LOC is collateralized by all of the Organization’s assets. There were no amounts outstanding under this line of credit at December 31, 2024 and 2023.

9. NET ASSETS

Net assets with donor restrictions consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Passage of time		
Grant	\$ 100,000	\$ 300,000

Net assets without donor restrictions for the years ended December 31, 2024 and 2023 are considered undesignated.

Net assets released from donor restrictions were \$200,000 and \$14,118 for the years ended December 31, 2024 and 2023, respectively.

10. LEASES

The Organization leases resale stores, donation center, and their main operating facility under noncancelable operating lease agreements. The monthly rents on the aforementioned leases expire through December 2028. Under the leasing arrangements, the Organization is required to pay property taxes and common area charges (maintenance, utilities and property insurance) attributable to the leases.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31:

2025	\$ 682,968
2026	529,235
2027	432,968
2028	<u>268,433</u>
	1,913,604
Less: Imputed interest	<u>(102,440)</u>
Lease liabilities - operating	<u>\$ 1,811,164</u>

Right-of-use assets obtained in exchange for new operating lease liabilities was \$444,559 and \$1,771,146 for the years ended December 31, 2024 and 2023, respectively. Lease expense for the years ended December 31, 2024 and 2023 was \$759,619 and \$722,431, respectively, which includes variable lease expenses of \$98,200 and \$70,043, respectively and is included as rent in the statement of functional expense. Short-term lease expense for the years ended December 31, 2024 and 2023 was \$6,463 and \$9,259, respectively and is included as equipment rental in the statement of functional expense. The weighted average remaining lease term is 2.96 years and 4.41 years as of December 31, 2024 and 2023, respectively. The weighted average discount rate associated with operating leases as of December 31, 2024 and 2023 was 3.05% and 3.55% respectively. Cash paid for operating leases was \$661,419 and \$558,898 for the years ended December 31, 2024 and 2023, respectively.

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2024 and 2023

11. EMPLOYEE RETENTION CREDITS

During the year ended December 31, 2022, the Organization filed for the Employee Retention Credit (“ERC”), which is a refundable tax credit akin to a government grant for eligible entities. The ERC is recognized over time as qualifying expenses that give rise to the credit are incurred. The ERC amount of \$259,060 is recognized in miscellaneous income in the accompanying statement of activities for the year ended December 31, 2022. As of December 31, 2023, the Organization has not yet received payment for the refundable portion of the ERC, and thus a receivable in the amount of \$259,060 has been recorded on the statement of financial position. In March 2024, the Organization received payment for the refundable portion of the ERC.