

**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, 2011 AND 2010

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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

We have audited the accompanying combined statements of financial position of CFDA Foundation, Inc. and Council of Fashion Designers of America, Inc. (the Organizations) as of December 31, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Organizations' management. 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 audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2011 and 2010, and the changes in their combined net assets and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combined supplementary information on pages 16 - 17 is presented for purposes of additional analysis and is not a required part of the basic 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 audits 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

December 10, 2012



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

COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2011	2010
Cash and cash equivalents	\$ 2,678,628	\$ 2,038,036
Investments	17,303,747	12,087,601
Accounts receivable, net	973,116	804,637
Contributions receivable, net	2,602,478	2,314,830
Other assets	101,336	26,618
Furniture, equipment and leasehold improvements, net	41,993	36,974
	\$ 23,701,298	\$ 17,308,696

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 117,123	\$ 237,563
Grants payable	366,379	366,379
Deferred revenue	251,250	2,000
	734,752	605,942
Net assets:		
Unrestricted:		
Unrestricted for general use	5,820,712	4,015,181
Board designated	2,066,667	
	7,887,379	4,015,181
Temporarily restricted	14,129,167	11,687,573
Permanently restricted	950,000	1,000,000
	22,966,546	16,702,754
	\$ 23,701,298	\$ 17,308,696

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, 2011			Year ended December 31, 2010				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support:								
Private support:								
Fashion Targets Breast Cancer	\$ 1,104,091	\$ 5,727,291	\$	\$ 1,104,091	\$ 510,490	\$	\$ 510,490	
Educational initiatives	2,066,667	393,271		5,727,291	2,316,836		2,316,836	
50th Impact CFDA	449,779			2,066,667	468,030		583,030	
Contributions	1,354,942			843,050	2,369,001		2,369,001	
Special events, net of expenses \$2,595,738 in 2011 and \$3,314,309 in 2010	4,975,479	6,120,562		1,354,942	3,347,521		5,779,357	
Total private support	9,910,644	(3,717,879)	(50,000)	11,096,041	2,431,836		7,329,696	
Revenues and gains (losses):								
Membership dues	918,950			918,950	853,300		853,300	
Merchandise sales	5,296			5,296				
Royalties	77,377			77,377				
Interest and dividend income	302,083	45,062		347,145	260,629	44,880	305,509	
Realized and unrealized gains (losses)	(136,420)	(6,151)		(142,571)	359,708	31,822	391,530	
Total revenues and gains (losses)	1,167,286	38,911		1,206,197	1,473,637	76,702	1,550,339	
Net assets released from restrictions	3,767,879	(3,717,879)	(50,000)		2,433,259	(2,433,259)		
Total support, revenues and gains (losses)	9,910,644	2,441,594	(50,000)	12,302,238	7,254,417	75,279	7,329,696	
Expenses:								
Program services:								
Fashion Targets Breast Cancer	346,364			346,364	454,449		454,449	
Educational initiatives	3,163,968			3,163,968	2,376,602		2,376,602	
Membership	417,820			417,820	501,937		501,937	
50th Impact CFDA	119,700			119,700	1,099,937		1,099,937	
Other campaign initiatives	585,838			585,838				
Total program services	4,633,690			4,633,690	4,432,925		4,432,925	
Support services:								
Management and general Fundraising	654,656			654,656	494,086		494,086	
Total support services	1,404,756			1,404,756	1,328,501		1,328,501	
Total expenses	6,038,446			6,038,446	5,761,426		5,761,426	
Change in net assets	3,872,198	2,441,594	(50,000)	6,263,792	1,492,991	75,279	1,568,270	
Net assets, January 1	4,015,181	11,687,573	1,000,000	16,702,754	2,522,190	11,612,294	15,134,484	
Net assets, December 31	\$ 7,887,379	\$ 14,129,167	\$ 950,000	\$ 22,966,546	\$ 4,015,181	\$ 11,687,573	\$ 16,702,754	

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,	
	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 6,263,792	\$ 1,568,270
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,186	12,722
Allowance for doubtful contributions receivable		(150,000)
Allowance for doubtful accounts receivable	(26,600)	50,000
Discount on contributions receivable	(2,648)	(139,186)
Realized and unrealized (gain) loss on investments	142,571	(391,530)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(141,879)	(339,713)
Contributions receivable	(285,000)	1,735,000
Other assets	(74,718)	(381)
Increase (decrease) in:		
Accounts payable and accrued expenses	(120,440)	91,937
Grants payable		2,000
Deferred revenue	249,250	(643,121)
Net cash provided by operating activities	6,024,514	1,795,998
Cash flows from investing activities:		
Purchase of property and equipment	(25,205)	(36,645)
Purchase of securities	(16,587,300)	(16,802,720)
Proceeds from sale of securities	11,228,583	16,458,676
Net cash used by investing activities	(5,383,922)	(380,689)
Net increase in cash and cash equivalents	640,592	1,415,309
Cash and cash equivalents, January 1	2,038,036	622,727
Cash and cash equivalents, December 31	\$ 2,678,628	\$ 2,038,036

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, 2011 and 2010

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, 2011 and 2010

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 consists 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 2010 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, 2011 and 2010

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 provisions

As of December 31, 2011, 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 2008 are closed.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011 and 2010

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 such changes 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, 2011 and 2010, management estimated that \$23,400 and \$50,000, 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 1.52% in 2011 and 1.93% in 2010.

During 2011 and 2010, the Organizations estimated \$100,000 of outstanding contributions receivable may be uncollectible and established an allowance for uncollectible accounts.

The contributions receivable consist of the following:

	<u>2011</u>	<u>2010</u>
One year or less	\$ 1,820,000	\$ 1,915,000
Two to five years	<u>930,000</u>	<u>550,000</u>
	2,750,000	2,465,000
Less discount on contributions receivable	47,522	50,170
Less allowance for uncollectible amounts	<u>100,000</u>	<u>100,000</u>
	<u>\$ 2,602,478</u>	<u>\$ 2,314,830</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011 and 2010

5. Conditional contributions receivable

In 2003, the Organizations and Vogue created the CFDA/Vogue Fashion Fund (the Fund). The Fund's purpose is to provide awards to aspiring designers. The Fund has received \$1,700,000 in conditional contributions receivable of which \$1,600,000 has been collected as of December 31, 2011. The contributions receivable are conditional upon specific donor intent and that the Fund functions in a manner consistent with the donor's expectations. Assuming the conditions of the donors are met, the remaining pledges will be collected as follows:

One to five years	<u>\$ 100,000</u>
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6. 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, 2011 and 2010

6. Fair value measurement of investments (continued)

Fair values of assets measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	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

	2010			Total
	Level 1	Level 2	Level 3	
<u>Investments:</u>				
Cash equivalents	\$ 431,448	\$	\$	\$ 431,448
CD equivalents	6,597,550			6,597,550
Municipal bonds		129,106		129,106
Corporate fixed income securities		1,631,108		1,631,108
Government securities	1,146,013			1,146,013
Stocks	2,152,376			2,152,376
Total	\$10,327,387	\$ 1,760,214	\$	\$12,087,601

	2011		2010	
	Cost	Carrying value	Cost	Carrying value
Cash equivalents	\$ 3,984,872	\$ 3,984,872	\$ 431,448	\$ 431,448
CD equivalents	6,550,707	6,676,922	6,448,957	6,597,550
Municipal bonds	246,120	307,058	136,538	129,106
Corporate fixed income securities	2,378,134	2,380,623	1,584,588	1,631,108
Government securities	1,346,108	1,244,044	1,125,188	1,146,013
Stocks	2,573,159	2,710,228	1,858,359	2,152,376
	\$17,079,100	\$17,303,747	\$11,585,078	\$12,087,601

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011 and 2010

6. Fair value measurement of investments (continued)

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

	2011		
	Unrestricted	Temporarily restricted	Total
Investments:			
Dividends and interest	\$ 302,083	\$ 45,062	\$ 347,145
Realized losses	(198,940)	(9,090)	(208,030)
Unrealized gain	62,520	2,939	65,459
	\$ 165,663	\$ 38,911	\$ 204,574
	2010		
	Unrestricted	Temporarily restricted	Total
Investments:			
Dividends and interest	\$ 260,629	\$ 44,880	\$ 305,509
Realized gain (losses)	43,793	(5,249)	38,544
Unrealized gain	315,915	37,071	352,986
	\$ 620,337	\$ 76,702	\$ 697,039

7. Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements consist of the following:

	2011	2010
Computer equipment	\$ 232,100	\$ 206,895
Furniture and fixtures	25,479	25,479
Leasehold improvements	97,518	97,518
	355,097	329,892
Less accumulated depreciation	313,104	292,918
	\$ 41,993	\$ 36,974

Depreciation expense was \$20,186 in 2011 and \$12,722 in 2010.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011 and 2010

8. 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 2010, the Foundation paid \$643,121 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, 2011 and 2010, the Foundation has a remaining commitment of \$366,379.

9. Commitments and contingencies

Leases

The Organizations rent space for administrative offices under a lease with JER 1412 Broadway, LLC. The lease expires November 30, 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:	
2012	\$ 179,725
2013	566,818
2014	409,150
2015	419,380
2016	429,862
Thereafter	<u>2,397,356</u>
	<u>\$ 4,402,291</u>

Annual rental payments were \$192,770 and \$189,568 in 2011 and 2010, respectively.

10. 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, 2011 and 2010

11. Special events support

Special events support for the years ended December 31, 2011 and 2010 consists of the following:

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
Event	2010		
	Gross support	Expenses	Net support
American Fashion Awards	\$ 3,006,335	\$ 2,140,966	\$ 865,369
Fashion for Haiti	1,304,653	279,034	1,025,619
NYC Fashion Night Out	1,372,322	894,309	478,013
Total	\$ 5,683,310	\$ 3,314,309	\$ 2,369,001

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

During the years ended December 31, 2011 and 2010, the Organizations received \$5,727,291 and \$2,316,836, 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:

	2011	2010
Educational initiatives	\$ 14,129,167	\$11,572,573
Time restriction		115,000
Total	\$ 14,129,167	\$ 11,687,573

Temporarily restricted net assets were released from restriction as follows:

	2011	2010
Educational initiatives	\$ 3,202,879	\$ 2,433,259
Japan relief fund	400,000	
Time restriction	115,000	
	\$ 3,717,879	\$ 2,433,259

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011 and 2010

13. 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, 2011 and 2010:

	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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011 and 2010

13. Endowment (continued)

	2010			Total
	Unrestricted board designated	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$	\$ 25,513	\$ 1,000,000	\$1,025,513
Contributions				
Investment return:				
Investment income		48,880		44,220
Net depreciation (realized and unrealized)		31,822		31,822
Total investment return		76,702		76,702
Appropriation of endowment assets for scholarships, awards and grants		(102,215)		(102,215)
Transfers to temporarily restricted				
Endowment net assets, end of year	\$	\$	\$ 1,000,000	\$1,000,000

14. Subsequent events

Subsequent events have been evaluated through December 10, 2012, which is the date the financial statements were available to be issued.

The Foundation entered into a 10 year operating lease agreement in January 2012 to rent space for their administrative offices. (See Note 9.)

SUPPLEMENTARY INFORMATION

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

Years Ended December 31, 2011 and 2010

	Program services											
	Fashion Targets Breast Cancer		Educational Initiatives		Membership		50th Impact CFDA		Other campaign initiatives		Total program services	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Employee leasing expense	\$ 151,882	\$ 160,953	\$ 453,115	\$ 396,195	\$ 193,173	\$ 254,083	\$ 13,382	\$ 811,231	\$ 38,089	\$ 849,641	\$ 811,231	
Professional fees	42,832	71,033	95,009	89,015	35,612	49,679	8,848	309,664	124,934	307,235	309,664	
Other office expense	7,257	8,315	32,229	198,543	22,968	28,563	5,206	235,421	1,606	69,266	235,421	
Location expense			22,201	36,728	5,218	288		37,016		27,419	37,016	
Audio-visual			525,316	23,345			18,250	23,345		543,566	23,345	
Event operations and management			61,924	282,209				61,924		61,924	282,209	
Staging and physical production			11,755	98,750				11,755		11,755	98,750	
Decor			190,109	123,402				190,109		190,109	123,402	
Catering		2,125	62,529	68,514	3,713	2,258		66,242		66,242	72,897	
Graphics and printing	3,656	1,884	20,461	23,379	29,978	4,686	11,781	29,949	1,280	67,156	29,949	
Grants and awards	100,000	119,453	1,503,000	883,514	4,700	22,500	57,373	2,075,073	410,000	2,075,073	2,025,467	
Occupancy	22,504	25,391	62,916	62,504	27,303	39,983	1,892	120,881	6,266	120,881	127,878	
Equipment expenses	3,427	6,494	9,934	18,842	5,575	10,542	193	20,205	1,076	20,205	35,878	
Telephone and telecom	4,974	8,848	14,680	13,849	12,152	13,198	390	33,579	1,383	33,579	35,895	
Postage and delivery	1,722	3,120	4,669	5,863	8,721	6,282	398	15,265	127	15,637	15,265	
Travel and meetings	3,279	41,479	51,923	13,269	62,181	47,870	1,419	102,618	188	118,990	102,618	
Marketing and advertising						15,452		15,452			15,452	
Insurance	1,512	2,802	4,365	7,611	1,922	4,526	51	8,350	500	8,350	14,939	
Bank charges	1,017	1,073	31,360	27,430	1,471	1,744	157	34,034	29	34,034	30,247	
Depreciation	2,302	1,479	6,473	3,640	3,133	283	360	12,628	360	12,628	5,402	
	<u>\$ 346,364</u>	<u>\$ 454,449</u>	<u>\$ 3,163,968</u>	<u>\$ 2,376,602</u>	<u>\$ 417,820</u>	<u>\$ 501,937</u>	<u>\$ 119,700</u>	<u>\$ 4,633,690</u>	<u>\$ 585,938</u>	<u>\$ 1,099,937</u>	<u>\$ 4,432,925</u>	

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

Years Ended December 31, 2011 and 2010

	Support services							
	Management and general		Fundraising		Total support services		Total expenses	
	2011	2010	2011	2010	2011	2010	2011	2010
Employee leasing expense	\$ 358,047	\$ 196,843	\$ 165,689	\$ 222,858	\$ 523,736	\$ 419,701	\$ 1,373,377	\$ 1,230,932
Professional fees	91,113	66,008	37,706	46,420	128,819	112,428	436,054	422,092
Other office expense	89,357	92,572	12,749	11,504	102,106	104,076	171,372	339,497
Location expense							27,419	37,016
Audio-visual							543,566	23,345
Event operations and management							61,924	282,209
Staging and physical production							11,755	98,750
Decor	13	207			13	207	190,109	123,402
Catering	10,580	55,475	3,840		14,420	55,475	66,255	73,104
Graphics and printing	20,000	15,000	450,000		470,000	486,891	81,576	85,424
Grants and awards	54,691	30,929	24,542	471,891	79,233	66,088	2,545,073	2,512,358
Occupancy	8,287	16,593	3,834	35,159	12,121	25,794	200,114	193,966
Equipment expenses	6,210	3,653	5,434	9,201	11,644	11,383	32,326	61,672
Telephone and telecom	967	2,178	3,679	7,730	4,646	6,348	45,223	47,278
Postage and delivery	3,850	2,308	6,771	4,170	10,621	5,198	20,283	21,613
Travel and meetings			27,139	2,890	27,139	3,608	129,611	107,816
Marketing and advertising			1,649	3,608	5,364	7,204	27,139	19,060
Insurance			3,722	3,879	7,336	13,714	13,714	22,143
Bank charges			5,113	13,058	16,780	16,780	41,370	47,027
Depreciation			2,445	2,047	7,558	7,320	20,186	12,722
	<u>\$ 654,656</u>	<u>\$ 494,086</u>	<u>\$ 750,100</u>	<u>\$ 834,415</u>	<u>\$ 1,404,756</u>	<u>\$ 1,328,501</u>	<u>\$ 6,038,446</u>	<u>\$ 5,761,426</u>