

# **Two Ten Footwear Foundation, Inc.**

## Financial Statements and Auditors' Report

June 30, 2012 and 2011



**Daniel Dennis & Company LLP**  
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**Two Ten Footwear Foundation, Inc.**

*Contents*

	<i>Page</i>
Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	6



## **Daniel Dennis & Company LLP**

*Certified Public Accountants*

The Board of Directors of  
**Two Ten Footwear Foundation, Inc.**

### *Independent Auditors' Report*

We have audited the accompanying statements of financial position of Two Ten Footwear Foundation, Inc., (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Two Ten Footwear Foundation, Inc., as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Daniel Dennis & Company LLP*

*January 23, 2013*

**Two Ten Footwear Foundation, Inc.**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

	2012	2011
<b>Assets</b>		
Cash and cash equivalents	\$ 290,889	\$ 16,437
Investments	28,711,895	29,247,554
Prepaid expenses and deposits	14,949	25,850
Deferred expenses	56,703	54,060
Contributions receivable (less allowance for doubtful accounts of \$186,923 and \$236,896 in 2012 and 2011, respectively)	2,730,438	1,132,033
Property and equipment, net	<u>2,277,502</u>	<u>2,032,090</u>
Total assets	<u>\$34,082,376</u>	<u>\$32,508,024</u>
<b>Liabilities and Net Assets</b>		
Accounts payable, trade	\$ 43,292	\$ 23,712
Accrued liabilities	25,855	48,634
Annuities payable	109,650	110,980
Deferred income	<u>182,000</u>	<u>108,347</u>
Total liabilities	<u>360,797</u>	<u>291,673</u>
<b>Net Assets</b>		
Unrestricted	8,008,007	6,650,060
Temporarily restricted	1,176,724	2,700,007
Permanently restricted	<u>24,536,848</u>	<u>22,866,284</u>
Total net assets	<u>33,721,579</u>	<u>32,216,351</u>
Total liabilities and net assets	<u>\$34,082,376</u>	<u>\$32,508,024</u>

*See accompanying notes to financial statements.*

**Two Ten Footwear Foundation, Inc.**  
**Statements of Activities**  
For the Years Ended June 30, 2012 and 2011

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>2012 Total</i>	<i>2011 Total</i>
<b>Revenue and Support:</b>					
Annual giving	\$ 1,031,727	\$ -	\$ -	\$ 1,031,727	\$ 740,925
Gross revenues from special events	2,149,288	-	-	2,149,288	2,317,317
less: direct event expenses	<u>(559,344)</u>	<u>-</u>	<u>-</u>	<u>(559,344)</u>	<u>(558,773)</u>
Net revenues from special events	1,589,944	-	-	1,589,944	1,758,544
Interest and dividends	97,763	486,384	-	584,147	496,531
Allocated investment income	793,427	-	-	793,427	1,017,898
Net assets released from restrictions	736,509	(736,509)	-	-	-
Other	<u>4,422</u>	<u>-</u>	<u>-</u>	<u>4,422</u>	<u>5,042</u>
Total revenue and support	<u>4,253,792</u>	<u>(250,125)</u>	<u>-</u>	<u>4,003,667</u>	<u>4,018,940</u>
<b>Expenses:</b>					
Human services	2,775,796	-	-	2,775,796	2,624,296
Membership and education	96,571	-	-	96,571	39,350
Chapter relations	23,909	-	-	23,909	19,682
Leadership dev/public awareness	<u>369,234</u>	<u>-</u>	<u>-</u>	<u>369,234</u>	<u>282,632</u>
Total program expenses	<u>3,265,510</u>	<u>-</u>	<u>-</u>	<u>3,265,510</u>	<u>2,965,960</u>
Management and administration	723,830	-	-	723,830	645,053
Fundraising	<u>435,135</u>	<u>-</u>	<u>-</u>	<u>435,135</u>	<u>468,489</u>
Total expenses	<u>4,424,475</u>	<u>-</u>	<u>-</u>	<u>4,424,475</u>	<u>4,079,502</u>
Change in net assets before other changes	(170,683)	(250,125)	-	(420,808)	(60,562)
<b>Other changes:</b>					
Contributions	1,558,255	-	1,670,564	3,228,819	314,231
Net unrealized gain/(loss) on investments	(77,754)	(386,836)	-	(464,590)	3,924,594
Net realized gain/(loss) on investments	64,470	(92,895)	-	(28,425)	330,159
Investment income allocation	-	(793,427)	-	(793,427)	(1,017,898)
Change in value of split interest agreements	<u>(16,287)</u>	<u>-</u>	<u>-</u>	<u>(16,287)</u>	<u>(7,775)</u>
Total other changes	<u>1,528,684</u>	<u>(1,273,158)</u>	<u>1,670,564</u>	<u>1,926,090</u>	<u>3,543,311</u>
<b>Change in net assets</b>	1,358,001	(1,523,283)	1,670,564	1,505,282	3,482,749
Net assets, beginning of year	<u>6,650,006</u>	<u>2,700,007</u>	<u>22,866,284</u>	<u>32,216,297</u>	<u>28,733,602</u>
Net assets, end of year	<u>\$ 8,008,007</u>	<u>\$ 1,176,724</u>	<u>\$24,536,848</u>	<u>\$33,721,579</u>	<u>\$32,216,351</u>

*See accompanying notes to financial statements.*

**Two Ten Footwear Foundation, Inc.**  
Statement of Activities  
For the Year Ended June 30, 2011

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Revenue and Support:</b>				
Annual giving	\$ 740,925	\$ -	\$ -	\$ 740,925
Gross revenues from special events	2,317,317	-	-	2,317,317
less: direct event expenses	<u>(558,773)</u>	<u>-</u>	<u>-</u>	<u>(558,773)</u>
Net revenues from special events	1,758,544	-	-	1,758,544
Interest and dividends	113,667	382,864	-	496,531
Allocated investment income	1,017,898	-	-	1,017,898
Net assets released from restrictions	790,537	(790,537)	-	-
Other	<u>5,042</u>	<u>-</u>	<u>-</u>	<u>5,042</u>
Total revenue and support	<u>4,426,613</u>	<u>(407,673)</u>	<u>-</u>	<u>4,018,940</u>
<b>Expenses:</b>				
Human services	2,624,296	-	-	2,624,296
Membership and education	39,350	-	-	39,350
Chapter relations	19,682	-	-	19,682
Leadership dev/public awareness	<u>282,632</u>	<u>-</u>	<u>-</u>	<u>282,632</u>
Total program expenses	<u>2,965,960</u>	<u>-</u>	<u>-</u>	<u>2,965,960</u>
Management and administration	645,053	-	-	645,053
Fundraising	<u>468,489</u>	<u>-</u>	<u>-</u>	<u>468,489</u>
Total expenses	<u>4,079,502</u>	<u>-</u>	<u>-</u>	<u>4,079,502</u>
Change in net assets before other changes	347,111	(407,673)	-	(60,562)
<b>Other changes:</b>				
Contributions	-	-	314,231	314,231
Net unrealized gain on investments	898,425	3,026,169	-	3,924,594
Net realized gain on investments	140,008	190,151	-	330,159
Investment income allocation	-	(1,017,898)	-	(1,017,898)
Change in value of split interest agreements	<u>(7,775)</u>	<u>-</u>	<u>-</u>	<u>(7,775)</u>
Total other changes	<u>1,030,658</u>	<u>2,198,422</u>	<u>314,231</u>	<u>3,543,311</u>
<b>Change in net assets</b>	1,377,769	1,790,749	314,231	3,482,749
Net assets, beginning of year	<u>5,272,291</u>	<u>909,258</u>	<u>22,552,053</u>	<u>28,733,602</u>
Net assets, end of year	<u>\$ 6,650,060</u>	<u>\$ 2,700,007</u>	<u>\$22,866,284</u>	<u>\$32,216,351</u>

*See accompanying notes to financial statements.*

**Two Ten Footwear Foundation, Inc.**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,505,282	\$ 3,482,749
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	95,491	96,169
Bad debt	-	49,677
Net realized (gains)/losses on long-term investments	28,425	(330,159)
Net unrealized (gains)/losses on long-term investments	464,590	(3,924,594)
Change in net present value discount	(115,110)	(63,555)
Change in value of split-interest agreements	16,287	7,775
Changes in assets and liabilities		
Contributions receivable	(1,500,453)	(210,589)
Prepaid and deferred expenses	8,258	938
Accounts payable and accrued liabilities	(3,199)	17,710
Deferred income	<u>73,653</u>	<u>(236,603)</u>
Net cash provided/(used) by operating activities	<u>573,224</u>	<u>(1,110,482)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(340,086)	(28,041)
Purchase of investments	(1,507,356)	(412,951)
Proceeds from sale of investments	<u>1,550,000</u>	<u>1,150,000</u>
Net cash provided by investing activities	<u>(297,442)</u>	<u>709,008</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from contributions restricted for:		
Payment of annuities	<u>(1,330)</u>	<u>(11,008)</u>
Net cash used by financing activities	<u>(1,330)</u>	<u>(11,008)</u>
Net increase/(decrease) in cash and cash equivalents	274,452	(412,482)
Cash and cash equivalents, beginning of year	<u>16,437</u>	<u>428,919</u>
Cash and cash equivalents, at end of year	<u>\$ 290,889</u>	<u>\$ 16,437</u>

*See accompanying notes to financial statements.*

## Two Ten Footwear Foundation, Inc.

### Notes to Financial Statements

June 30, 2012 and 2011

#### Note A – Summary of Significant Accounting Policies

Two Ten Footwear Foundation, Inc. (the “Foundation”) is a public charity incorporated under the laws of Massachusetts to provide financial assistance to worthy individuals or to aid them in furthering their education at any school, college, university, or other institute of higher learning or to make donations to domestic entities organized and operated exclusively for charitable, scientific or educational purposes. Additionally, the Foundation provides counseling and financial assistance to people in the shoe industry and the leather and allied trades. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader:

##### *Basis of Presentation*

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted* – Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired in the current reporting period.

*Temporarily restricted* – Net assets subject to donor-imposed restrictions that permit the Foundation to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the Foundation. Temporarily restricted net assets also include, under Massachusetts law, cumulative appreciation and reinvested gains on permanently restricted *endowment* funds, which are subject to prudent appropriation by the Board of Directors.

*Permanently restricted* – Net assets subject to donor-imposed stipulations that the principal be maintained in perpetuity by the Foundation, the income from which is available to support the general operations of the Foundation.

The Foundation reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



**Two Ten Footwear Foundation, Inc.**  
Notes to Financial Statements  
June 30, 2012 and 2011

**Note A – Summary of Significant Accounting Policies – *Continued***

The restricted net assets of the Foundation consist of the following fund groups:

*Permanently Restricted and Temporarily Restricted Funds*

*Scholarship Fund* – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be expended for qualifying scholarship payments.

*Building Fund* – represents donor restricted funds solely for the purchase and maintenance of a building to house the offices of the Foundation (temporarily restricted).

*Leadership Fund* – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used for the purpose of developing new leadership within the Foundation.

*Gerontology Fund* – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used to provide special resources for elderly people.

*Children's Fund* – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used to provide special resources for children.

*Relief Fund* – represents donor restricted endowments (permanent) and investment gains and unrestricted funds and resources from investment income available for support and promotion of Foundation activities.

*Cash and Cash Equivalents*

The Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. The Foundation's cash investments were placed in high quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses in such accounts.

## Two Ten Footwear Foundation, Inc.

### Notes to Financial Statements

June 30, 2012 and 2011

#### Note A – Summary of Significant Accounting Policies – *Continued*

##### *Contributions Receivable*

Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of donors to meet their obligations. It is the Foundation's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term.

Unconditional promises to give (contribution receivable) are reported at fair value on the date the promise is verifiably committed. 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 the estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

##### *Fair Value Measurements*

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2012 and 2011

**Note A – Summary of Significant Accounting Policies – *Continued***

*Fair Value Measurements - continued*

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

*Investments*

Investments have been valued using a market approach. There have been no changes in valuation techniques and related inputs. All investment securities owned by the Foundation are held by independent custodians. The investments of the Foundation are carried on a pooled basis. Investment income, interest income and unrealized and realized gains or losses from investment transactions are allocated among the participating funds based on the market values of the investments allocated to each fund. Investment income consists of dividends and interest and is included in revenues and support. Unrealized and realized gains and losses are determined using average cost basis and include capital gains from mutual funds reinvested and are reported under *other changes* in net assets.

The financial statements include an investment in an alternative fund valued at \$10,962,256 and \$11,108,238 at June 30, 2012 and 2011, with cost basis' of \$10,000,000 and \$10,000,000, respectively, whose values have been estimated by the investment managers of the underlying alternative fund in the absence of readily determinable fair values. Those estimated fair values may differ significantly from values that would have been used had a ready market for this investment existed at June 30, 2012 and 2011, and the differences could be material.

*Income Tax Status*

The Foundation is a not-for-profit organization that is exempt from Federal and Commonwealth income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which the Foundation had none for the years ended June 30, 2012 and 2011, would be subject to Federal and Commonwealth income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

GAAP requires the evaluation of tax positions taken or expected to be taken in the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. The Foundation has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2012 returns and believes they are more-likely-than-not of being sustained if examined by Federal or Commonwealth tax authorities. The Foundation's 2009 through 2012 tax years remain subject to tax examination by Federal and Commonwealth tax authorities.

**Two Ten Footwear Foundation, Inc.**  
Notes to Financial Statements  
June 30, 2012 and 2011

**Note A – Summary of Significant Accounting Policies – *Continued***

*Charitable Gift Annuities*

Assets received under gift annuity agreements are recorded at the fair market value of the assets when the assets are received by the Foundation as trustee. In conjunction with these gifts, the Foundation has recorded a liability equal to the present value of future cash flows expected to be paid to the beneficiaries based on actuarial expected lives of the beneficiaries.

*Special Events Income*

The Foundation records income and expenses from special event activities when the event has been completed. Expenditures incurred and income received for events that are to be held at future dates have been recorded as deferred expenses and deferred income, respectively.

*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 programs and supporting services based on relative effort exerted for the related function.

*Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Property and Equipment*

Property and equipment are recorded at cost. The Foundation capitalizes property and equipment with a cost of greater than \$1,000 and a useful life longer than one year. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives, principally on the straight-line basis. The Foundation uses the direct expensing method to account for planned major maintenance activities.

**Two Ten Footwear Foundation, Inc.**  
Notes to Financial Statements  
June 30, 2012 and 2011

**Note A – Summary of Significant Accounting Policies – Continued**

*Reclassifications*

Certain amounts have been reclassified in the 2011 financial statements to conform to the current year presentation.

**Note B – Investments**

Investments consisted of the following at June 30:

	<i>2012</i>	<i>2011</i>
Domestic equity funds	\$ 7,222,929	\$ 7,433,832
Fixed income funds	7,289,687	7,433,717
International equity funds	3,237,023	3,271,767
Alternative investment fund	<u>10,962,256</u>	<u>11,108,238</u>
Total investments	<u>\$ 28,711,895</u>	<u>\$ 29,247,554</u>

The Foundation classifies its investments into Level 1, which relate to securities traded in an active market, Level 2, which relate to securities not traded on an active market but for which observable market inputs are readily available and Level 3 which relate to securities not actively traded and for which no significant observable inputs are readily available. At June 30, 2012, all of the Foundations investments except for the Alternative Investment Fund were Level 1 investments. The Alternative Investment Fund is a Level 3 investment. Although the Alternative Investment Fund is considered a Level 3 investment its underlying assets are well diversified across multiple asset classes with the goal of generating risk adjusted returns over a long-term horizon.

The following presents a reconciliation of the Foundation's beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

<i>Fair Value</i>	<i>2012</i>	<i>2011</i>
Balance beginning of year	\$ 11,108,238	\$10,380,798
Purchases and sales, net	-	(545,178)
Unrealized gain/(loss) included in change in net assets	<u>(145,982)</u>	<u>1,272,618</u>
Balance end of year	<u>\$ 10,962,256</u>	<u>\$11,108,238</u>
Unrealized gain related to assets still held at end of year	<u>\$ 962,256</u>	<u>\$ 1,108,238</u>

All investments have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2012 and 2011

**Note B – Investments – Continued**

*Endowment Investment and Spending Policies*

The Foundation follows the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and its own governing documents. The Foundation's endowment consists of several individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2012 and 2011

**Note B – Investments – Continued**

*Endowment Investment and Spending Policies*

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 5.5% of a moving thirteen quarter average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of .75% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of June 30, 2012 and 2011 is as follows:

	<i>2012</i>	<i>2011</i>
Temporarily restricted	\$ 1,176,724	\$ 2,700,007
Permanently restricted	<u>24,536,848</u>	<u>22,866,284</u>
Total	<u>\$25,713,572</u>	<u>\$ 25,566,291</u>

Changes in endowment net assets as of June 30, 2012 and 2011 are as follows:

	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total Endowment</i>
<b>2011</b>			
Endowment net assets June 30, 2010	\$ 909,258	\$ 22,552,053	\$ 23,461,311
Contributions	-	314,231	314,231
Investment income	382,864	-	382,864
Net appreciation	3,216,320	-	3,216,320
Released from restriction	(790,537)	-	(790,537)
Amounts appropriated for expenditure	<u>(1,017,898)</u>	<u>-</u>	<u>(1,017,898)</u>
Endowment net assets June 30, 2011	<u>\$ 2,700,007</u>	<u>\$ 22,866,284</u>	<u>\$ 25,566,291</u>
<b>2012</b>			
Endowment net assets June 30, 2011	\$ 2,700,007	\$ 22,866,284	\$ 25,566,291
Contributions	-	1,670,564	1,670,564
Investment income	486,384	-	486,384
Net appreciation	(479,731)	-	(479,731)
Released from restriction	(736,509)	-	(736,509)
Amounts appropriated for expenditure	<u>(793,427)</u>	<u>-</u>	<u>(793,427)</u>
Endowment net assets June 30, 2012	<u>\$ 1,176,724</u>	<u>\$ 24,536,848</u>	<u>\$ 25,713,572</u>

**Two Ten Footwear Foundation, Inc.**  
Notes to Financial Statements  
June 30, 2012 and 2011

**Note C – Contributions Receivable**

Contributions receivable consisted of the following at June 30:

	<i>2012</i>	<i>2011</i>
Endowment pledges receivable	\$ 2,654,942	\$1,391,800
Relief pledges receivable	111,906	125,651
Other receivables	<u>274,900</u>	<u>90,975</u>
	3,041,748	1,608,426
Less: Net present value discount	(124,387)	(239,497)
Allowance for doubtful accounts	<u>(186,923)</u>	<u>(236,896)</u>
Contributions receivable, net	<u>\$ 2,730,438</u>	<u>\$1,132,033</u>

Contributions receivable are recorded at the net present value of their estimated future cash flows at a discount rate of 1.75% and 2.36% for 2012 and 2011, respectively. Contributions receivable expected to be realized are as follows at June 30:

	<i>2012</i>	<i>2011</i>
One year or less	\$ 1,856,530	\$ 432,512
Between one and five years	33,718	43,513
More than five years	<u>1,151,500</u>	<u>1,132,401</u>
	3,041,748	1,608,426
Less: Net present value	(124,387)	(239,497)
Allowance for doubtful accounts	<u>(186,923)</u>	<u>(236,896)</u>
Contributions receivable, net	<u>\$ 2,730,438</u>	<u>\$1,132,033</u>

At June 30, 2012 and 2011 contributions receivable include a single contribution from an individual donor in the amount of \$1,000,000. The donation is payable upon the death of the donor's surviving spouse from a trust created upon the death of the donor or from the surviving spouse's estate. The current age of the surviving spouse is sixty-seven. Pending litigation may decrease the assets available to make the above contribution in full. Management believes that there will be sufficient assets to fulfill the donors pledge at \$1,000,000. However, depending on the outcome of this matter it is possible that the full value of this receivable may not be realized.



**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2012 and 2011

**Note D – Property and Equipment**

Property, equipment and improvements are comprised of the following at June 30:

	<i>2012</i>	<i>2011</i>
Computer equipment	\$ 179,755	\$ 178,072
Office equipment	29,740	29,740
Furniture and fixtures	122,191	116,441
Building and building improvements	<u>2,735,919</u>	<u>2,685,259</u>
	3,067,605	3,009,512
Less accumulated depreciation	<u>(1,336,970)</u>	<u>(1,242,297)</u>
	1,730,635	1,767,215
Land	<u>546,867</u>	<u>264,875</u>
	\$2,277,502	\$2,032,090
	<u><u>\$ 95,491</u></u>	<u><u>\$ 96,169</u></u>

**Note E – Retirement Plan**

The Foundation maintains a defined contribution retirement plan covering substantially all of its employees. Contributions to the plan are determined as a percentage of each covered employee's salary. The Foundation contributed approximately \$35,490 and \$33,238 to the plan for the years ended June 30, 2012 and 2011, respectively.

**Note F – Temporarily Restricted Net Assets**

Temporarily restricted net assets are comprised of contributions, gains on permanently restricted net assets and investment income with the following purpose restrictions:

	<i>2012</i>	<i>2011</i>
Scholarships	\$ 114,656	\$ 848,577
Building maintenance	242,090	255,066
Leadership development	21,380	36,884
Resources for the elderly	34,237	45,278
Resources for children	141,302	200,624
Support and promotion of Foundation activities	<u>623,059</u>	<u>1,313,578</u>
	\$ 1,176,724	\$ 2,700,007

**Two Ten Footwear Foundation, Inc.**

Notes to Financial Statements

June 30, 2012 and 2011

**Note G – Permanently Restricted Net Assets**

Permanently restricted net assets consist of endowment funds with income restricted for the following purposes:

	<i>2012</i>	<i>2011</i>
Scholarships	\$ 9,300,947	\$ 9,074,975
Leadership development	250,000	250,000
Resources for the elderly	159,000	159,000
Resources for children	954,955	954,955
Support and promotion of Foundation activities	<u>13,871,946</u>	<u>12,427,354</u>
Total	<u>\$24,536,848</u>	<u>\$22,866,284</u>

**Note H – Fundraising**

Total fund-raising expense for the year ended June 30, 2012 and 2011 was \$435,135 and \$468,489, respectively. For 2012 and 2011 fund-raising expenses were 6% and 14% of the total annual event and contribution revenue, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

**Note I – Subsequent Events**

The Foundation has evaluated subsequent events through January 23, 2013, which is the date the financial statements were available to be issued.