

GIRLS INCORPORATED
OF ALAMEDA COUNTY

CONSOLIDATED FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS

JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR
JUNE 30, 2011)

ARMANINO MCKENNA ^{LLP}
Certified Public Accountants & Consultants



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Girls Incorporated of Alameda County
San Leandro, California

We have audited the accompanying consolidated statement of financial position of Girls Incorporated of Alameda County (the "Organization"), a California nonprofit organization, as of June 30, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Girls Incorporated of Alameda County's 2011 consolidated financial statements and, in our report dated October 5, 2011, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Girls Incorporated of Alameda County as of June 30, 2012, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012 on our consideration of Girls Incorporated of Alameda County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Consolidated Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying Consolidated Schedule of Expenditures of County of Alameda Grants is also presented for additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules referred to above are fairly stated, in all material respects, in relation to the financial statements as a whole.



ARMANINO McKENNA LLP

October 10, 2012

GIRLS INCORPORATED OF ALAMEDA COUNTY
Consolidated Statement of Financial Position
June 30, 2012
(With Comparative Totals for 2011)

ASSETS

	2012	2011
Cash and cash equivalents	\$ 1,716,366	\$ 1,089,395
Grants receivable	228,195	420,431
Accounts receivable, net	331,501	102,511
Capital campaign pledges, net	1,377,117	2,378,212
Split-interest agreement	54,223	47,605
Employee and other receivables	329,430	95,284
Prepaid expenses	108,234	49,375
Deposits	123,634	3,850
Investments	1,216,739	1,216,024
Property and equipment, net	7,263,776	5,854,002
 Total assets	 \$ 12,749,215	 \$ 11,256,689

LIABILITIES AND NET ASSETS

Accounts payable	\$ 56,171	\$ 19,137
Accrued expenses	856,248	304,424
Note payable	2,750,000	2,000,000
Total liabilities	3,662,419	2,323,561
 Net assets		
Unrestricted		
Board designated for operating reserve	1,107,396	1,149,171
Board designated for capital reserve	-	1,013,067
Undesignated	5,908,090	3,873,188
Total unrestricted	7,015,486	6,035,426
Temporarily restricted	1,937,310	2,765,702
Permanently restricted	134,000	132,000
Total net assets	9,086,796	8,933,128
 Total liabilities and net assets	 \$ 12,749,215	 \$ 11,256,689

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

GIRLS INCORPORATED OF ALAMEDA COUNTY
Consolidated Statement of Activities
For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2012</u>	<u>2011</u>
Revenues, gains (losses) and other support					
Grants					
Government	\$ 1,724,788	\$ -	\$ -	\$ 1,724,788	\$ 2,158,759
Contributions					
Foundations	20,963	664,025	-	684,988	2,485,200
Individuals and businesses, net	1,088,575	1,219,528	2,000	2,310,103	4,222,256
Special events, net of \$60,123 in expenses	242,866	-	-	242,866	227,831
Program fees	621,479	1,280	-	622,759	537,779
Gain on disposal of equipment	-	-	-	-	1,626
Interest and dividends	40,956	3,776	-	44,732	53,841
Miscellaneous income	7,376	1,500	-	8,876	12,869
Change in value of split-interest agreement	-	6,618	-	6,618	14,068
Net realized and unrealized gain (loss) on investments	(47,039)	(3,534)	-	(50,573)	153,289
Net assets released from restriction	<u>2,721,585</u>	<u>(2,721,585)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, gains (losses) and other support	<u>6,421,549</u>	<u>(828,392)</u>	<u>2,000</u>	<u>5,595,157</u>	<u>9,867,518</u>
Expenses					
Program services	4,673,398	-	-	4,673,398	5,097,908
Management and general	216,507	-	-	216,507	254,839
Fundraising	551,584	-	-	551,584	656,324
Total expenses	<u>5,441,489</u>	<u>-</u>	<u>-</u>	<u>5,441,489</u>	<u>6,009,071</u>
Change in net assets	980,060	(828,392)	2,000	153,668	3,858,447
Net assets, beginning of the year	<u>6,035,426</u>	<u>2,765,702</u>	<u>132,000</u>	<u>8,933,128</u>	<u>5,074,681</u>
Net assets, end of the year	<u>\$ 7,015,486</u>	<u>\$ 1,937,310</u>	<u>\$ 134,000</u>	<u>\$ 9,086,796</u>	<u>\$ 8,933,128</u>

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

GIRLS INCORPORATED OF ALAMEDA COUNTY
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2012
(With Comparative Totals for 2011)

	Program Services	Management and General	Fundraising	Totals	
				2012	2011
Salaries	\$ 3,211,889	\$ 147,638	\$ 380,908	\$ 3,740,435	\$ 3,920,354
Employee benefits	531,854	23,859	62,437	618,150	700,587
Program expenses	291,932	1,644	12,118	305,694	317,805
Professional fees	81,621	17,588	25,188	124,397	270,531
General office expenses	82,762	6,106	11,544	100,412	213,079
Depreciation	95,670	2,320	6,518	104,508	128,267
Training	19,312	4,311	1,361	24,984	82,431
Repairs and maintenance	68,925	2,512	6,573	78,010	79,663
Stipends	53,827	-	-	53,827	59,678
Information technology support	59,590	1,360	3,821	64,771	50,566
Utilities	93,473	925	2,600	96,998	47,904
Travel	27,308	2,613	1,082	31,003	39,131
Printing	9,287	79	35,241	44,607	38,824
Insurance	35,025	781	2,193	37,999	38,648
Other	10,923	4,771	-	15,694	21,603
Total expenses	<u>\$ 4,673,398</u>	<u>\$ 216,507</u>	<u>\$ 551,584</u>	<u>\$ 5,441,489</u>	<u>\$ 6,009,071</u>

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

GIRLS INCORPORATED OF ALAMEDA COUNTY

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2012

(With Comparative Totals for 2011)

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 153,668	\$ 3,858,447
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	104,508	128,267
Net realized and unrealized loss (gain) on investments	50,573	(153,289)
Net change in value of split-interest agreement	(6,618)	(14,068)
Contributions restricted for long-term purposes	(1,109,654)	(5,101,737)
Gain on disposal of equipment	-	(1,626)
Contributions restricted for endowment	-	-
Changes in operating assets and liabilities		
Grants receivable	192,236	(136,718)
Accounts receivable, net	(228,990)	252,620
Capital campaign pledges, net	-	615,244
Employee and other receivables	(234,146)	(62,692)
Prepaid expenses	(58,859)	13,853
Deposits	(119,784)	(1,375)
Accounts payable	37,034	(1,047)
Accrued expenses	551,824	18,154
	-	-
Net cash used in operating activities	(668,208)	(585,967)
Cash flows from investing activities		
Proceeds from sales of investments	332,822	398,602
Purchases of investments	(384,110)	(328,170)
Proceeds from sale of equipment	-	7,161
Purchases of property and equipment	(1,514,282)	(2,119,322)
Net cash used in investing activities	(1,565,570)	(2,041,729)
Cash flows from financing activities		
Net borrowings on note payable	750,000	-
Contributions received for long-term purposes	2,110,749	2,108,281
Net cash provided by financing activities	2,860,749	2,108,281
Net increase (decrease) in cash and cash equivalents	626,971	(519,415)
Cash and cash equivalents, beginning of year	1,089,395	1,608,810
Cash and cash equivalents, end of year	\$ 1,716,366	\$ 1,089,395
<u>Supplemental disclosure of cash flow information</u>		
Non-cash investing and financing activities		
Addition of property through debt financing (see Note 6)	\$ -	\$ 2,000,000

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

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

1. Organization

Nature of activities

Girls Incorporated of Alameda County ("Girls Inc." or "Organization"), a nonprofit organization dedicated to inspiring all girls to be strong, smart, and bold, is a local affiliate of the national Girls Inc. organization. Serving over 7,000 girls and their families, Girls Inc. provides vital year-round educational programs, skill-building opportunities and clinical counseling services at 45 school and community sites in the East Bay.

The Organization's proven programs cover every aspect of a girl's development to help her grow into her best self, physically, mentally and emotionally. Girls Inc. constantly evaluates its offerings to fit the changing needs of today's girls.

From early literacy to college prep, Girls Inc. equips girls with the skills and self-confidence to achieve academic success. Girls improve their study habits, sharpen their intellectual curiosity and learn to think and speak for themselves. Debunking the myth that girls can't excel at math and science, the Organization inspires girls to take on these subjects with hands-on enthusiasm. The girls also enhance their technological fluency and computer skills.

As essential as academics are to a girl's success in life, she also needs to stay physically and mentally healthy. Girls Inc. knows if a girl participates in athletics, she is less likely to drop out of school or abuse drugs and alcohol. Girls Inc.'s year-round fitness programs get girls involved in team sports, swimming and even surfing. The Organization promotes proper nutrition and discusses challenging issues like personal safety, health and sexuality in age-appropriate ways. If a girl needs help, the Girls Inc. Pathways Counseling Center is there for her and her family.

In over fifty years of serving girls in the East Bay, Girls Inc. has watched many of its girls graduate college and begin successful careers. Girls Inc. has been delighted that some of them are choosing to give back by volunteering with Girls Inc., showing the next generation just how far a girl can go if she's strong, smart and bold.

2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of Girls Incorporated of Alameda County and 510 16th Street, Inc., a California corporation wholly-owned and controlled by Girls Inc. and created for the purpose of obtaining funding for the purchase and renovation of a building through the new market tax credit program, a program of the Community Development Financial Institutions Fund, a division of the Department of Treasury. 510 16th Street, Inc. became effective June 1, 2011. All inter-entity transactions and balances have been eliminated upon consolidation.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Basis of presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Net assets and changes therein are classified as follows:

- Unrestricted net assets - represents unrestricted contributions, grants, program fees, and interest from investments, less expenses incurred in providing program-related services and performing administrative and fundraising functions. Unrestricted net assets also include temporarily restricted resources that have become available for use by the Organization in accordance with the intentions of the donor.
- Temporarily restricted net assets - contributions and grants received that are subject to donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of Girls Inc. according to the intention of the donor. Temporarily restricted net assets may also include accumulated investment earnings of permanently restricted endowment funds that have not been appropriated by the Board in accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA).
- Permanently restricted net assets - consist of contributions to Girls Inc. for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Organization.

Revenue recognition

All contributions are considered available for Girls Inc.'s general operations unless specifically restricted by the donor. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All amounts received that are designated for future periods or restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collections history, type of contribution and current aging of contributions receivable. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Government grant revenue

Government grant revenue is recognized as services are performed. There was no unearned government grant revenue at June 30, 2012.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in banks or other financial instruments with an original maturity date of three months or less and laddered certificate of deposits held with a maturity date greater than three months with the express intention to be held for cash as needed. At June 30, 2012, Girls Inc. had funds in excess of federally insured limits. The Organization believes that it mitigates this risk by maintaining deposits with high quality financial institutions.

Receivables

Accounts receivable, employee and other receivables are stated at unpaid balances. Girls Inc. provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience and management evaluation of outstanding receivables. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. There was no allowance for uncollectable accounts as of June 30, 2012.

Capital campaign pledges

Capital campaign pledges that are made in one year but are not expected to be collected until after the end of the year are discounted at an appropriate discount rate commensurate with the risks involved and the period of time over which the pledges are expected to be collected. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful capital campaign pledges is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of capital campaign pledges. There was no allowance for doubtful capital campaign pledges at June 30, 2012.

Investments

Investments in equity and debt securities are reported at their fair values in the statement of financial position as determined primarily by quoted market prices. Investments without quoted market prices are valued based upon management's estimates. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses are classified as increases or decreases in unrestricted net assets, unless their use is temporarily restricted or permanently restricted by the donor.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

The Organization invests in various investments. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- (a) Investments (Level 1). Investment securities traded on security exchanges are valued at closing market prices on the date closest to June 30. Government obligations are valued based upon the most recent bid quotation for identical or similar obligations provided by independent pricing services and from broker quotations.
- (b) Capital campaign pledges (Level 3). Capital campaign pledges are valued based on unobservable inputs that are developed based on the best information available in the circumstances. Capital campaign pledges are not measured at fair value on a recurring basis subsequent to initial recognition.
- (c) Contributions receivable - split-interest agreement (Level 3). The split-interest agreement is valued based on factors which include the current fair value of the investments, future expected investment returns and the present value discount rate.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Split-interest agreement

The Organization is a beneficiary of a split-interest agreement that includes a charitable remainder trust. Irrevocable split-interest agreements for the benefit of the Organization are recognized as contributions when the Organization is notified of the existence of the agreement. When the Organization is not named as the trustee, the Organization's share of the remainder interest in the trust's assets are recognized at their fair values, net of the present value of an estimated investment return and any expected payments to the beneficiaries. Any expected payments to beneficiaries are discounted using an instrument with a similar maturity at the date of recognition. Changes in the estimated remainder interest value during the term of the agreement are reported on the statement of activities.

When the Organization is the trustee, the trust's assets are recognized at their fair values. A liability is also reflected which represents the present value of any expected payments to the beneficiaries which is calculated in the same manner as described in the preceding paragraph. The net changes in the estimated remained interest value and the liability are reported on the statement of activities.

Upon maturity of a split-interest agreement, valuation differences in asset and liability accounts related to the agreement are recognized as changes in permanently restricted, temporarily restricted, or unrestricted net assets, as determined by the donor.

Property and equipment

Girls Inc. capitalizes all acquisitions of property and equipment with a cost or value in excess of \$1,000 and with an estimated useful life in excess of one-year. When property or equipment is retired or sold, the cost and accumulated depreciation of dispositions are removed from the accounts, and any gain or loss is reflected as a change in unrestricted net assets. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Property and equipment is depreciated using the straight-line method over estimated useful lives as follows:

Buildings and improvements	15 - 39 years
Furniture and fixtures	5 - 7 years
Computers	5 years
Vehicles	5 years

Routine repairs and maintenance are expensed as incurred. Construction in progress is not depreciated until such assets are placed in service.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

In-kind contributions and contributed services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Girls Inc. recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Girls Inc. receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

Financing costs

Financing costs are amortized on a straight-line basis over the term of the related debt which approximates the effective interest method.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income taxes

Girls Inc. is exempt from paying federal income taxes under Section 501(c)(3) of the Internal Revenue Code and by the California Revenue and Taxation Code under Section 23701(d). 510 16th Street, Inc. is incorporated in the state of California as a domestic for-profit corporation and files its income tax returns on the accrual basis of accounting.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2012, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

2. Summary of Significant Accounting Policies (continued)

Comparative financial information

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Girls Inc.'s financial statements for the year ended June 30, 2011, from which the summarized information was derived. Certain reclassifications have been made to the prior year information to conform to the current year presentation.

Subsequent events

The Organization has evaluated subsequent events through October 10, 2012, the date the consolidated financial statements were available to be issued.

3. Investments

Investments, including current and noncurrent portions, at June 30, 2012 consist of the following:

	<u>Endowment</u>	<u>Investment</u>
Stocks and options	\$ -	\$ 581,964
Fixed income securities	-	388,443
Mutual funds	<u>164,160</u>	<u>82,172</u>
Investments	<u>\$164,160</u>	<u>\$1,052,579</u>

An independent professional investment advisor manages the Organization's investments. The Organization paid \$12,328 for investment advisory services for the year ended June 30, 2012. These expenses are included in professional fees.

4. Split-Interest Agreement

Girls Inc. has been named a remainder beneficiary of a charitable remainder unitrust. Income beneficiaries are to receive an annuity each year payable on December 31 equal to a percentage of the net fair market value of the unitrust assets as of the first business day each year. Upon the twentieth anniversary of the unitrust settler's death in 2027, twenty-percent of the remaining principal is to be distributed to Girls Inc. An independent trustee administers the trust assets.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

4. Split-Interest Agreement (continued)

An asset for the charitable remainder trust has been recognized at the present value of the expected future cash flow payments discounted using a 20-year Treasury bill rate of 4.81%. The fair value of the charitable remainder trust as of June 30, 2012 is \$1,693,498. The discounted expected future cash flows of \$54,223 represents Girls Inc.'s twenty percent share of the fair market value of the unitrust principal at 2027.

5. Capital Campaign Pledges

Unconditional pledges to give to the capital campaign, which are not expected to be collected until after the year promised, are reflected in the accompanying consolidated financial statements as capital campaign pledges and revenue in the appropriate net asset category.

Capital campaign pledges at June 30, 2012 consisted of the following:

Due in less than one year	\$ 710,534
Due in one to five years	<u>677,501</u>
Total	1,388,035
Less discounts to present value	<u>(10,918)</u>
	<u>\$1,377,117</u>

6. Property and Equipment

Property and equipment consisted of the following at June 30, 2012:

Building and building improvements	\$5,099,868
Work in progress	1,514,282
Furniture and fixtures	239,731
Computers	231,109
Land	1,582,550
Vehicles	<u>40,164</u>
	8,707,704
Less: accumulated depreciation	<u>(1,443,928)</u>
Property and equipment, net	<u>\$7,263,776</u>

During 2011, the Organization acquired a building in downtown Oakland, California for \$4,044,043. As part of the purchase agreement, the Organization paid the seller \$2,044,043 and the remaining \$2,000,000 is due to the seller in the form of a promissory note (see Note 8).

Depreciation expense for the year ended June 30, 2012 totaled \$104,508.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

7. Fair Value Measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2012, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Items</u>	Level 1: Quoted Prices in Active Markets For Identical <u>Assets</u>	Level 2: Significant Other Observable <u>Inputs</u>	Level 3: Significant Unobservable <u>Inputs</u>	<u>Total at June 30, 2012</u>
Investments				
Stocks				
Common stock	\$ 581,964	\$ -	\$ -	\$ 581,964
Fixed income securities				
Corporate bonds	117,857	-	-	117,857
Government bonds	270,586	-	-	270,586
Mutual Funds				
Equity fund	49,566	-	-	49,566
Trust fund	27,973	-	-	27,973
Money market fund	13,258	-	-	13,258
Bond fund	148,564	-	-	148,567
Growth fund	<u>6,971</u>	<u>-</u>	<u>-</u>	<u>6,971</u>
Total investments	1,216,739	-	-	1,216,739
Split-interest agreement	<u>-</u>	<u>-</u>	<u>54,223</u>	<u>54,223</u>
Total	<u>\$1,216,739</u>	<u>\$ -</u>	<u>\$54,223</u>	<u>\$1,270,961</u>

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended June 30, 2012:

Beginning balance	\$47,605
Change in value of split interest agreement	<u>6,618</u>
Ending balance	<u>\$54,223</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

8. Notes Payable

On June 6, 2011, the Organization entered into a seller financed loan with a non-profit organization for \$2,000,000 to partially finance the purchase of real property, secured by the Organization's real property. The note bears an interest rate of 4% per annum. Interest only payments are made monthly with full payment of the note payable in 2013. On May 25, 2012, the Organization entered into an unsecured forgivable loan with a non-profit organization to leverage funds to renovate the new Simpson Center for Girls. The Organization borrowed \$750,000 at an interest rate of .25% per annum with interest only payments due on specified dates through June 30, 2014. An additional \$250,000 is scheduled to be advanced to the Organization on November 1, 2012 as part of the loan agreement. In accordance with the loan agreement, the loan will be forgiven if the Organization receives additional contributions of \$1,500,000 and additional pledges to give of \$2,600,000 by September 15, 2012 and additional contributions of \$350,000 and additional pledges to give of \$1,400,000 by May 31, 2013.

9. Board Designated Funds

The Board has designated funds for cash needs of the organization totaling \$1,107,396. Earnings from the fund are available for general operations. The funds are included in the consolidated statement of financial position.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets as June 30, 2012 are available for the following purposes:

Capital campaign	\$1,429,615
Scholarships	149,097
Time restriction	54,223
Girls programming	261,239
Leadership development and human resources projects	12,976
Accumulated endowment earnings	<u>30,160</u>
	<u>\$1,937,310</u>

Temporarily restricted net assets were released from donor restrictions during the year as follows:

Capital campaign	\$1,974,549
Girls programming	710,296
Scholarships	22,190
Leadership development and human resources projects	13,081
Endowment scholarships and fees	<u>1,469</u>
	<u>\$2,721,585</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

11. Endowment

The Organization's endowment consists of two individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds; currently there are no funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of Girls Inc. has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2012.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

11. Endowment (continued)

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that maintain purchasing power and the ability to make gifts in perpetuity while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return that exceeds to cost of spending plus inflation plus expenses. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating for distribution up to 5 percent annually of the prior calendar year end market value. It is the intention of the fund that distributions not invade original endowment capital. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Permanently restricted net assets consist of endowment fund assets totaling \$134,000 to be held indefinitely. The funds are pooled in two accounts. Income from one fund with principal totaling \$100,000 is restricted to fund a scholarship. Income from the second fund with principal of \$34,000 can be used to support Girls Inc.'s general activities.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

11. Endowment (continued)

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$30,160	\$134,000	\$164,160

Changes in endowment net assets for the fiscal year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$31,697	\$132,000	\$163,697
Contributions	-	-	2,000	2,000
Investment return (loss)				
Investment income	-	3,467	-	3,467
Net depreciation (realized and unrealized)	-	(3,534)	-	(3,534)
Total investment loss	-	(67)	-	(67)
Appropriation of endowment assets for expenditure	-	(1,470)	-	(1,470)
Endowment net assets, end of year	\$ -	\$30,160	\$134,000	\$164,160

12. Contributed Goods and Services

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

12. Contributed Goods and Services (continued)

During the year ended June 30, 2012, contributed professional services and materials were received and used for the following purposes:

Legal services	\$ 3,316
Program supplies	<u>30,197</u>
Total contributed services and goods	<u>\$33,513</u>

Girls Inc. receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition. Such total hours approximated 30,630 for the year ended June 30, 2012.

13. Pension Plan

Girls Inc. maintains a defined contribution pension plan under IRS Code Section 403(b). Each plan year the Board of Directors will determine the amount of the matching contribution (if any) that they will make for all eligible participants who are actively employed with Girls Inc. on the last day of the plan year. Girls Inc. made no employer contributions for the current year ended June 30, 2012. Elective deferrals were made by employees.

14. Concentrations of Credit Risk

Girls Inc. has identified its financial instruments which are potentially subject to risk as cash, investments and receivables.

The Organization invests in various investment instruments which are driven by a defined investment policy designed to mitigate concentrations of risk in specific investments and industries.

The Organization invests its cash with various financial institutions. These deposits include amounts over federally insured limits. Investments are diversified in order to limit market risk. Accounts receivables represent primarily unsecured amounts due from federal agencies, other government agencies, foundations, and various organizations and individuals. Girls Inc. maintains an allowance for doubtful accounts at a level considered adequate to cover anticipated credit losses on outstanding receivable balances. The Organization has not previously experienced significant credit losses.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Financial Statements
June 30, 2012

14. Concentrations of Credit Risk (continued)

Girls Inc. is dependent upon government grants, donations, bequests, and other support from individuals, foundations, and other entities in addition to program fees and contracts. If the level of this support varies, there may be a resulting effect upon the level and types of activities and program services offered by Girls Inc. For the year ended June 30, 2012, government grants, consisting of Federal and Alameda County grants and program revenue represented 42% of Girls Inc.'s revenue, foundation grants 12%, and individual giving 41%. For the year ended June 30, 2012, 20% of the revenue was generated through the capital campaign drive. Girls Inc. receives most of its revenue from the San Francisco Bay Area that consists of the following counties: Alameda, Contra Costa, Marin, San Francisco and San Mateo and from government agencies at the local, county, state, and federal level.

15. Conditional Promises to Give

Conditional contributions are those which depend upon the occurrence of a specified future and uncertain event. The Organization recognizes conditional promises to give when the conditions on which they depend are substantially met, or become unconditional. Girls Inc. had conditional pledges totaling \$2,870,319 outstanding as of June 30, 2012. The outstanding pledges were received as part of Girls Inc.'s capital campaign to purchase and renovate a building. Management expects to collect \$2,276,453 within one year and the remaining \$593,866 is expected to be collected in years 2014 to 2017.

In addition, the Organization received a loan that will be forgiven if certain conditions are met (see Note 8).

16. Subsequent Events

In July 2012, the Organization arranged New Market Tax Credit and Historic Tax Credit financing as partial funding to renovate the Simpson Center for Girls located at 510 16th Street Oakland, California. As a result of this financing, Girls Inc. made loans totaling \$12,601,963 to two different Investment Funds along with tax credit investors contributing \$5,426,192 to create two Qualified Equity Investments via a Community Development Entity in the Simpson Center for Girls, a qualified project within a low-income community and historic district. In turn, the two Community Development Entities made loans totaling \$17,800,000 to 510 16th Street, Inc., a wholly-owned subsidiary of Girls Inc. formed for this purpose, to renovate the Simpson Center for Girls.

To provide cash for the leveraged loans to the Investment Funds, Girls Inc. borrowed from Northern California Community Loan Fund (NCCLF) \$4,034,847 to bridge the cash collection from their Capital Campaign and to retire the seller financed loan of \$2,000,000 from the purchase of the property at 510 16th Street Oakland. An additional \$2,152,228 was borrowed from NCCLF to bridge the historic tax credit equity investment.

SUPPLEMENTARY SCHEDULES

GIRLS INCORPORATED OF ALAMEDA COUNTY
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/ Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Service Pass-Through Program From California Volunteers			
Americorps	94.006	09ACHY17-C120 09AFHY18-C120	\$ 441,428
<i>Total Corporation for National and Community Service</i>			<u>441,428</u>
U.S. Department of Housing and Urban Development Pass-Through Program From City of San Leandro - Community Development Block Grant Pathways Counseling Center's Family Strengthening Program			
	14.Unknown	50638	<u>8,273</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>8,273</u>
U.S. Department of Education Pass-Through Program From California Department of Education Twenty-First Century Community Learning Centers - Core			
	84.287	01-14349-Z622-6A	<u>140,524</u>
<i>Total U.S. Department of Education</i>			<u>140,524</u>
National Science Foundation Pass-Through Program From SRI International Education and Human Resources - Innovate Technology Experiences for Students and Teachers (ITEST)			
	47.076	DRL 0833692	<u>109,595</u>
<i>Total National Science Foundation</i>			<u>109,595</u>
U.S. Department of Health and Human Services Pass-Through Program From Alameda County Health Care Services Agency Teenage Pregnancy Prevention Program - Project HOPE Collaborative Teen Pregnancy Prevention Initiative			
	93.297	PHG11FH31100	<u>217,297</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>217,297</u>
U.S. Department of Justice Pass-Through Program From Motivating, Inspiring, Supporting and Serving Sexually Exploited Youth, Inc. Mentoring for Child Victims of Commercial Sexual Exploitation Initiative			
	16.726	2011-JU-FX-K001	<u>17,638</u>
<i>Total U.S. Department of Justice</i>			<u>17,638</u>
U.S. Department of Agriculture Pass-Through Program From County of Santa Clara Public Health Department Bay Area Nutrition and Physical Activity			
	10.561	100591	<u>3,870</u>
<i>Total U.S. Department of Agriculture</i>			<u>3,870</u>
Total Federal Expenditures			<u>\$ 938,625</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
Consolidated Schedule of Expenditures of County of Alameda Grants
For the Year Ended June 30, 2012

Program Name	Delinquency Prevention Network Service Program	Medi-Cal Administrative Activities	Early and Periodic Screening Diagnostic and Treatment
Contract number	900129		00008
Contract period	7/1/11 - 6/30/12	7/1/11 - 6/30/12	7/1/11 - 6/30/12
Current contract amount	\$ 155,449	\$ -	\$ 451,169
Amount invoiced	\$ 155,449	\$ 40,000	\$ 438,901
Expenses			
Salaries	119,791	-	-
Employee benefits	19,843	-	-
Travel and training	1,747	-	-
General office expense	105	-	-
Units of service	-	-	438,901
Non-itemized expenses	-	40,000	-
Indirect	13,963	-	-
Total expenses	<u>155,449</u>	<u>40,000</u>	<u>438,901</u>
Revenue excess/(deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amount reimbursed	\$ 101,222	\$ -	\$ 373,232
Accounts receivable	\$ 54,227	\$ 40,000	\$ 65,669

GIRLS INCORPORATED OF ALAMEDA COUNTY
Notes to Consolidated Schedules of Expenditures of Federal Awards and
County of Alameda Grants
June 30, 2012

1. Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards and consolidated schedule of expenditures of county of Alameda grants includes the federal grant and county of Alameda activity of Girls Incorporated of Alameda County and is presented on the accrual basis of accounting. The resources and related expenditures are classified for accounting and reporting purposes into funds established according to their nature and purpose. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

The schedule of expenditures of federal awards is presented in accordance with the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2. Description of Major Programs

AmeriCorps

As authorized by the National and Community Service Act of 1990, as amended; Edward M. Kennedy Serve America Act, 42 Stat. 12561, 45 U.S.C 2520-2550, to allow individuals of all ages and backgrounds to serve in programs that help national and community non-profit organizations, faith-based groups, and schools, and to assist local agencies to meet local needs in education, the environment, health, veterans, economic opportunity, and other critical areas.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Girls Incorporated of Alameda County
San Leandro, California

We have audited the consolidated financial statements of Girls Incorporated of Alameda County (the "Organization") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Girls Incorporated of Alameda County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Girls Incorporated of Alameda County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Girls Incorporated of Alameda County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Girls Incorporated of Alameda County's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Armanino McKenna". The signature is written in a cursive style and is positioned above the printed name of the firm.

ARMANINO McKENNA LLP

October 10, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Girls Incorporated of Alameda County
San Leandro, California

Compliance

We have audited the compliance of Girls Incorporated of Alameda County (the "Organization"), with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2012. Girls Incorporated of Alameda County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Girls Incorporated of Alameda County's management. Our responsibility is to express an opinion on Girls Incorporated of Alameda County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Girls Inc. compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Girls Incorporated of Alameda County's compliance with those requirements.

In our opinion, Girls Incorporated of Alameda County's complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2012.



Internal Control Over Compliance

The management of Girls Incorporated of Alameda County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Girls Incorporated of Alameda County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Girls Incorporated of Alameda County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ARMANINO McKENNA LLP

October 10, 2012

GIRLS INCOPORATED OF ALAMEDA COUNTY
 Consolidated Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued		<u>Unqualified</u>		
Internal control over financial reporting				
Material weakness(es) identified?	_____ <u>yes</u>	_____ <u>X</u>	_____ <u>no</u>	
Significant deficiency(ies) identified that are not considered to be material weaknesses	_____ <u>yes</u>	_____ <u>X</u>	_____ <u>none reported</u>	
Noncompliance material to financial statements noted?	_____ <u>yes</u>	_____ <u>X</u>	_____ <u>no</u>	

Federal Awards

Internal control over major programs				
Material weakness(es) identified?	_____ <u>yes</u>	_____ <u>X</u>	_____ <u>no</u>	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ <u>yes</u>	_____ <u>X</u>	_____ <u>none reported</u>	
Type of auditors' report issued on compliance for major programs		<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ <u>yes</u>	_____ <u>X</u>	_____ <u>no</u>	

Identification of major programs

<u>CFDA number(s)</u>	<u>Name of Federal Program or Cluster</u>
94.006	Americorps

Dollar threshold used to distinguish between type A and B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	_____ <u>X</u> <u>yes</u> _____ <u>no</u>

Section II - Financial Statement Findings

There are no findings or questioned costs to be reported.

GIRLS INCORPORATED OF ALAMEDA COUNTY
Consolidated Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2012

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs to be reported.

Section IV - Status of Prior Year Audit Findings

There were no prior year audit findings.

Section V - Corrective Action Plan

There are no current year findings (see Section III above).