

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

Dress for Success

Worldwide

Nonprofit Investor Rating:

BUY

Mission Statement

Dress for Success Worldwide promotes the economic independence of disadvantaged women by providing professional attire, a network of support and the career development tools to help women thrive in work and in life.

Financial Overview

\$ in MM, Fiscal Year Ended December 31

	2008	2009	2010
Revenue and Support	\$11.2	\$15.2	\$14.0
Operating Expenses	\$10.9	\$14.4	\$13.8
% of Total:			
Program Expenses	92.7%	95.0%	94.2%
G&A	0.9%	0.8%	0.9%
Fundraising	6.3%	4.2%	4.9%
Cash	\$2.1	\$3.0	\$3.1

Year Founded: 1997

Contact Details

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SUMMARY

Dress for Success Worldwide (DFS) provides professional attire, career development tools, and a network of support to help low-income women seeking employment and self-sufficiency. Clients are referred through a network of 3,000+ partner agencies including educational institutions, homeless/domestic violence organization and reentry programs for the formerly incarcerated.

STRENGTHS

▲ **Dress For Success benefits from a growing network effect.** Driven by its affiliate licensing model, DFS is able to expand worldwide allowing the organization to leverage reach and brand awareness to maximize fundraising and donations.

▲ **Program Expenses represent 94% of total expense** highlighting the organization's overall operational efficiency.

▲ **Management recently established a Standards of Accountability policy** with the intent that all DFS affiliates adhere to widely accepted business practices for non-profit organizations.

▲ **DFS's large board provides increased accountability as well as enhances its Women's Professional Network**, with board members holding high level positions at leading public and private companies.

CAUTIONS

● **Only 65% of affiliates are compliant with DFS's Standards of Accountability.** While DFS expects to reach its target goals by 2012, we continue to look for more disclosure on the specific targets and consequences or specific benefits withheld for non-compliance.

● **Need for increased disclosure on DFS's five year growth plan as well as allocations of fund for specific programs.** Despite a high program expense ratio, we would still like to see a breakdown of funds and performance metrics for specific programs in order to gauge efficiency among DFS programs.

RECOMMENDATION: BUY

Dress for Success creates impactful programs while ensuring a high degree of visibility and accountability. We see DFS well positioned for scale driving both a global reach and enhanced brand recognition. As such, we highly recommend 1) replicating the DFS model 2) opening an affiliate 3) making a monetary/ product donation or 4) volunteering time and service.

OVERVIEW OF DRESS FOR SUCCESS WORLDWIDE

Dress for Success Worldwide, a 501(c)(3) not-for-profit organization, was founded in New York City in 1997 as an answer to the needs of low-income women who were seeking employment and self-sufficiency. Addressing a rapidly expanding underserved segment of society, Dress for Success provides professional attire, career development tools, and a network of support to help low-income women succeed in work and in life. Clients are referred to DFS through its network of more than 3,000 partner agencies, each of which has a job training component. These agencies include a variety of educational institutions, reentry programs for the formerly incarcerated and homeless and domestic violence organizations.

As a prerequisite of being referred, each woman must have already secured a job interview. On the first visit, volunteers help clients pick out a suit and accessories for their interview. After the suiting process, clients are also offered job search support through the Career Center and Going Places Network, mentoring and membership in the Professional Women’s Group (PWG), and other employment retention and career development programs. Once a client has secured employment, she is invited to return to receive up to a week’s worth of office-appropriate clothing.

Dress For Success Worldwide	
<ul style="list-style-type: none"> • 51,000+ women were served. • 1,400+ women joined the Professional Women's Group. • 7,700+ women benefited from the services of the Career Center. • ~5,700 volunteers. • Affiliates raised nearly \$12MM locally for their organizations. 	<ul style="list-style-type: none"> • Distributed apparel, accessories, footwear and cosmetic products worth \$8.6MM+to affiliates. • Representatives from 74 affiliates attended the 2009 annual affiliate leadership conference in New York, NY.

Source: Based on 2009 annual report

STRUCTURE

Dress for Success Worldwide is an international non-profit organization dedicated to improving the lives of women located in 110 cities across 12 countries. Dress For Success Worldwide operates the branches in New York, Los Angeles and Chicago providing job preparation, career development and employment retention programs to women in need as well as overall support to affiliates. Each Dress for Success affiliate is a member of Dress for Success Worldwide and is an independent non-profit organization with its own policies, staff and board of directors. The Worldwide office licenses the Dress for Success name to affiliates, all of whom fulfill the overall mission of helping women journey towards self-sufficiency. Additionally, Dress for Success Worldwide programs are tested and fine-tuned before being rolled out to the affiliate network.

- Affiliates pay a yearly licensing fee of \$500 and both sign and abide by trademark and membership agreements and communications and policy guides.
- Affiliates have the right to participate in Dress for Success Worldwide programs, such as the Professional Women's Group and Y.E.S! (Young Executives for Success), and campaigns, such as S.O.S. - Send One Suit - Weekend.

PRIMARY DRESS FOR SUCCESS PROGRAMS

Suits	Professional Work Group
<p>As the name implies, DFS Suits program provides suits and business apparel to disadvantaged women who are returning to or entering the workforce. Clients receive one-on-one assistance from personal shoppers and trained volunteers who offer encouragement, support and interview tips.</p> <ul style="list-style-type: none"> • Approximately 51,000 women were suited at all affiliates throughout the world. 	<p>DFS's Professional Women's Group (PWG) provides a network of employed Dress for Success women the partnership of support, practical information and inspiration to achieve self-defined success in career and life.</p> <ul style="list-style-type: none"> • 69 affiliates operate PWG • 15,800+ PWG members worldwide.

PRIMARY DRESS FOR SUCCESS PROGRAMS (cont.)

Career Centers

Career Center provide clients with comprehensive résumé-building advice, technology skills, job-seeking support, mock interviews, and a lending library of educational materials and career building information.

- In total, 51 operated Career Centers.
- 7,700+ clients utilized the Career Center.
- 2,200+ clients interviewed.
- 1,200+ clients secured employment through the Career Center.

Source: Based on 2009 annual report

Going Places Network

The Going Places Network by Walmart helps unemployed and under-employed clients gain professional skills, accelerate their job search and build confidence through weekly training sessions, one-on-one career coaching and networking.

FINANCIAL OVERVIEW

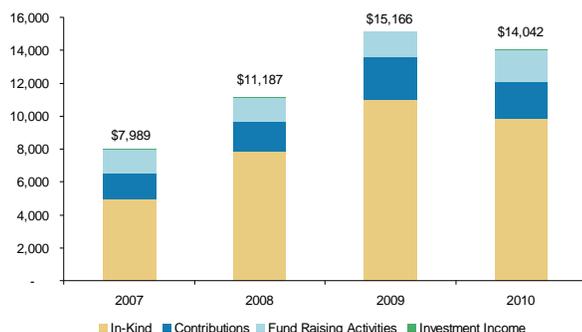
2010 revenues declined 7% year over year (y/y), down from 36% and 40% y/y growth in 2009 and 2008, respectively. Contribution saw a 16% y/y decline while In-Kind donation experienced a 10% decline. While we are not necessarily alarmed as DFS remains heavily dependent on corporate and private contribution/donation within an economically volatile year, we would like to see more clarity and drivers of the revenue decline. Additionally, any plans to mitigate further contributions and donations degradation in the future would provide another level of comfort to all stakeholders.

Program expenses represent 94% of total expense highlighting DSF's operational efficiency and high impact of donor funds. That said, we would like to see further detail on the "support to member organization" line item in its latest 990, representing 78% of 2010 program expenses as well as performance metrics on specific programs. In doing so, donors are able to gauge efficiency among specific programs ensuring the most impactful programs are receiving the necessary funding.

2010 revenues declined 7% y/y while expenses only declined 4% y/y. We do not see this as a cause for concern and instead believe DFS's efficient operations as highlighted by its high program expense ratio likely does not leave much head room for cost cuts in times of macroeconomic uncertainty. We do note the 8% increase in Management and General expense was largely due to a 4% increase in Salaries and overall higher computer related expenses.

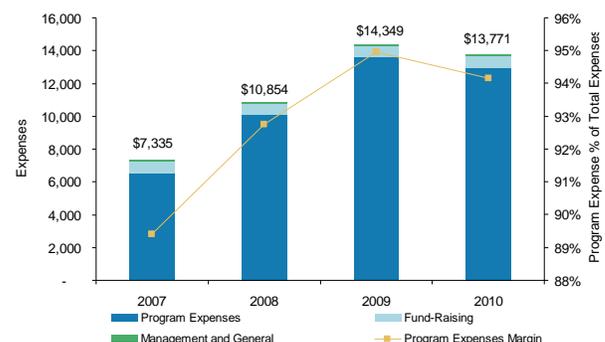
Revenue Breakdown

\$ in MM



Expense Breakdown

\$ in MM



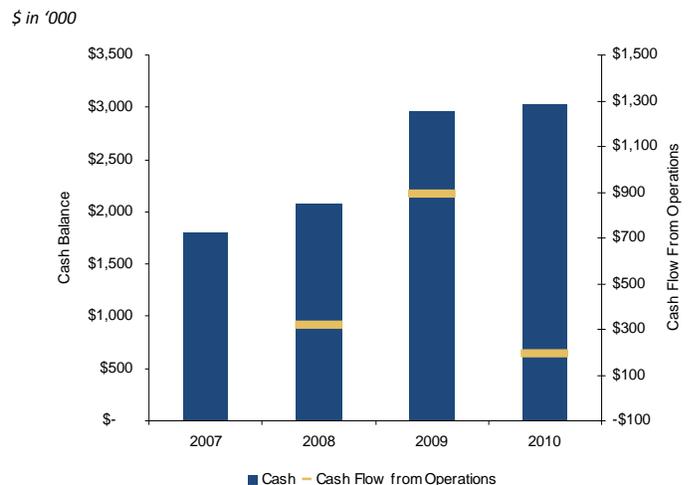
FINANCIAL OVERVIEW (cont.)

Financials

\$ in '000	2007	2008	2009	2010
Cash	\$ 1,805	\$ 2,072	\$ 2,961	\$ 3,035
Revenues				
Contributions	1,549	1,784	2,618	2,203
In-Kind	4,972	7,881	10,963	9,857
Investment Income	59	47	9	34
<u>Fund-Raising Activities</u>	<u>1,409</u>	<u>1,475</u>	<u>1,577</u>	<u>1,948</u>
Total Revenue	\$ 7,989	\$ 11,187	\$ 15,166	\$ 14,042
Y/Y Growth		40.0%	35.6%	-7.4%
Expenses				
Program Expenses	6,559	10,067	13,624	12,968
Program Expense % of Total	89%	93%	95%	94%
Management and General	130	98	117	123
<u>Fund-Raising</u>	<u>646</u>	<u>689</u>	<u>607</u>	<u>681</u>
Total Expenses	\$ 7,335	\$ 10,854	\$ 14,349	\$ 13,771

Source: IRS Form 990, Audited financials

Cash Balance / Cash From Operations



Source: IRS Form 990, Audited financials

RESULTS AND TRANSPARENCY

In 2007, Dress for Success established a Standards of Accountability (SOA) policy with the intent that all DFS affiliates adhere to widely accepted business practices for non-profit organizations. The SOA focuses on three key areas: governance/operations, financial practices, and fundraising. All DFS affiliates that have been operational for more than one year are required to demonstrate compliance annually. Those who meet all the SOA criteria are demonstrating their extraordinary dedication to their stakeholders by taking these additional steps to ensure that their operations remain transparent and that they are accountable to all of their supporters. Any affiliate displaying this seal on their Web site is in compliance with all aspects of the SOA for the current year. For details visit: www.dressforsuccess.org/whatwedo_SOA.aspx



DFS management states that only 65% of affiliates are compliant with DFS's Standards of Accountability, with 57 of 88 applicable affiliates fully compliant. We note that the 88 applicable excludes branches of affiliates as well as affiliates created within the past year. While we believe DFS's Standards of Accountability policy should be heralded as a best practice for non profit organization, we would like to see DFS's % compliant number consistently above a 75% threshold. Given the one year grace period to become compliant, we believe this 75% target for newer affiliates becomes both reasonable and attainable (excluding extenuating circumstances) setting the bar for non-compliant affiliates to come up to code. As DFS expects to reach its own "target" goals by 2012, we continue to look for more disclosure on the specific targets and in particular consequences and specific benefits withheld from non-compliant affiliates.

GROWTH

Dress For Success benefits from a growing network effect. We believe Dress For Success is well positioned for continued rapid expansion. Driven by its licensing model, DFS is able to expand worldwide allowing the organization 1) first and foremost grow its global client base, 2) benefit from a worldwide professional network and 3) leverage its brand awareness and growing network to maximize both fund raising and donation reach. In 2010, Dress for Success opened 13 new affiliates, up from 10 in 2009.

Dress for Success implements initiatives to scale operations. In 2009, Dress for Success Worldwide developed a new strategic plan for the next five years. Steps include repositioning offices from boutiques to suiting centers, enhancing operating and governance models of the affiliate program, and leveraging advocacy efforts to expand and diversify funding base. *We look for continued visibility on benchmarks and milestones as DFS executes upon its 5 year plan.*

3rd PARTY RECOMMENDATIONS - CHARITY NAVIGATOR

Dress for Success receives an overall score of 64.33 out of 70.00 from Charity Navigator, resulting in a 4 of 4 star rating. DFS achieves the highest possible score of 70.00 for Accountability and Transparency and a score of 61.99 for Financial. We note that DFS fulfills all of Charity Navigator’s requirements for controls and disclosure found on the evaluation checklist.

Category	Score (out of 70)	Star Rating
Overall	64.33	4/4
Financial	61.99	4/4
Accountability and Transparency	70.00	4/4

DRESS FOR SUCCESS BOARD OF DIRECTORS

We believe DFS's rather large board provides increased accountability as well as enhances both the DFS network and brand awareness. With a staggering 24 member board each holding high level positions at leading companies, DFS benefits from experience and controls at both public and private companies of all sizes. While an outsized board and management often gives rise to undue conflict, bureaucracy and mis-communication, we believe in this case, *DFS's success is highly correlated to expanding its Professional Network and brand awareness and therefore a large but reputable board is warranted.*

Board of Directors Hold Key Positions At:

Walmart	Resources Global Professionals
Peace of Cloth	MediaCom
Ogilvy & Mather N. America	Polo Ralph Lauren
Dress for Success Hudson County	Citibank North America
Diageo	Sullivan & Cromwell LLP
lia sophia	Kraft Foods, Inc.
Kimpton Hotels	Dressbarn & Maurices
Suzanne Lovell Inc.	Bobbi Brown Cosmetics
Guggenheim Partners, LLC	G.E. Real Estate
Dress for Success Triangle NC	The Estee Lauder Companies
Verizon Foundation	The Style Network
Campbell Soup Company	Gilt Groupe

GET INVOLVED

Dress for Success is a volunteer-driven organization with more than 5,700 Dress for Success volunteers worldwide:

Make a Donation	Become A Volunteer - Positions
Become a corporate sponsor www.dressforsuccess.org/supportdfs_becomeasponsor.aspx	• Sorting
Donate a suit or organize a suit drive www.dressforsuccess.org/supportdfs_suitdrives.aspx	• Shop Maintenance
Donate products: Apparel, footwear, and accessories www.dressforsuccess.org/supportdfs_donate_product.aspx	• Administrative Work
Make a financial donation www.dressforsuccess.org/supportdfs_donate_funding.aspx	• Public Speaking & Tabling Events
	• Short-Term Consulting Projects
	• Special Events & Fundraising
	• Professional Women's Group Mentor
	• Professional Women's Group Expert Speaker
	• Career Center Specialist
	• Personal Shopper

RECOMMENDATION: BUY

We believe Dress for Success creates impactful programs while ensuring a high degree of visibility and accountability. Additionally, we see DFS well positioned for scale driving both a global reach and enhanced brand recognition. As such, we highly recommend 1) replicating the DSF model 2) opening an affiliate 3) making a monetary/ product donation or 4) volunteering time and service.

DISCLOSURES

Michael Kim does not have any affiliation with Dress for Success and has never made a donation to the organization. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.