

CFDA Foundation, Inc.
and
Council of Fashion
Designers of America, Inc.

***COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT***

YEARS ENDED DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
CFDA Foundation, Inc. and
Council of Fashion Designers of America, Inc.
New York, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of CFDA Foundation, Inc. and Council of Fashion Designers of America, Inc. (the Organizations) which comprise the combined statements of financial position as of December 31, 2012 and 2011, and the related combined 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 presentation of these combined 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 presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 presentation of the combined financial statements 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 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 accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combined supplemental information on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

October 17, 2013



Member of JHI International

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2012	2011
Cash and cash equivalents	\$ 3,103,293	\$ 2,678,628
Investments	20,899,372	17,303,747
Accounts receivable, net	721,586	973,116
Contributions receivable, net	3,106,992	2,602,478
Other assets	426,897	101,336
Furniture, equipment and leasehold improvements, net	1,216,279	41,993
	\$ 29,474,419	\$ 23,701,298

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 1,188,371	\$ 117,123
Grants payable	316,379	366,379
Deferred revenue	220,000	251,250
	1,724,750	734,752
Net assets:		
Unrestricted:		
Unrestricted for general use	8,029,580	5,820,712
Board designated	3,229,067	2,066,667
	11,258,647	7,887,379
Temporarily restricted	15,541,022	14,129,167
Permanently restricted	950,000	950,000
	27,749,669	22,966,546
	\$ 29,474,419	\$ 23,701,298

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

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

COMBINED STATEMENTS OF ACTIVITIES

	Year ended December 31, 2012			Year ended December 31, 2011				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support:								
Private support:								
Fashion Targets Breast Cancer Educational initiatives	\$ 817,984	\$ 4,377,850	\$	\$ 817,984	\$ 1,104,091	\$	\$ 1,104,091	
50th Impact CFDA Contributions	1,162,400	1,162,400		4,377,850	2,066,667	5,727,291	5,727,291	
Special events, net of expenses and \$2,595,738 in 2011	1,462,089	1,462,089		1,462,089	449,779	393,271	2,066,667	
	1,556,050			1,556,050	1,354,942		843,050	
Total private support	4,998,523	4,377,850		9,376,373	4,975,479	6,120,562	11,096,041	
Revenues and gains (losses):								
Membership dues	1,511,434			1,511,434	918,950		918,950	
Merchandise sales	90			90	5,296		5,296	
Royalties	107,058			107,058	77,377		77,377	
Interest and dividend income	388,663	48,566		437,229	302,083	45,062	347,145	
Realized and unrealized gains (losses)	493,936	20,585		514,521	(136,420)	(6,151)	(142,571)	
Total revenues and gains	2,501,181	69,151		2,570,332	1,167,286	38,911	1,206,197	
Net assets released from restrictions	3,035,146	(3,035,146)			3,767,879	(3,717,879)	(50,000)	
Total support, revenues and gains (losses)	10,534,850	1,411,855		11,946,705	9,910,644	2,441,594	12,302,238	
Expenses:								
Program services:								
Fashion Targets Breast Cancer Educational initiatives	480,519			480,519	346,364		346,364	
Membership	3,236,084			3,236,084	3,163,968		3,163,968	
50th Impact CFDA	664,923			664,923	417,820		417,820	
Other campaign initiatives	291,655			291,655	119,700		119,700	
	778,149			778,149	585,838		585,838	
Total program services	5,451,330			5,451,330	4,633,690		4,633,690	
Support services:								
Management and general Fundraising	914,470			914,470	654,657		654,657	
	797,782			797,782	750,100		750,100	
Total support services	1,712,252			1,712,252	1,404,757		1,404,757	
Total expenses	7,163,582			7,163,582	6,038,447		6,038,447	
Change in net assets	3,371,268	1,411,855		4,783,123	3,872,197	2,441,594	6,263,791	
Net assets, January 1	7,887,379	14,129,167	950,000	22,966,546	4,015,182	11,687,573	16,702,755	
Net assets, December 31	\$ 11,258,647	\$ 15,541,022	\$ 950,000	\$ 27,749,669	\$ 7,887,379	\$ 14,129,167	\$ 22,966,546	

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

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 4,783,123	\$ 6,263,791
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	113,841	20,186
Allowance for doubtful contributions receivable	150,000	
Allowance for doubtful accounts receivable	26,600	(26,600)
Discount on contributions receivable	14,736	(2,648)
Realized and unrealized (gain) loss on investments	(514,521)	142,571
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	224,930	(141,879)
Contributions receivable	(669,250)	(285,000)
Other assets	(325,561)	(74,718)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,071,248	(120,440)
Grants payable	(50,000)	
Deferred revenue	(31,250)	249,250
Net cash provided by operating activities	4,793,896	6,024,513
Cash flows from investing activities:		
Purchase of furniture, equipment and leasehold improvements	(1,288,127)	(25,205)
Purchase of securities	(20,734,718)	(16,587,300)
Proceeds from sale of securities	17,653,614	11,228,583
Net cash used by investing activities	(4,369,231)	(5,383,922)
Net increase in cash and cash equivalents	424,665	640,591
Cash and cash equivalents, January 1	2,678,628	2,038,037
Cash and cash equivalents, December 31	\$ 3,103,293	\$ 2,678,628

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

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

1. Summary of significant accounting policies

This summary of significant accounting policies of the CFDA Foundation, Inc. and Council of Fashion Designers of America, Inc. (the Organizations) is presented to assist in understanding the Organizations' combined financial statements. The combined financial statements and notes are representations of the Organizations' management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as promulgated in *FASB Accounting Standards Codification* (the Codification) and have been consistently applied in the preparation of the combined financial statements.

History and objectives of the Organizations

The Foundation creates programs and raises funds for those programs and other charitable initiatives and campaigns on behalf of the American fashion industry's designers.

The objectives of the Council are to further the status of fashion design as a recognized branch of American art and culture, to establish and maintain a code of ethics and practices of mutual benefit in professional, public, and trade relations, and to promote and improve public understanding and appreciation of the fashion arts through leadership in quality and taste.

Principles of combination

The combined financial statements include the accounts of CFDA Foundation, Inc. and Council of Fashion Designers of America, Inc. All material intercompany accounts and transactions are eliminated in combination.

Basis of presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of any income earned on any related investments for general or specific purposes.

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

1. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash consists primarily of demand deposit accounts. Cash, money market funds, and certificate of deposits held as a portion of the Organizations' investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows. Cash equivalents are stated at cost, which approximates market value.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the changes in unrestricted net assets for the gains and losses that are unrestricted, and in the changes in temporarily restricted net assets for the gains and losses that are restricted for the support of certain programs.

Contributions

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Pledges are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Conditional pledges are recognized as income when the conditions of the pledge are met.

Membership dues

Membership dues consist of both corporate and individual fees. Corporate membership dues are contract based and revenue is recognized ratably over the term of the agreement. Individual memberships are not contract based and those dues are recorded when received from renewing and new members.

Receivables

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organizations provide for losses on receivables using the allowance method. The allowance is based on management's knowledge of which individual receivables are likely to not be collected.

Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2011 presentation.

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

1. Summary of significant accounting policies (continued)

Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are recorded at cost. The Organizations capitalize all expenditures for furniture, equipment and leasehold improvements in excess of \$5,000. Depreciation is provided principally on the straight-line method at rates based on the following estimated useful lives:

Computer equipment	3 - 5 years
Furniture and fixtures	5 - 7 years
Computer equipment	3 - 10 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments that extend the useful lives are capitalized.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The CFDA Foundation, Inc., founded in 1973, is a New York not-for-profit corporation. The Foundation is a tax-exempt entity as defined by Section 501(c)(3) of the Internal Revenue Code.

The Council of Fashion Designers of America, Inc., founded in 1962, is also a New York not-for-profit corporation. The Council is a tax-exempt entity as defined by Section 501(c)(6) of the Internal Revenue Code.

Uncertain tax positions

As of December 31, 2012, management believes that based on evaluation of the Organizations' tax positions that any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating the Organizations' tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax provision. Income tax returns are filed in the U.S federal jurisdiction and state jurisdictions. U.S. federal and state income tax returns prior to fiscal year 2009 are closed.

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

2. Risks and uncertainties

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts and contributions receivable. The Organizations maintain their cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Cash and cash equivalents are maintained at financial institutions. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions. Investments are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that could materially affect the amounts reported in the financial statements. Concentrations of credit risk with respect to accounts receivable are limited due to the generally short payment terms. Risk relating to contributions receivable is reduced due to the fact that the receivables are from members of the Board of Directors, their companies, and other prominent corporations and individuals in the fashion industry.

3. Accounts receivable

Accounts receivable consists of unpaid corporate membership dues, special events revenue and related contributions. During the years ended December 31, 2012 and 2011, management estimated that \$50,000 and \$23,400, respectively, of outstanding receivables may be uncollectible and established an allowance for uncollectible accounts.

4. Contributions receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates of 0.76% in 2012 and 1.52% in 2011.

During 2012 and 2011, the Organizations estimated \$250,000 and \$100,000, respectively of outstanding contributions receivable may be uncollectible and established an allowance for uncollectible accounts.

The contributions receivable consist of the following:

	<u>2012</u>	<u>2011</u>
One year or less	\$ 1,899,916	\$ 1,820,000
Two to ten years	<u>1,519,334</u>	<u>930,000</u>
	3,419,250	2,750,000
Less discount on contributions receivable	62,258	47,522
Less allowance for uncollectible amounts	<u>250,000</u>	<u>100,000</u>
	<u>\$ 3,106,992</u>	<u>\$ 2,602,478</u>

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

5. Fair value measurement of investments

The Codification 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 and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2: Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3: Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organizations. The Organizations consider observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organizations' perceived risk of that investment.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, generally include active listed equities.

Investments may be classified as level 2 when market information becomes available, yet the investment is not traded in an active market and/or the investment is subject to transfer restrictions, or the valuation is adjusted to reflect illiquidity and/or non-transferability.

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

5. Fair value measurement of investments (continued)

Fair values of assets measured on a recurring basis at December 31, 2012 and 2011 are as follows:

	2012			Total
	Level 1	Level 2	Level 3	
<u>Investments:</u>				
Cash equivalents	\$ 2,698,116	\$	\$	\$ 2,698,116
CD equivalents	6,920,750			6,920,750
Municipal bonds		853,960		853,960
Corporate fixed income securities		4,859,490		4,859,490
Government securities	835,267			835,267
Stocks	4,731,789			4,731,789
Total	\$ 15,185,922	\$ 5,713,450	\$	\$ 20,899,372

	2011			Total
	Level 1	Level 2	Level 3	
<u>Investments:</u>				
Cash equivalents	\$ 3,984,872	\$	\$	\$ 3,984,872
CD equivalents	6,676,922			6,676,922
Municipal bonds		307,058		307,058
Corporate fixed income securities		2,380,623		2,380,623
Government securities	1,244,044			1,244,044
Stocks	2,710,228			2,710,228
Total	\$ 14,616,066	\$ 2,687,681	\$	\$ 17,303,747

	2012		2011	
	Cost	Carrying value	Cost	Carrying value
Cash equivalents	\$ 2,698,126	\$ 2,698,116	\$ 3,984,872	\$ 3,984,872
CD equivalents	6,791,750	6,920,750	6,550,707	6,676,922
Municipal bonds	765,669	853,960	246,120	307,058
Corporate fixed income securities	4,649,502	4,859,490	2,378,134	2,380,623
Government securities	1,051,412	835,267	1,346,108	1,244,044
Stocks	4,276,175	4,731,789	2,573,159	2,710,228
	\$ 20,232,634	\$ 20,899,372	\$ 17,079,100	\$ 17,303,747

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

5. Fair value measurement of investments (continued)

The following schedule summarizes the investment return and its classification in the statement of activities:

	2012		
	Unrestricted	Temporarily restricted	Total
Investments:			
Dividends and interest	\$ 388,672	\$ 48,557	\$ 437,229
Realized gain	439,890	20,549	460,439
Unrealized gain (losses)	54,177	(95)	54,082
	\$ 882,739	\$ 69,011	\$ 951,750
	2011		
	Unrestricted	Temporarily restricted	Total
Investments:			
Dividends and interest	\$ 302,082	\$ 45,063	\$ 347,145
Realized losses	(198,938)	(9,092)	(208,030)
Unrealized gain	62,520	2,939	65,459
	\$ 165,664	\$ 38,910	\$ 204,574

6. Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements consist of the following:

	2012	2011
Computer equipment	\$ 357,523	\$ 232,100
Furniture and fixtures	320,459	25,479
Leasehold improvements	671,996	97,518
	1,349,978	355,097
Less accumulated depreciation	133,699	313,104
	\$ 1,216,279	\$ 41,993

Depreciation expense was \$113,841 in 2012 and \$20,186 in 2011.

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

7. Grants payable

The 7th on Sale special event's purpose is to raise funds to support the Foundation's AIDS related projects. The Foundation pledged \$4,200,000 from the proceeds of the 2007 sales to the NY Community Trust for donations to be made to AIDS related organizations. During the fiscal year ended 2012, the Foundation paid \$50,000 of the grant to NY Community Trust and AIDS related organizations. There were no payments made during the fiscal year ended 2011. As of December 31, 2012 and 2011, the Foundation has a remaining commitment of \$316,379 and \$366,379, respectively.

8. Commitments and contingencies

Leases

The Organizations rent space for administrative offices under a lease with JER 1412 Broadway, LLC. The lease expires July 2013.

On January 12, 2012, the Organizations entered into a 10-year operating lease to rent new space for their administrative offices. The lease agreement expires on February 28, 2022.

Minimum annual rental payments required under the lease are:

Year ending December 31:	
2013	\$ 493,452
2014	409,145
2015	419,374
2016	429,859
2017	440,604
Thereafter	<u>1,956,748</u>
	<u>\$ 4,149,182</u>

Annual rental payments were \$615,000 and \$193,000 in 2012 and 2011, respectively.

9. Employee leasing

On March 1, 2002, the Organizations entered into an employee leasing agreement with Ambrose Employer Group, LLC (Ambrose). The agreement is for an indefinite period of time and either party can terminate the contract after thirty (30) days notice. Ambrose is responsible for tax withholding, payments and reporting of all payroll taxes. It is also responsible for the maintenance of workmen's compensation insurance, benefit plan and retirement plan for the employees. The Organizations are responsible for maintaining general liability insurance.

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

10. Special events support

Special events support for the years ended December 31, 2012 and 2011 consists of the following:

Event	2012		
	Gross support	Expenses	Net support
American Fashion Awards	\$ 3,747,122	\$ 2,525,008	\$ 1,222,114
NYC Fashion Night Out	672,007	338,071	333,936
Total	\$ 4,419,129	\$ 2,863,079	\$ 1,556,050

Event	2011		
	Gross support	Expenses	Net support
American Fashion Awards	\$ 2,924,619	\$ 2,090,388	\$ 834,231
NYC Fashion Night Out	1,026,061	505,350	520,711
Total	\$ 3,950,680	\$ 2,595,738	\$ 1,354,942

11. Temporarily restricted net assets/net assets released from restrictions

During the years ended December 31, 2012 and 2011, the Organizations received \$4,377,850 and \$5,727,291, respectively, in contributions to fund the Educational Initiatives program. This program provides awards to aspiring designers so that they may further their professional development.

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Educational Initiatives	\$ 15,541,022	\$ 14,129,167

Temporarily restricted net assets were released from restriction as follows:

	2012	2011
Educational Initiatives	\$ 3,035,146	\$ 3,202,879
Japan relief fund		400,000
Time restrictions		115,000
	\$ 3,035,146	\$ 3,717,879

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

12. Endowment

The endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of the CFDA Foundation, Inc. is responsible for the long-term investment policies for donor-restricted endowment funds. Investments will consist of money market funds, equity and fixed income securities to provide a balance that will enhance total return while avoiding undue risk through excessive concentration in any single asset class or individual security. Asset allocation will be determined by the Finance Committee and reviewed regularly.

The Foundation's policy is that amounts will be appropriated for expenditures in accordance with the donor's stipulations. The Board of Directors appropriates the earnings of the endowment fund to support scholarships, awards and grants and administrative expenses related to the operation of the program. No such distribution shall be made to the extent it would reduce the value below the endowed corpus.

The Foundation interprets the UPMIFA of the State of New York 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, 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. Earnings attributed to the donor restricted endowment funds are classified as unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with donor stipulations and the standard of prudence prescribed by UPMIFA.

Changes in endowment net assets for the years ended December 31, 2012 and 2011:

	2012			Total
	Unrestricted board designated	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ 2,066,667	\$	\$ 950,000	\$ 3,016,667
Contributions	1,162,400			1,162,400
Investment return:				
Investment income		48,566		48,566
Net depreciation (realized and unrealized)		20,585		20,585
Total investment return		69,151		69,151
Appropriation of endowment assets for scholarships, awards and grants		(69,151)		(69,151)
Transfers to temporarily restricted				
Endowment net assets, end of year	\$ 3,229,067	\$	\$ 950,000	\$ 4,179,067

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2012 and 2011

12. Endowment (continued)

	2011			Total
	Unrestricted board designated	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$	\$	\$ 1,000,000	\$ 1,000,000
Contributions	2,066,667			2,066,667
Investment return:				
Investment income		45,062		45,062
Net depreciation (realized and unrealized)		(6,151)		(6,151)
Total investment return		38,911		38,911
Appropriation of endowment assets for scholarships, awards and grants		(38,911)		(38,911)
Transfers to temporarily restricted			(50,000)	(50,000)
Endowment net assets, end of year	\$ 2,066,667	\$	\$ 950,000	\$ 3,016,667

13. Subsequent events

Subsequent events have been evaluated through October 17, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.
COMBINED SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended December 31, 2012 and 2011

	Program services											
	Fashion Targets		Educational Initiatives		Membership		50th: Impact CFDA		Other campaign initiatives		Total program services	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Employee leasing expense	\$ 210,523	\$ 151,882	\$ 612,432	\$ 453,115	\$ 263,894	\$ 193,173	\$ 26,113	\$ 13,382	\$ 76,554	\$ 38,089	\$ 1,163,403	\$ 849,641
Professional fees	27,089	42,832	122,566	95,009	27,158	35,612	8,848	8,848	7,230	124,934	210,156	307,235
Other office expense	14,575	7,257	191,762	32,229	80,873	22,968	5,206	5,206	4,377	1,606	291,587	69,266
Location expense			71,676	22,201	642	5,218					72,318	27,419
Audio-visual	1,500		41,817	525,316	145		48,626	18,250			92,088	543,566
Event operations and management	900		544,372	61,924	225		24		300		545,596	61,924
Staging and physical production			98,087	11,755			1,000				99,312	11,755
Décor	11		146,569	190,109			125,338				271,922	190,109
Catering			73,167	62,529	10,231	3,713			91		83,489	66,242
Graphics and printing	4,225	3,656	58,322	20,461	14,258	29,978	20,488	11,781	1,510	1,280	98,803	67,156
Grants and awards	125,275	100,000	900,050	1,503,000	33,410	4,700	57,373	57,373	651,414	410,000	1,767,522	2,075,073
Occupancy	67,822	22,504	204,913	62,916	88,961	27,303		1,892	26,649	6,266	388,345	120,881
Equipment expenses	3,520	3,427	12,343	9,934	7,150	5,575	4,787	193	1,297	1,076	29,097	20,205
Telephone and telecom	4,438	4,974	13,757	14,680	21,719	12,152		390	5,012	1,383	44,926	33,579
Postage and delivery	2,199	1,722	4,882	4,669	8,180	8,721	4,261	398	294	127	19,816	15,637
Travel and meetings	2,054	3,279	94,556	51,923	77,929	62,181	1,242	1,419	254	188	176,035	118,990
Marketing and advertising					419		404		60		883	
Insurance	2,815	1,512	8,189	4,365	3,473	1,922		51	1,021	500	15,498	8,350
Bank charges	726	1,017	493	31,360	8,138	1,471	(8)	157	75	29	9,424	34,034
Depreciation	12,847	2,302	36,131	6,473	18,118	3,133	2,007	360	2,007	360	71,110	12,628
	<u>\$ 480,519</u>	<u>\$ 346,364</u>	<u>\$ 3,236,084</u>	<u>\$ 3,163,968</u>	<u>\$ 664,923</u>	<u>\$ 417,820</u>	<u>\$ 291,655</u>	<u>\$ 119,700</u>	<u>\$ 778,149</u>	<u>\$ 585,838</u>	<u>\$ 5,451,330</u>	<u>\$ 4,633,690</u>

CFDA FOUNDATION, INC. AND
COUNCIL OF FASHION DESIGNERS OF AMERICA, INC.
COMBINED SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended December 31, 2012 and 2011

	Support services							
	Management and general		Fundraising		Total support services		Total expenses	
	2012	2011	2012	2011	2012	2011	2012	2011
Employee leasing expense	\$ 491,302	\$ 358,047	\$ 248,799	\$ 165,689	\$ 740,101	\$ 523,736	\$ 1,903,504	\$ 1,373,377
Professional fees	63,913	91,113	46,666	37,706	110,579	128,819	320,735	436,054
Other office expense	100,220	89,357	19,260	12,749	119,480	102,106	411,067	171,372
Location expense							72,318	27,419
Audio-visual							92,088	543,566
Event operations and management							545,596	61,924
Staging and physical production							99,312	11,755
Décor	424		6		430		272,352	190,109
Catering	296				296		83,785	66,255
Graphics and printing	10,944		4,906	3,840	15,850	14,420	114,653	81,576
Grants and awards	10,325	20,000	325,325	450,000	335,650	470,000	2,103,172	2,545,073
Occupancy	166,234	54,691	83,002	24,542	249,236	79,233	637,581	200,114
Equipment expenses	12,927	8,287	4,285	3,834	17,212	12,121	46,309	32,326
Telephone and telecom	6,178	6,210	8,184	5,434	14,362	11,644	59,288	45,223
Postage and delivery	4,517	967	11,418	3,679	15,935	4,646	35,751	20,283
Travel and meetings	4,916	3,850	6,783	6,771	11,699	10,621	187,734	129,611
Marketing and advertising			19,266	27,139	19,266	27,139	20,149	27,139
Insurance	6,294	3,715	3,327	1,649	9,621	5,364	25,119	13,714
Bank charges	6,898	2,714	2,906	4,623	9,804	7,336	19,228	41,370
Depreciation	29,082	5,113	13,649	2,445	42,731	7,558	113,841	20,186
	<u>\$ 914,470</u>	<u>\$ 654,657</u>	<u>\$ 797,782</u>	<u>\$ 750,100</u>	<u>\$ 1,712,252</u>	<u>\$ 1,404,756</u>	<u>\$ 7,163,582</u>	<u>\$ 6,038,446</u>