

Clothes To Kids of Denver, Inc.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2023 and 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Clothes To Kids of Denver, Inc.

Opinion

We have audited the accompanying financial statements of Clothes To Kids of Denver, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Clothes To Kids of Denver, Inc. as of December 31, 2023, 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. 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 within 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 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 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 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.

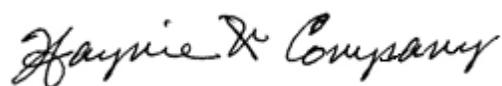
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Clothes To Kids of Denver, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sincerely,

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado
April 30, 2024

Clothes To Kids of Denver, Inc.
Statements of Financial Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 828,768	\$ 776,459
Contributions receivable	15,000	30,000
Inventory	169,772	175,411
Total current assets	1,013,540	981,870
Noncurrent assets:		
Security deposit	2,200	2,200
Property and equipment, at cost:		
Furniture and equipment	33,808	33,808
Computers and software	11,070	11,070
Leasehold improvements	54,353	36,117
	99,231	80,995
Less: accumulated depreciation	(61,047)	(57,650)
Property and equipment, net	38,184	23,345
Right-of-use asset for operating lease	190,777	190,777
Less: accumulated amortization	(105,520)	(52,465)
Right-of-use asset for operating leases, net	85,257	138,312
Total noncurrent assets	125,641	163,857
Total assets	\$ 1,139,181	\$ 1,145,727
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 6,932	\$ 2,315
Accrued expenses	25,430	14,627
Lease commitments- Current portion	54,462	52,769
Total current liabilities	86,824	69,711
Noncurrent liabilities:		
Lease commitments- Long-term portion	32,435	86,897
Total noncurrent liabilities	32,435	86,897
Net assets:		
Net assets without donor restrictions	925,018	959,119
Net assets with donor restrictions (Note 10)	94,904	30,000
Total net assets	1,019,922	989,119
Total liabilities and net assets	\$ 1,139,181	\$ 1,145,727

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

Clothes To Kids of Denver, Inc.
Statements of Activities
For the Years Ended December 31, 2023 and 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Support and Revenue:				
In-kind contributions	\$ 1,294,976	\$ -	\$1,294,976	\$ 1,072,520
Grants	239,490	112,900	352,390	310,686
Individual donations	181,084	-	181,084	133,319
Special events, net of \$35,579 and \$46,781 respectively, in direct benefit to donors	217,686	-	217,686	239,525
Interest income	13,784	-	13,784	1,845
Net assets released from restrictions:				
Satisfaction of purpose restrictions	32,996	(32,996)	-	-
Satisfaction of time restrictions	15,000	(15,000)	-	-
Total support and revenue	<u>1,995,016</u>	<u>64,904</u>	<u>2,059,920</u>	<u>1,757,895</u>
Expenses:				
Program services	<u>1,901,035</u>	-	<u>1,901,035</u>	<u>1,583,667</u>
Supporting services:				
Fundraising	49,684	-	49,684	45,819
Management and general	<u>78,398</u>	-	<u>78,398</u>	<u>63,017</u>
Total supporting services	<u>128,082</u>	-	<u>128,082</u>	<u>108,836</u>
Total expenses	<u>2,029,117</u>	-	<u>2,029,117</u>	<u>1,692,503</u>
Change in Net Assets	(34,101)	64,904	30,803	65,392
Net assets beginning of year	<u>959,119</u>	<u>30,000</u>	<u>989,119</u>	<u>923,727</u>
Net assets end of year	<u>\$ 925,018</u>	<u>\$ 94,904</u>	<u>\$1,019,922</u>	<u>\$ 989,119</u>

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

Clothes To Kids of Denver, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 30,803	\$ 65,392
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,397	3,552
Non-cash lease expense	286	1,354
Donated fixed assets	(13,000)	-
Changes in assets and liabilities:		
Change in inventory	5,639	25,734
Change in grants receivable	15,000	(30,000)
Change in accounts payable and accrued liabilities	15,420	(1,365)
Net cash from operating activities	57,545	64,667
Cash flows from investing activities:		
Adjustments to reconcile changes in net assets to net cash provided by investing activities:		
Purchase of fixed assets	(5,236)	(20,075)
Net cash from investing activities	(5,236)	(20,075)
Net change in cash and cash equivalents	52,309	44,592
Cash balance—beginning of year	776,459	731,867
Cash balance—end of year	\$ 828,768	\$ 776,459
Supplemental disclosure information for Statement of Cash Flows:		
Cash paid or amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	\$ 105,520	\$ 52,964
Right-of-use assets obtained in exchange for lease obligations:	-	190,777

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

Clothes To Kids of Denver, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>			<u>2022</u>	
	<u>Program Services</u>	<u>Supporting Services Management and</u>		<u>Total</u>	<u>Total</u>
		<u>General</u>	<u>Fundraising</u>		
Inventory	\$ 1,409,515	\$ -	\$ -	\$ 1,409,515	\$ 1,199,232
Compensation and related expenses:					
Compensation	317,248	42,334	27,711	387,293	306,058
Payroll taxes and employee benefits	34,717	7,475	4,659	46,851	42,184
Occupancy:					
Rent	51,785	1,365	1,079	54,229	59,549
Storage	39,820	-	-	39,820	18,720
Telephone and internet	3,734	42	42	3,818	2,924
Store fixtures and other	22,014	192	192	22,398	8,629
Technology and equipment	4,873	595	2,797	8,265	4,518
Insurance:					
General liability	-	1,706	-	1,706	1,593
Property	1,336	339	-	1,675	1,392
Directors and officers	-	1,290	-	1,290	1,193
Workers' compensation and unemployment	555	28	29	612	2,610
Accounting and audit	-	18,132	-	18,132	12,800
General marketing	3,582	-	7,968	11,550	15,576
Business expenses	427	-	-	427	426
Postage and shipping	126	561	33	720	931
Printing and copying	1,214	154	4,160	5,528	-
Supplies and other	1,829	320	493	2,642	478
Background checks	2,605	-	-	2,605	2,134
Credit card processing	-	3,594	40	3,634	4,933
Volunteer appreciation	1,972	-	92	2,064	2,370
Membership and dues	422	203	321	946	701
Depreciation and amortization	3,261	68	68	3,397	3,552
Total expenses	<u>\$ 1,901,035</u>	<u>\$ 78,398</u>	<u>\$ 49,684</u>	<u>\$ 2,029,117</u>	<u>\$ 1,692,503</u>

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

Clothes To Kids of Denver, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

1. Organization

Clothes To Kids of Denver (the "Organization") is a private, not-for-profit organization established in 2008 to provide new and quality used clothing to students from low-income or in-crisis families in the Denver Metro Area, free of charge. To be eligible for clothing from the Organization, students must live in Metro Denver, be enrolled in grades preschool-12 or pursuing a GED (21 years old and younger) and be considered in need of assistance because:

- * their family is in crisis or experiencing economic hardship (due to illness, job loss, disaster, poverty, homelessness or displacement),
- * they are refugees or asylum seekers,
- * they are eligible for Free or Reduced Lunch (FRL) at school,
- * they are in kinship or foster care, and/or
- * they are receiving services from a school, human service agency, shelter, hospital, clinic or place of worship.

To ease the burden on both families and our community partners (*i.e.*, schools, human service agencies, shelters, counseling centers, hospitals/clinics, etc.), the Organization suspended their requirement to provide a referral or proof of automatic qualification in early 2021. The need in the Denver Metro Area is significant, more than 207,000 students currently qualifying for Free and Reduced Lunch in the Organization's service area.*

Central to the Organization's mission is a 3,000-sq.-ft. boutique where students are invited to browse a wide selection of clothing for a school wardrobe (21 pieces or more) that includes five outfits, one pair of shoes, one coat, one bra (optional), five pairs each of new socks and new underwear, and extras (accessories, school supplies, books, etc.). Students who qualify may schedule an appointment to select a wardrobe of clothes every four months. The Organization relies on in-kind and monetary contributions as its primary source for providing these services. The Organization's inventory comes from individuals, community clothing drives, retail stores and clothing manufacturers. While most inventory is donated, the Organization purchases new socks and underwear, as well as clothing items and shoe sizes that are in short supply.

** The Organization serves students from 11 counties (Denver, Boulder, Broomfield, Douglas, Jefferson, Gilpin, Clear Creek, Adams, Arapahoe, Elbert and Park), which includes 28 school districts (Adams 12 Five Star Schools, Adams County School District 14, Westminster Public Schools, Agate School District # 300, Aurora Public Schools, Bennett School District 29J, Big Sandy 100J, Boulder Valley School District, 27J Schools (Brighton), Byers School District, Cherry Creek School District, Clear Creek School District, Deer Trail 26J, Denver Public Schools, Douglas County School District, Elbert County School District C2, Elizabeth School District, Englewood Schools, Gilpin County School District RE-1, Jefferson County Public Schools, Kiowa Schools, Littleton Public Schools, Mapleton Public Schools, Park County Re-2 School District, Platte Canyon School District 1, Sheridan School District No. 2, St. Vrain Valley School District and Strasburg School District 31J).*

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies

Method of Accounting

The Organization's records are maintained on the accrual basis of accounting in conformity with generally accepted accounting principles as applicable to not-for-profit organizations.

Basis of Accounting

Financial statement presentation follows the Accounting Standards Codification guidance for not-for-profit organizations, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Presentation

The financial statements follow the Accounting Standards Codification (ASC) guidance for not-for-profit organizations. The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. 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 statements of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all cash on hand and demand deposits. The Organization considers all highly liquid investments, except those restricted for endowment, with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Inventory

Inventory primarily consists of quality used clothing, excluding socks and underwear which are new. Purchased inventory items are valued at cost. Inventory of clothes and other items donated to the Organization are valued at the estimated thrift-store value

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at estimated fair value at the date of receipt if donated. Acquisitions in excess of \$500 are capitalized. Depreciation is computed on the straight-line method over estimated useful lives of the assets and leasehold improvements are amortized over the expected term of the related lease. Repairs and maintenance are charged to expense as incurred. Fixed assets are depreciated over the following useful lives:

Furniture and fixtures	5-7 Years
Computers and software	3 Years
Leasehold improvements	15 Years

Leases and Right-of-Use Assets

Commencing January 1, 2022, the Organization recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Right-of-use assets under operating leases are recorded in other assets in the accompanying statement of financial position. The Organization has elected to exclude leases of 12 months or less from right-of-use asset recognition. Amortization of right-of-use assets for operating leases is included in rent expense.

Revenue Recognition

Special event revenue is recognized in the period in which the event is held. Revenue is recognized when earned. Contributions are recognized when cash, or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Contributions and Grants

A contribution that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in permanently or temporarily restricted net assets. When a donor restriction expires, that is, when the purpose restriction is accomplished by an expenditure meeting the stated purpose or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as a transfer in satisfaction of program restrictions.

Donated Goods and Services

Donated goods, use of facilities, and services are recognized at fair value as of the date of donation. The related expense is recognized as the item is used. Contributions of services are recognized when the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Deferred Revenue

Deferred revenue consists of amounts received from a donor to be used in a subsequent year. Revenues received in advance are recorded as a liability, deferred revenue, and the revenue is recognized as the programming services are performed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

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

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Inventory	Direct costs
Compensation	Time and effort
Occupancy	Square footage
Administrative expenses	Time and effort
Marketing and fundraising	Time and effort
Contracts	Direct costs

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Prior-Year Summarized Financial Information

The financial statements include certain 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Tax Exempt Status

Clothes To Kids of Denver, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from State income taxes under similar provisions of the Colorado Income Tax Code, except on net income derived from unrelated business activities. During 2023, the Organization had no unrelated business activities and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal tax return (Form 990) for 2023 is subject to examination by the IRS, generally for three years after the return is filed.

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain prior year amounts have been adjusted to conform to the current year presentation. These reclassifications did not have an impact on the Organization's change in net assets.

Subsequent Events

Subsequent events have been evaluated through the auditor's report date, which is the date the financial statements were available to be issued. During this period, the Organization was not aware of any material recognizable subsequent events.

3. Concentration of Credit Risk

The Organization's cash demand deposits are held at financial institutions, which are insured up to \$250,000 by the FDIC. As of December 31, 2023 and 2022, the Organization's bank balances exceeded this limitation by \$124,688 and \$309,909, respectively.

4. Availability and Liquidity

The following represents Clothes To Kids of Denver Inc.'s financial assets at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at period end:		
Cash & cash equivalents	\$ 828,768	\$ 776,459
Contributions receivable	15,000	30,000
Total financial assets	<u>\$ 843,768</u>	<u>\$ 806,459</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(94,904)</u>	<u>(30,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 938,672</u>	<u>\$ 836,459</u>

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
December 31, 2023 and 2022

5. Inventory

Inventory at December 31, 2023 and 2022 consisted of the following:

	Carrying Value	
	<u>2023</u>	<u>2022</u>
Purchased inventory		
Socks and underwear	\$ 79,594	\$ 88,258
Donated inventory		
Clothing and shoes	<u>90,178</u>	<u>87,153</u>
Total inventory	<u>\$ 169,772</u>	<u>\$ 175,411</u>

6. Concentrations

The Organization receives a substantial amount of its support from individual donations of clothing and other items. A significant reduction in the level of this support, if this was to occur, would have a significant effect on the Organization's programs and activities.

7. Property and Equipment

An analysis of the changes in property and equipment during 2023 are as follows:

	<u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2023</u>
Assets at cost:				
Furniture and equipment	\$ 33,808	\$ -	\$ -	\$ 33,808
Computers and software	11,070	-	-	11,070
Leasehold improvements	<u>36,117</u>	<u>18,236</u>	-	<u>54,353</u>
Total assets	80,995	18,236	-	99,231
Less: accumulated depreciation	<u>(57,650)</u>	<u>(3,397)</u>	-	<u>(61,047)</u>
Net property and equipment	<u>\$ 23,345</u>	<u>\$ 14,839</u>	<u>\$ -</u>	<u>\$ 38,184</u>

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
December 31, 2023 and 2022

7. Property and Equipment (continued)

An analysis of the changes in property and equipment during 2022 are as follows:

	<u>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>
Assets at cost:				
Furniture and equipment	\$ 33,808	\$ -	\$ -	\$ 33,808
Computers and software	8,168	2,902	-	11,070
Leasehold improvements	<u>18,944</u>	<u>17,173</u>	<u>-</u>	<u>36,117</u>
Total assets	60,920	20,075	-	80,995
Less: accumulated depreciation	<u>(54,098)</u>	<u>(3,552)</u>	<u>-</u>	<u>(57,650)</u>
Net property and equipment	<u>\$ 6,822</u>	<u>\$ 16,523</u>	<u>\$ -</u>	<u>\$ 23,345</u>

8. In-Kind Contributions

Certain goods and services are provided to the Organization gratis or at a cost substantially less than fair market value. The difference between the actual charge and the estimated fair value is reflected as in-kind contribution and expense or capitalized as property and equipment in the accompanying financial statements.

In-kind contributions consist of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Clothing	\$ 1,242,156	\$ 1,053,800
Storage facility	39,820	18,720
Fixed assets	<u>13,000</u>	<u>-</u>
Total	<u>\$ 1,294,976</u>	<u>\$ 1,072,520</u>

The Organization receives donations of miscellaneous accessories and items such as school supplies, toys, books and winter weather gear (“Extras”). Due to the wide variety of Extras, they are difficult to value and therefore have not been included as in-kind contributions or inventory. The Organization tracks outgoing Extras by weight. During 2023 and 2022, Extras distributed to student shoppers were 42,991 and 31,111 pounds, respectively.

The Organization renovated its office space during the year ended December 31, 2023. As part of the renovation a local business donated materials and labor totaling \$13,000 to the Organization.

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
December 31, 2023 and 2022

9. Volunteers

A substantial number of unpaid volunteers have made contributions of their time. These volunteer contributions do not meet the criteria for financial statement recognition; however, approximately 9,397 hours (7,864 adult and group hours and 1,533 youth hours) at an estimated value of \$33.49 per hour, for a total unrecorded value of approximately \$314,705 was received in 2023. The 2023 volunteer hourly rate is provided by Independent Sector, a nonprofit which is the leading source of the value of volunteer time in the United States. The total unrecorded value for 2022 was approximately \$191,885.

10. Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended December 31, 2023 and 2022:

	<u>Purpose Restriction</u>	<u>Time Restriction</u>	<u>Total</u>
Balance, January 1, 2022	\$ -	\$ -	\$ -
Additions	33,525	30,000	63,525
Releases	<u>(33,525)</u>	<u>-</u>	<u>(33,525)</u>
Balance, December 31, 2022	\$ -	\$ 30,000	\$ 30,000
Additions	112,900	-	112,900
Releases	<u>(32,996)</u>	<u>(15,000)</u>	<u>(47,996)</u>
Balance, December 31, 2023	<u>\$ 79,904</u>	<u>\$ 15,000</u>	<u>\$ 94,904</u>

11. Retirement Plan

During 2022, the Organization established a SIMPLE IRA Plan (the “Plan”) to which employees may contribute a portion of their salary each year. Under this plan, the Organization matches a contribution equal to the employee’s contribution up to a limit of 3% of the employee’s compensation. Matching contributions paid by the Organization as of December 31, 2023 and 2022 were \$9,309 and \$1,386, respectively.

Clothes To Kids of Denver, Inc.
Notes to Financial Statements (continued)
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12. Leasing Arrangements

The Organization leases an office space in Denver, Colorado under a non-cancelable operating lease. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases that are month-to-month or have an initial term of 12 months or less are not recorded on the balance sheet.

The office space lease expires on July 31, 2025. During the years ended December 31, 2023 and 2022, lease expenses under this operating agreement were \$54,032 and \$52,964, respectively.

Operating lease assets are recorded net of accumulated amortization of \$105,520 and \$52,465 as of December 31, 2023 and 2022, respectively.

As the lease did not provide an implicit rate, the Organization used the risk-free rate based on information available at the commencement date in determining the present value of lease payments. The weighted average discount rate applied to this lease is 1.14%. The weighted average remaining lease term on this lease is 1.58 years.

Future minimum lease payments under this non-cancelable lease as of December 31, 2023 were as follows:

	Operating Lease
2024	\$ 55,115
2025	32,527
Total future minimum lease payments	87,642
Less: imputed interest	(746)
Total future minimum lease payments	\$ 86,897
Lease commitments - current portion	\$ 54,462
Lease commitments- long-term portion	32,435
Total	\$ 86,897

The Organization also has two lease agreements for storage space for clothing and other items. These leases are month-to-month agreements, with discounted monthly payments of \$1, and may be terminated with 30 days notice. As the rental rate on this space is below market rents, the Organization recorded estimated in-kind contributions and related rental expenses in the amount of \$39,820 and for the year ended December 31, 2023. The Organization recorded estimated in-kind contributions and related rental expenses in the amount of \$18,720 for the year ended December 31, 2022.