

THE EMPTY STOCKING FUND, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

MARCH 31, 2014 AND 2013

**Prepared by
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Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Empty Stocking Fund, Inc.
Atlanta, Georgia

We have audited the accompanying statements of The Empty Stocking Fund, Inc. (a nonprofit Organization), which comprise the statement of financial position as of March 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair representation of the financial statement in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Empty Stocking Fund, Inc.
Atlanta, Georgia
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Empty Stocking Fund, Inc. as of March 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Dan B. Hill CPA, PC". The signature is written in a cursive style with a large initial "D".

Roswell, Georgia
September 16, 2014

THE EMPTY STOCKING FUND, INC.

Statements of Financial Position

March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 425,128	\$ 386,046
Available-for-sale securities	1,114,843	1,020,180
Inventory	<u>118,651</u>	<u>50,932</u>
Total Current Assets	1,658,622	1,457,158
FIXED ASSETS		
Machinery and equipment	61,453	61,453
Accumulated depreciation	<u>(57,774)</u>	<u>(55,323)</u>
Total Fixed Assets	3,679	6,130
OTHER ASSETS		
Deposit	<u>2,000</u>	<u>2,000</u>
Total Other Assets	<u>2,000</u>	<u>2,000</u>
Total Assets	<u>\$ 1,664,301</u>	<u>\$ 1,465,288</u>
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	<u>-</u>	<u>-</u>
Total Current Liabilities	-	-
NET ASSETS		
Unrestricted net assets	1,555,908	1,407,672
Unrealized holding gains	<u>108,393</u>	<u>57,616</u>
Total Net Assets	<u>1,664,301</u>	<u>1,465,288</u>
Total Liabilities and Net Assets	<u>\$ 1,664,301</u>	<u>\$ 1,465,288</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

THE EMPTY STOCKING FUND, INC.

Statements of Activities

For the Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Unrestricted revenues and support		
Direct mail	\$ 595,249	\$ 559,575
AJC envelope	17,780	35,946
In-kind donations and contributed services (Note D)	96,088	99,853
Corporate sponsorships/foundation donations	218,510	197,300
Sponsor-A-Child	197,861	179,231
JROTC Drive	87,945	95,329
Dividends and capital gains distributions	40,651	31,263
Capital gains	25,140	151,760
Gifts – securities	-	268
Miscellaneous	<u>18,201</u>	<u>14,772</u>
Total Unrestricted Revenues and Support	1,297,425	1,365,297
Expenditures		
Program services	918,061	970,836
Supporting services		
Fund raising	195,235	196,400
Management and general	<u>35,893</u>	<u>22,717</u>
Total Expenditures	<u>1,149,189</u>	<u>1,189,953</u>
Increase (Decrease) in Unrestricted Net Assets	148,236	175,344
Beginning Unrestricted Net Assets	1,407,672	1,232,328
Ending Unrestricted Net Assets	<u>\$ 1,555,908</u>	<u>\$ 1,407,672</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

THE EMPTY STOCKING FUND, INC.

Statement of Functional Expenses

For the Year Ended March 31, 2014

		<u>Supporting Services</u>	
	<u>Program Services</u>	<u>Fund Raising</u>	<u>Management and General</u>
Cost of toys	\$ 639,711	\$ -	\$ -
Salaries and wages	111,666	30,279	9,775
Payroll tax	8,550	2,318	748
Employee benefits	25,958	4,329	1,443
JROTC Drive expenses	-	13,329	-
Direct mail expenses	-	54,606	-
Marketing Expense	-	28,400	-
AJC envelope expense	-	19,947	-
Special Project	-	15,432	-
Recipient mailing	11,325	-	-
Legal and accounting	900	450	150
Bank and payroll fees	3,367	5,037	13,612
Contractor expenses	15,839	2,500	-
Depreciation	-	-	2,451
Dues and subscriptions	416	803	69
Telephone	2,217	1,108	370
Insurance	1,143	572	191
Administrative contractor	3,600	6,000	2,400
Office expenses	3,109	4,777	650
Santa Village expense	67,450	-	-
Miscellaneous	5,602	1,938	1,166
Rent expense	16,941	2,823	2,823
Sponsor-A-Child expense	-	453	-
Website fees	<u>267</u>	<u>134</u>	<u>45</u>
	<u>\$ 918,061</u>	<u>\$ 195,235</u>	<u>\$ 35,893</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

THE EMPTY STOCKING FUND, INC.

Statement of Functional Expenses

For the Year Ended March 31, 2013

		<u>Supporting Services</u>	
	<u>Program Services</u>	<u>Fund Raising</u>	<u>Management and General</u>
Cost of toys	\$ 686,306	\$ -	\$ -
Salaries and wages	124,899	35,927	9,150
Payroll tax	9,568	2,752	701
Employee benefits	28,651	5,845	325
JROTC Drive expenses	-	14,165	-
Direct mail expenses	-	61,635	-
Marketing Expense	-	30,000	-
AJC envelope expense	-	6,654	-
Postage	311	155	52
Recipient mailing	6,349	-	-
Legal and accounting	1,110	555	927
Bank and payroll fees	10,532	5,266	1,755
Contractor expenses	15,621	-	-
Depreciation	-	-	3,447
Telephone	2,562	1,281	427
Insurance	2,287	1,143	381
Administrative contractor	6,000	6,000	-
Office expenses	1,804	1,467	301
Santa Village expense	54,442	-	-
Miscellaneous	3,282	20,645	2,379
Rent expense	16,941	2,823	2,823
Taxes and licenses	-	-	20
Maintenance and repairs	-	-	-
Website fees	<u>171</u>	<u>87</u>	<u>29</u>
	<u>\$ 970,836</u>	<u>\$ 196,400</u>	<u>\$ 22,717</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

THE EMPTY STOCKING FUND, INC.

Statements of Cash Flows

For the Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Funds provided by (used by):		
Increase/Decrease in net unrestricted assets	\$ 148,236	\$ 175,344
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities:		
Gain on disposition of securities	(25,140)	(151,760)
Donated securities	-	268
Depreciation	2,451	3,447
Changes in assets and liabilities:		
(Increase) Decrease in inventory	(67,719)	1,514
Increase (Decrease) in accounts payable	<u>-</u>	<u>(2,018)</u>
Net Cash Flows Provided By (Used In) Operating Activities	57,828	26,795
Cash flows from (used in) investing activities:		
Purchases of fixed assets	-	(4,943)
Proceeds – sale of securities	108,204	1,322,528
Purchases of marketable securities	<u>(126,950)</u>	<u>(1,148,722)</u>
Net Cash Used In Investing Activities	<u>(18,746)</u>	<u>168,863</u>
Net Increase (Decrease) in Cash and Cash Equivalents	39,082	195,658
Cash and Cash Equivalents at Beginning of Year	<u>386,046</u>	<u>190,388</u>
Cash and Cash Equivalents at End of Year	<u>\$ 425,128</u>	<u>\$ 386,046</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these statements.

THE EMPTY STOCKING FUND, INC.

Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Empty Stocking Fund, Inc. (the Fund) is a Georgia (not-for-profit) corporation whose purpose is to purchase and distribute toys to needy children. The Fund receives charitable contributions from individuals, corporations, and public and private foundations. The majority of activities of the Fund are conducted or supported by numerous volunteers. These volunteers include individuals, civic organizations and corporate volunteer groups. A volunteer Board of Directors also governs the Fund.

2. Basis of Accounting

The accounts of the Fund are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

3. Property and Equipment

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each asset. Maintenance and repairs are charged to operations when incurred. Depreciation expense incurred for the years ended March 31, 2014 and 2013 were \$2,451 and \$3,447, respectively.

4. Marketable Securities

In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Debt and Equity Securities," securities are classified in three categories: available-for-sale, held-to-maturity and trading.

Securities classified as available-for-sale may be sold in response to changes in interest rates, liquidity needs, and for other purposes. Available-for-sale securities are reported at fair value and include securities not classified as held-to-maturity or trading. Trading securities are those held principally for the purpose of selling in the near future and are carried at fair value. The Fund currently has no held-to-maturity or trading securities.

Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported net of any income tax effect as a separate component of net assets.

5. Contributed Services

Donated toys, materials, advertising, and other services are reflected as support revenue and expense at estimated fair market value at the date of donation. A substantial number of unpaid volunteers have made contributions of their time to develop and support various activities of the Fund. The value of this time is not reflected in these statements since it is not susceptible to objective measurement of valuation.

THE EMPTY STOCKING FUND, INC.

Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Concentration of Risk

The Fund has several cash accounts located in three financial institutions. Federal insurance coverage is limited to \$250,000 per customer, per bank. At March 31, 2014, the Fund uninsured balance was \$175,128.

7. Financial Statement Presentation

In 1996 the Fund elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations,” early. Under SFAS No. 117, the Fund is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Fund is required to present a statement of cash flows.

8. Functional Expenses

Costs are charged to Program Services, Management and General, and Fund Raising Functions based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on percentage usage and square footage.

9. Use of Accounting 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 certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

10. Inventory

Inventories consist of toys and other gift items. Inventories are stated at lower of cost or market.

NOTE B – CASH AND CASH EQUIVALENTS

	<i>2014</i>	<i>2013</i>
Cash	\$ 370,761	\$ 268,998
Money market accounts	54,367	117,048
Certificate of deposit	<u> -</u>	<u> -</u>
	<u>\$ 425,128</u>	<u>\$ 386,046</u>

THE EMPTY STOCKING FUND, INC.

Notes to Financial Statements

NOTE C – MARKETABLE SECURITIES

Marketable securities consist primarily of mutual funds and common stock as follows:

	<i>Cost</i>	<i>FMV</i>	<i>Unrealized Holding Gains (Losses)</i>
<hr/>			
<u>2014 - Available-for-Sale</u>			
Mutual funds	\$ -	\$ -	\$ -
Fixed income securities	-	-	-
Common stocks – ETF’s	<u>1,006,450</u>	<u>1,114,843</u>	<u>108,393</u>
	<u>\$ 1,006,450</u>	<u>\$ 1,114,843</u>	<u>\$ 108,393</u>
<u>2013 - Available-for-Sale</u>			
Mutual funds	\$ -	\$ -	\$ -
Fixed income securities	-	-	-
Common stocks – ETF’s	<u>962,564</u>	<u>1,020,180</u>	<u>57,616</u>
	<u>\$ 962,564</u>	<u>\$ 1,020,180</u>	<u>\$ 57,616</u>
<hr/>			

Components of investment return included dividends and capital gains and losses as follows:

	<i>March 31, 2014</i>	<i>March 31, 2013</i>
<hr/>		
Dividends - reinvested	\$ 40,588	\$ 31,156
Dividends and interest	<u>63</u>	<u>107</u>
	<u>\$ 40,651</u>	<u>\$ 31,263</u>
Capital gains (loss) stock/ETF sales	\$ 25,140	151,760
Capital losses - mutual fund sales	<u>-</u>	<u>-</u>
	<u>\$ 25,140</u>	<u>\$ 151,760</u>
<hr/>		

THE EMPTY STOCKING FUND, INC.

Notes to Financial Statements

NOTE D – IN- KIND DONATIONS AND CONTRIBUTED SERVICES

The Fund records the value of donated goods or services when there is an objective basis available to measure their fair market value. Donated material and services are reflected as in-kind contributions and contributed services in the accompanying financial statements. For the year ended March 31, 2014, the amount of In-kind donations and contributed services includes \$96,088 in donated toys, advertising and promotion, space for distribution of toys, office rent, security services, and various other miscellaneous in-kind items. The amount recognized as revenue and expenses for the year ended March 31, 2014 is \$96,088. Of these in-kind donations and contributed services, \$80,441 was used for program, \$12,824 was used for fund raising and \$2,823 was used for management and general services. The Fund welcomes the donation of these complimentary in-kind donations and services.

During the year ended March 31, 2014, the Fund received significant contributions of toys and gifts, warehouse space, services and fixtures for Santa's Village. These contributions are reflected in the financial statements as in-kind donations and contributions income and as cost of toys and Santa's Village expenses on the Statement of Functional Expenses.

The Organization receives donated media and other services. Consistent with generally accepted accounting principles for a not-for-profit organization, the value of contributed time by unpaid volunteers is not reflected on these statements because the services received did not enhance non-financial assets and the agency would not pay for the services if they were not donated.

For the year ended March 31, 2014, the amount of In-kind donations and contributed services income and expense was \$99,853.

NOTE E - INCOME TAXES

No provision for income taxes has been made because the Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Fund is also exempt from state income taxes. In addition, the Fund is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

NOTE F – RETIREMENT PLAN

The Fund provides a 401(k) retirement plan. Under this plan, the company can match up to 6% of the employee's salary deferrals. The Fund can make a onetime discretionary contribution based on an employee's percentage of all eligible employees' total compensation. Discretionary contributions made by the Fund for the year ended March 31, 2014 were \$14,350.

THE EMPTY STOCKING FUND, INC.

Notes to Financial Statements

NOTE G – EVALUATION OF SUBSEQUENT EVENTS

The Empty Stocking Fund, Inc. has evaluated subsequent events through September 16, 2014 the date which the financial statements were issued.