

**THE EMPTY STOCKING FUND, INC.**

**FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2025 AND 2024**

**with**  
**INDEPENDENT AUDITORS' REPORT**

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF FUNCTIONAL EXPENSES	7-8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10-16



## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of  
The Empty Stocking Fund, Inc.**

### **Opinion**

We have audited the accompanying financial statements of The Empty Stocking Fund, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of March 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of March 31, 2025 and 2024, 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 ("GAAP").

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; this includes 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 of this report.

### **Auditors' 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 auditors' 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 can arise from fraud or error and 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.

## **Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

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.

*Smith and Howard*

Atlanta, GA  
August 20, 2025

**THE EMPTY STOCKING FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2025 AND 2024**

**ASSETS**

	<u><b>2025</b></u>	<u><b>2024</b></u>
Cash and cash equivalents	\$ 382,548	\$ 330,241
Investments, at fair value	1,682,075	1,571,343
Receivables	11,675	23,984
Inventory	460,165	383,341
Prepaid expenses and other assets	13,527	49,107
Property and equipment, net	407,292	349,972
Right of use asset, net	<u>594,738</u>	<u>699,302</u>
	<u><u>\$ 3,552,020</u></u>	<u><u>\$ 3,407,290</u></u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 21,805	\$ 21,687
Accrued expenses	24,490	11,646
Operating lease liability	<u>645,933</u>	<u>752,367</u>
Total Liabilities	692,228	785,700
Net Assets - Without Donor Restrictions	<u>2,859,792</u>	<u>2,621,590</u>
Total Liabilities and Net Assets	<u><u>\$ 3,552,020</u></u>	<u><u>\$ 3,407,290</u></u>

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

**THE EMPTY STOCKING FUND, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED MARCH 31, 2025 AND 2024**

	<u><b>2025</b></u>	<u><b>2024</b></u>
Revenues and Support:		
Corporate sponsorships and foundation grants	\$ 534,170	\$ 359,321
Individual gifts	728,671	819,521
Earned income	276,462	404,531
In-kind contributions	1,334,983	522,865
Investment income, net	90,156	279,076
Other	<u>1,288</u>	<u>3,066</u>
 Total Revenues and Support	 <u>2,965,730</u>	 <u>2,388,380</u>
Expenses:		
Program services	2,164,218	1,966,552
Management and general	301,782	208,214
Fundraising	<u>261,528</u>	<u>277,443</u>
 Total Expenditures	 <u>2,727,528</u>	 <u>2,452,209</u>
 Change in Net Assets	 238,202	 (63,829)
 Net Assets - Without Donor Restrictions, Beginning of Year	 <u>2,621,590</u>	 <u>2,685,419</u>
 Net Assets - Without Donor Restrictions, End of Year	 <u><u>\$ 2,859,792</u></u>	 <u><u>\$ 2,621,590</u></u>

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

**THE EMPTY STOCKING FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2025**

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Costs of distributed inventory	\$ 1,655,039	\$ -	\$ -	\$ 1,655,039
Costs of distribution	32,298	3,568	-	35,866
Personnel	160,061	30,313	55,725	246,099
Postage and shipping	665	15	17,715	18,395
Insurance	27,170	2,427	-	29,597
Marketing and advertising	500	-	47,089	47,589
Bank and transaction processing fees	-	6,302	13,873	20,175
Professional services	5,225	217,813	108,959	331,997
Facilities	167,054	-	-	167,054
Telephone and internet	5,704	5,270	-	10,974
Printing and production	-	1,525	10,732	12,257
Travel and meals	10,308	2,708	400	13,416
Dues subscriptions, and licenses	9,013	8,472	4,657	22,142
Depreciation	82,909	-	-	82,909
Furniture and equipment	7,822	154	-	7,976
JROTC incentive awards	-	-	2,378	2,378
Other	450	23,215	-	23,665
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>\$ 2,164,218</u>	<u>\$ 301,782</u>	<u>\$ 261,528</u>	<u>\$ 2,727,528</u>

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

**THE EMPTY STOCKING FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2024**

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Costs of distributed inventory	\$ 1,329,985	\$ -	\$ -	\$ 1,329,985
Costs of distribution	77,690	539	-	78,229
Personnel	255,504	29,927	60,102	345,533
Postage and shipping	7,599	5,023	34,202	46,824
Insurance	13,010	2,355	-	15,365
Marketing and advertising	6,683	1,230	59,802	67,715
Bank and transaction processing fees	-	6,359	11,509	17,868
Professional services	225	136,192	90,193	226,610
Facilities	165,183	467	-	165,650
Telephone and internet	4,418	5,806	-	10,224
Printing and production	-	65	14,723	14,788
Travel and meals	9,558	4,572	-	14,130
Dues subscriptions, and licenses	9,399	5,962	5,363	20,724
Depreciation	69,335	-	-	69,335
Furniture and equipment	17,963	-	-	17,963
Other	<u>-</u>	<u>9,717</u>	<u>1,549</u>	<u>11,266</u>
 Total Expenses	 <u>\$ 1,966,552</u>	 <u>\$ 208,214</u>	 <u>\$ 277,443</u>	 <u>\$ 2,452,209</u>

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



**THE EMPTY STOCKING FUND, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2025 AND 2024**

	<u><b>2025</b></u>	<u><b>2024</b></u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 238,202	\$ (63,829)
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities:		
Contributed inventory	(1,334,983)	(522,865)
Costs of donated inventory and gift cards distributed and used	1,242,386	434,732
Net realized and unrealized gains on investments	(61,899)	(260,499)
Depreciation	82,909	69,335
Operating lease expense	121,461	121,461
Payments on operating lease liability	(123,331)	(110,787)
Changes in operating assets and liabilities:		
Receivables	12,309	(8,380)
Inventory	15,773	452,638
Prepaid expenses and other assets	35,580	(32,350)
Accounts payable	118	(109,644)
Accrued expenses	12,844	1,725
Total adjustments	3,167	35,366
Net Cash Provided (Required) by Operating Activities	<u>241,369</u>	<u>(28,463)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(140,229)	(107,401)
Purchase of investments	(408,968)	(119,951)
Proceeds from sale of investments	360,135	274,704
Net Cash Provided (Required) by Investing Activities	<u>(189,062)</u>	<u>47,352</u>
Net Change in Cash and Cash Equivalents	52,307	18,889
Cash and Cash Equivalents, Beginning of Year	<u>330,241</u>	<u>311,352</u>
Cash and Cash Equivalents, End of Year	<u>\$ 382,548</u>	<u>\$ 330,241</u>

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

**THE EMPTY STOCKING FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2025 AND 2024**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

The Empty Stocking Fund, Inc. (the “Organization”) is a 501(c)(3) Georgia not-for-profit organization whose purpose is to empower parents of disadvantaged youth. The Organization receives charitable contributions from individuals, corporations, and public and private foundations. The majority of activities of the Organization 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 Organization.

Since 1927, the Organization has brought joy to the lives of children in need, and relief and dignity to their parents by giving them an opportunity to shop for toys and gifts to give their children during the holiday season. In addition, in 2019, the Organization expanded its reach with an acquisition of “Kids In Need”, a school supply distribution program. Through relationships with wholesale distributors and in-kind donations from trusted corporations, the Organization acquires brand new items in sufficient quantities to offer a variety of age and gender appropriate holiday gift choices and core school supplies. In December, the Organization invites parents and guardians of children who are receiving public assistance to come to “Santa’s Village” to choose and receive their children’s gifts. During the back-to-school season, the Organization provides school supplies to teachers and students of local Title 1 schools (schools with 80% or more of their students receiving free or reduced meals).

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Financial Statement Presentation

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

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.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as an increase in net assets without donor restriction. The Organization did not have net assets with donor restrictions at March 31, 2025 or 2024.

**THE EMPTY STOCKING FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2025 AND 2024**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash held in checking and money market accounts. Cash balances are maintained with financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, balances may exceed FDIC insured limits. Management does not believe that the Organization is exposed to any significant credit risk on these accounts. Cash and cash equivalents consisted of the following at March 31:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Cash	\$ 353,854	\$ 286,058
Money market accounts	28,694	44,183
	<u>\$ 382,548</u>	<u>\$ 330,241</u>

Investments

Investments are carried at fair value and unrealized/realized gains and losses, dividends and interest, and investment fees are reflected in the accompanying statements of activities as investment income (loss), net and comprised of the following for the years ending March 31:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Dividends and interest	\$ 40,704	\$ 29,674
Net realized and unrealized gains	61,899	260,499
Investment management fees	(12,447)	(11,097)
Investment income, net	<u>\$ 90,156</u>	<u>\$ 279,076</u>

The investments primarily consist of stocks, options, ETFs, and mutual funds. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the accompanying financial statements.

**THE EMPTY STOCKING FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2025 AND 2024**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Values Measured on Recurring Basis**

GAAP establishes 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 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1* - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

*Level 2* - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

*Level 3* - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The tables below represent the fair value measurement hierarchy of the Organization's investments at fair value as of March 31:

	<b><u>2025</u></b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Stocks, options, and ETFs	\$ 1,266,193	\$ -	\$ -	\$ 1,266,193
Mutual funds	415,882	-	-	415,882
	<u>\$ 1,682,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,682,075</u>

	<b><u>2024</u></b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Stocks, options, and ETFs	\$ 1,349,489	\$ -	\$ -	\$ 1,349,489
Mutual funds	221,854	-	-	221,854
	<u>\$ 1,571,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,571,343</u>

**Inventory**

Inventory consists of toys, other gift items, and school supplies. Purchased inventory items are stated at the lower of cost or market. Donated toys and school supplies are stated at their estimated replacement cost. See In-kind Contributions and Services in Note A. Management determined no allowance for obsolete inventory necessary at March 31, 2025 and 2024.

**THE EMPTY STOCKING FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2025 AND 2024**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is recorded at cost or at fair market value at the date of gift, if donated. Depreciation is recognized based on the straight-line method over the estimated useful life of each asset. Maintenance and repairs are charged to operations when incurred. Property and equipment consisted of the following at March 31:

	<u>Useful Life</u>	<u>2025</u>	<u>2024</u>
Machinery and equipment	5 years	\$ 126,819	\$ 69,561
Leasehold improvements	10 years	195,881	195,881
Technology systems	5 years	351,327	268,356
		674,027	533,798
Less: accumulated depreciation		(266,735)	(183,826)
		<u>\$ 407,292</u>	<u>\$ 349,972</u>

Revenue Recognition

*Corporate Sponsorships, Foundation Grants, and Individual Gifts* – Contributions and grants (including unconditional promises to give, i.e., pledges) are recognized as revenue in the year they are received or pledged, with allowances provided by pledges estimated to be uncollectible. Conditional pledges, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. If release of the restriction occurs at the same time as meeting the grant condition, the Organization records the contribution as without donor restriction.

The Organization recognizes contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented in the accompanying statements of activities as net assets released from restrictions.

*Earned Income* – The Organization sells school supply inventory to other qualified 501(c)3 nonprofit organizations and the revenue related to the transaction is recorded as earned income. The Organization recognizes revenue in accordance with the Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*. The Organization’s revenue is recognized at a point in time, generally upon the delivery of school supplies. The Organization’s contracts do not contain variable consideration provisions. The Organization’s revenue arrangements consist of a single performance obligation to transfer promised goods.

*In-kind Contributions and Services* – The Organization received donated toys and school supplies with an estimated fair market value of \$1,334,983 and \$522,865 for the years ended March 31, 2025 and 2024, respectively. Donated toys and school supplies are valued based on the current market value the Organization would have paid for the equivalent items. Contributed toys and school supplies received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to inventory.

**THE EMPTY STOCKING FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2025 AND 2024**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

Individuals (approximately 2,900 during fiscal year 2025) have donated their time (approximately 8,000 hours during fiscal year 2025) to support the Organization's program services and no amounts have been recorded for this time. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services have not been recognized in the accompanying statements of activities for the years ended March 31, 2025 and 2024, respectively, as they do not meet the requirements for recognition.

Functional Allocation of Expenses

Expenses in the statements of activities have been reported by the functional classifications, major classes of program services and supporting activities. The costs of providing the various programs and other activities have been tracked on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of square footage, payroll, or other relevant basis.

Tax Exempt Status

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for the years ending before March 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B – RETIREMENT PLAN**

The Organization provides a 401(k) retirement plan. Under this plan, the Organization can match up to 6% of an employee's salary deferrals. The 401(k) match for the years ended March 31, 2025 and 2024 were \$3,062 and \$10,384, respectively.

**THE EMPTY STOCKING FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2025 AND 2024**

**NOTE C – OPERATING LEASES**

On February 11, 2020, the Organization entered in a lease agreement for warehouse and office space. The lease requires monthly payments which are subject to annual increases and terminates in June 2030. The Organization has recorded a ROU asset and operating lease liability, which represents the present value of future lease payments using a discount rate of 2.40%, based on treasury rates effective April 2022 applied to the lease in accordance with its remaining lease term.

At March 31, 2025, the Organization's operating lease liability was comprised of the following:

Gross operating lease liability	\$ 688,865
Less: imputed interest	<u>(42,932)</u>
Present value of operating lease liability	<u>\$ 645,933</u>

The schedule below summarizes the future minimum annual lease obligations for the years ending March 31:

2026	\$ 125,798
2027	128,314
2028	130,880
2029	133,497
2030	136,167
Thereafter	<u>34,209</u>
	<u>\$ 688,865</u>

**NOTE D – LIQUIDITY**

At March 31, 2025 and 2024, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Cash and cash equivalents	\$ 382,548	\$ 330,241
Investments, at fair value	1,682,075	1,571,343
Receivables	<u>11,675</u>	<u>23,984</u>
	<u>\$ 2,076,298</u>	<u>\$ 1,925,568</u>

The Organization manages its liquidity and reserves following three 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 goals will be met. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Further, the Organization's investment portfolio consists of securities which are not subject to any constraints limiting the Organization's ability to respond quickly to changes in market conditions.

**THE EMPTY STOCKING FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2025 AND 2024**

**NOTE E – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 20, 2025, the date the financial statements were available to be issued.