

Girls Incorporated of Alameda County

Consolidated Financial Statements with Report of Independent Auditors
June 30, 2020
(with comparative totals for June 30, 2019)

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Report of Independent Auditors

To the Board of Directors of
Girls Incorporated of Alameda County:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Girls Incorporated of Alameda County, a California nonprofit organization (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the 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, 2020 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, Girls Incorporated of Alameda County adopted changes in accounting principles related to revenue recognition and contributions received. Our opinion is not modified with respect to this matter.

Other Information

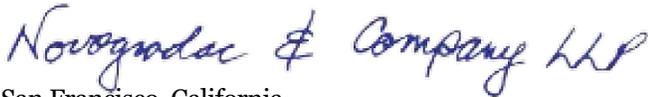
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the 2019 consolidated financial statements of Girls Incorporated of Alameda County, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



San Francisco, California
December 2, 2020

GIRLS INCORPORATED OF ALAMEDA COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020
(with comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,883,337	\$ 2,836,883
Grants receivable	655,009	678,427
Accounts receivable	61,551	31,055
Split-interest agreement	161,851	142,552
Employee and other receivables	70,000	45,617
Interest receivable	-	14,040
Prepaid expenses	40,316	42,816
Deposits	6,866	5,866
Investments	3,678,049	180,833
Loans receivable	-	5,615,808
Fixed assets, net	11,445,387	11,873,888
TOTAL ASSETS	\$ 18,002,366	\$ 21,467,785
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 124,154	\$ 93,068
Accrued expenses	438,169	418,209
Notes payable, net of unamortized debt issuance costs	852,462	7,804,274
Total liabilities	1,414,785	8,315,551
Net assets		
Net assets without donor restrictions	14,697,187	12,199,893
Net assets with donor restrictions	1,890,394	952,341
Total net assets	16,587,581	13,152,234
TOTAL LIABILITIES AND NET ASSETS	\$ 18,002,366	\$ 21,467,785

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the year ended June 30, 2020
(with comparative totals for 2019)

	Net assets	Net assets	Totals	
	without donor restrictions	with donor restrictions	2020	2019
SUPPORT AND REVENUE				
Government grants	\$ 1,931,122	\$ -	\$ 1,931,122	\$ 2,225,737
Foundation grants	1,709,354	1,490,950	3,200,304	2,117,759
Contributions	1,772,330	132,782	1,905,112	1,861,960
Special events	693,115	38,750	731,865	830,316
Program fees	345,913	-	345,913	340,152
Rental income	87,675	-	87,675	236,288
Miscellaneous income	1,700	-	1,700	4,885
Financing income	-	-	-	16,506
Interest and dividends	16,461	2,912	19,373	4,480
Net realized and unrealized income on investments	(1,455)	5,875	4,420	5,108
Change in value of split-interest agreement	-	19,299	19,299	30,597
Net assets released from restrictions:				
Purpose accomplished or restricted time expired	752,515	(752,515)	-	-
TOTAL SUPPORT AND REVENUE	<u>7,308,730</u>	<u>938,053</u>	<u>8,246,783</u>	<u>7,673,788</u>
EXPENSES				
Program services	5,977,061	-	5,977,061	6,347,303
Management and general	368,461	-	368,461	528,976
Fundraising	654,311	-	654,311	599,154
TOTAL EXPENSES	<u>6,999,833</u>	<u>-</u>	<u>6,999,833</u>	<u>7,475,433</u>
OTHER				
Gain on transfer of equity from consolidation of entities	-	-	-	4,145,753
Cancellation of debt income	2,188,397	-	2,188,397	-
TOTAL OTHER	<u>2,188,397</u>	<u>-</u>	<u>2,188,397</u>	<u>4,145,753</u>
Change in net assets	<u>2,497,294</u>	<u>938,053</u>	<u>3,435,347</u>	<u>4,344,108</u>
Net assets, beginning of year	<u>12,199,893</u>	<u>952,341</u>	<u>13,152,234</u>	<u>8,808,126</u>
Net assets, end of year	<u>\$ 14,697,187</u>	<u>\$ 1,890,394</u>	<u>\$ 16,587,581</u>	<u>\$ 13,152,234</u>

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
(with comparative totals for 2019)

	Program Services	Management and General	Fundraising	Totals	
				2020	2019
Salaries	\$ 3,680,235	\$ 200,936	\$ 355,320	\$ 4,236,491	\$ 4,004,476
Employee benefits	530,306	60,725	51,982	643,013	602,837
Program expenses	359,446	2,805	86,061	448,312	622,543
Depreciation	366,780	36,031	25,690	428,501	487,082
Professional fees	172,806	15,001	59,059	246,866	278,387
General office expenses	195,919	16,327	20,991	233,237	405,924
Repair and maintenance	166,449	5,130	17,606	189,185	187,650
Utilities	139,540	12,831	8,020	160,391	148,872
Insurance	118,440	6,654	7,985	133,079	141,721
Information technology support	73,185	5,822	4,158	83,165	79,016
Property tax	69,992	-	-	69,992	68,630
Stipends	40,418	-	-	40,418	53,081
Other expenses	33,006	-	-	33,006	78,128
Printing	5,775	117	16,450	22,342	34,588
Training	14,141	2,514	545	17,200	14,740
Travel	10,623	2,147	444	13,214	18,351
Interest expense	-	1,421	-	1,421	89,481
Facility lease	-	-	-	-	159,926
TOTAL	<u>\$ 5,977,061</u>	<u>\$ 368,461</u>	<u>\$ 654,311</u>	<u>\$ 6,999,833</u>	<u>\$ 7,475,433</u>

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended June 30, 2020
(with comparative totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,435,347	\$ 4,344,108
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense - debt issuance costs amortization	-	31,145
Depreciation	428,501	487,081
Net change in value of split-interest agreement	(19,299)	(30,597)
Net realized and unrealized income on investments	(4,420)	(5,108)
Gain on transfer of equity from consolidation of entities	-	(4,145,753)
Cancellation of debt income	(2,188,397)	-
Changes in operating assets and liabilities:		
Grants receivable	23,418	169,220
Accounts receivable	(30,496)	111,185
Capital campaign pledges	-	55,692
Deferred rent asset - Master Lease	-	71,559
Employee and other receivables	(24,383)	26,183
Interest receivable	14,040	-
Prepaid expenses	2,500	32,791
Deposits	(1,000)	87,940
Accounts payable	31,086	13,656
Accrued expenses	19,960	(103,977)
Net cash provided by operating activities	1,686,857	1,145,125
 CASH FLOWS FROM INVESTING ACTIVITY		
Net change in investments	(3,492,865)	5,278
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	852,462	-
Net (decrease) increase in cash and cash equivalents	(953,546)	1,150,403
Cash and cash equivalents at beginning of year	2,836,883	1,686,480
Cash and cash equivalents at end of year	\$ 1,883,337	\$ 2,836,883
 Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,421	\$ 89,841

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

1. Organization

Girls Incorporated of Alameda County (“Girls Inc.” or the “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 5,059 girls, families, and community members, Girls Inc. provides vital year-round educational programs, enrichment, skill-building opportunities and clinical counseling services at 13 school and community sites in the East Bay. With the onset of COVID-19 in mid-March, all in-person programming shifted to remote programming using distance learning and telehealth technology.

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 through continuous quality improvement practices to best 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 cannot 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 sixty years of serving girls in the East Bay, Girls Inc. has watched many of our 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 is strong, smart and bold.

On July 1, 2019, the Organization wholly owned 510 16th Street LLC (“510 16th Street”) and Simpson Center for Girls Master Tenant, LLC (Simpson Center MT”). As of June 30, 2020, 510 16th Street and Simpson Center MT have been dissolved.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. Summary of significant accounting policies and nature of operations (continued)

Basis of presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Principles of consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of Girls Inc., 510 16th Street and Simpson Center MT. On July 1, 2019, Girls Inc. consolidated 510 16th Street and Simpson Center MT. As of June 30, 2020, 510 16th Street and Simpson Center MT have been dissolved. As of June 30, 2020, no consolidation is required as a result of the dissolutions.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at the date of acquisition.

The carrying amounts of cash and cash equivalents approximate their fair values.

Change in accounting principle

On July 1, 2019, the Organization adopted new accounting standards that effects the accounting for revenue. The Organization's revenue is mainly derived from grants, contributions, and other income, which are not impacted by these standards. Adopting these standards did not have a significant impact on the consolidated financial statements.

On July 1, 2019, the Organization adopted a new accounting standard, as required by the applicable Accounting Standards Update No. 2018-08, *Not-for-Profit Entities* (Topic 958). This update clarifies and improves the scope and accounting guidance for both contributions received and made in order to assist entities in evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution), and for distinguishing between conditional and unconditional contributions. The ASU has been applied retrospectively and did not result in any reclassifications to the consolidated financial statements

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.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. Summary of significant accounting policies and nature of operations (continued)

Concentrations of credit risk (continued)

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.

Economic concentrations

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, 2020, government grants, consisting of Federal and Alameda County grants and program revenue represented 22% of Girls Inc.'s revenue; foundation grants represented 31% of Girls Inc.'s revenue; and individual giving represented 18% of Girls Inc.'s revenue. 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.

Accounts receivable

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 uncollectible accounts as of June 30, 2020.

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 is 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 consolidated 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 consolidated 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 net assets with donor restrictions.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. Summary of significant accounting policies and nature of operations (continued)

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 net assets without donor restrictions, unless their use is restricted by the donor.

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 consolidated statement of financial position.

Fair value measurements

The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

- Level 1:* Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2:* Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3:* Unobservable inputs that reflect the Organization's own assumptions.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements (continued)

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) 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.

Fixed assets

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 gain or loss is reflected as a change in net assets without donor restrictions. Contributed property and equipment is recorded at fair value 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 support without restrictions.

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.

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 support without restrictions 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.

Revenue recognition

All contributions are considered available for Girls Inc.’s general operations unless specifically restricted by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. All amounts received that are restricted by the donor are reported as increases in net assets with donor restrictions. Contributions, including unconditional

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. Summary of significant accounting policies and nature of operations (continued)

Revenue recognition (continued)

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 net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Government grant revenue

Government grant revenue is recognized as services are performed. There was no unearned government grant revenue at June 30, 2020.

Functional allocation of expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Organization's management.

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).

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2020, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

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 consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

3. Liquidity and availability of financial assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or other restrictions. The Organization has \$2,710,213 of financial assets available within one year of the statement of financial position date to meet the cash needs for operating expenditures.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

3. Liquidity and availability of financial assets (continued)

The following represents the Organization’s financial assets as of June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,883,337
Investments	3,678,049
Contributions receivable	948,411
Prepaid expenses	40,316
Total financial assets	\$ 6,550,113
Less amounts not available to be used within one year:	
Investments	\$ 3,678,049
Contributions receivable	161,851
Total funds unavailable for general expenditures	\$ 3,839,900
Financial assets available to meet general expenditures over the next twelve months	\$ 2,710,213

The Organization has a goal to generally maintain financial assets, which consist of cash and short-term investments, to meet 90 days of operating expenses which are approximately \$1,690,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has board designated building reserves and operating reserves which are available for use toward general expenditures when needed and approved by the board.

4. Investments

The investments balance, including current and noncurrent portions as of June 30, 2020 consisted of mutual funds. As of June 30, 2020, the investments balance is \$3,678,049.

5. Loans receivable

BOA Loan

On July 31, 2012, the Organization entered into a loan agreement (the “Leverage Loan Agreement”) with BOA Investment Fund III, LLC (“BOA IF”) in the amount of \$5,615,808 (the “BOA Loan”). Pursuant to the BOA IF promissory note, BOA IF is required to make an interest payment of \$9,359.68 on October 10, 2012. Thereafter, quarterly interest only payments of \$14,039.50 shall be made in arrears on the 10th day of each calendar quarter from October 10, 2012 to October 10, 2020. Commencing on January 10, 2021, BOA IF is required to make quarterly interest and principal payment of \$44,455 on the 10th day of each calendar quarter so that the BOA Loan can be fully amortized over 456 months. The BOA Loan matures on October 1, 2035.

Pursuant to the Assignment and Assumption Agreement dated August 6, 2019, Banc of America III, LLC assigned its rights in BOACDE Note A in the amount of \$5,615,808 to BOA IF, which concurrently assigned its rights in

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

5. Loans receivable (continued)

BOA Loan (continued)

BOACDE Note A to Girls Inc. In consideration of the assignment, Girl's Inc. terminated and cancelled the BOA Loan. As of June 30, 2020, the BOA Loan has been settled and the outstanding balance was \$0.

6. 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, which is in 2027, twenty-percent of the remaining principal is to be distributed to Girls Inc. An independent trustee administers the trust assets.

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 bond rate of 4.81%. The fair value of the charitable remainder trust as of June 30, 2020 is \$2,222,041. The discounted expected future cash flows of \$161,851 represents Girls Inc.'s twenty percent share of the fair market value of the unitrust principal at 2027.

7. Fixed assets

Fixed assets of the Organization as of June 30, 2020 consisted of the following:

Land	\$ 630,000
Building and building improvements	13,449,058
Furniture and fixtures	905,176
Computers	197,192
Vehicles	<u>19,541</u>
Total fixed assets	15,200,967
Less: accumulated depreciation	<u>(3,755,580)</u>
Fixed assets, net	<u>\$ 11,445,387</u>

Depreciation expense for the year ended June 30, 2020 was \$428,501.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

8. Fair value measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of June 30, 2020, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Items	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	2020 Total
Investment				
Fixed income securities				
Corporate bonds	\$ 4,719	\$ -	\$ -	\$ 4,719
Mutual funds				
Appreciation Fund	4,729	-	-	4,729
Calvert Equity Fund	31,743	-	-	31,743
Equity fund	6,794	-	-	6,794
Equity International	4,627	-	-	4,627
Equity Small Cap Growth	9,879	-	-	9,879
Income fund	41,076	-	-	41,076
Investment Trust	17,150	-	-	17,150
Low Duration	10,031	-	-	10,031
Mid-Cap Growth	15,369	-	-	15,369
Total Return	11,432	-	-	11,432
Government Money Market	2,515,652	-	-	2,515,652
Financial Square Treasury	1,004,848	-	-	1,004,848
Total investments	3,678,049	-	-	3,678,049

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) for the year ended June 30, 2020:

	Split-interest agreement
Beginning balance	\$ 142,552
Change in value/net account activity	19,299
Ending balance	<u>\$ 161,851</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2020

9. Notes payable

BOACDE

On July 31, 2012, 510 16th Street entered into a construction loan agreement (the “Construction Loan Agreement”) with Bank of America CDE III, LLC (“BOACDE”), as evidenced by two promissory notes in the amounts \$5,615,808 (“BOACDE Note A”) and \$2,384,192 (“BOACDE Note B”) (together, the “BOACDE Notes”). The BOACDE Notes are secured by a construction term deed of trust, assignment, security agreement and fixture filing.

Interest on BOACDE Note A and BOACDE Note B shall accrue at the rate of 1.00% per annum and 0.50% per annum, respectively. Interest on the BOACDE Notes shall be computed assuming a 30 day month based on a 360 day year. Accrued and unpaid interest on the BOACDE Notes shall be due and payable in arrears through the last day of the prior calendar quarter on the fifth day of each calendar quarter commencing on October 5, 2012. Beginning on October 1, 2020, the outstanding principal and interest on the BOACDE Notes shall amortize based on a period of 38 years. Quarterly payments shall be due through the last day of the prior calendar quarter commencing on January 5, 2021, and continuing on the fifth day of each calendar quarter thereafter (the “BOACDE Payments Dates”). A final balloon payment consisting of the entire unpaid principal balance of the BOACDE Notes shall be payable in full on October 1, 2035 (the “Maturity Date”). Pursuant to the Construction Loan Agreement, BOACDE shall alternatively be entitled to accelerate the Maturity Date of the BOACDE Notes and require that all outstanding principal, interest, and other amounts due under the loan be repaid on July 31, 2019 (the “Early Repayment Date”).

On August 6, 2019, 510 16th Street, the Organization, BOACDE, and BOA IF entered into an omnibus assignment and assumption agreement of QLICI loan documents (the “Loan Assignment Agreement”). Pursuant to the Loan Assignment Agreement, BOACDE terminated and cancelled the BOACDE Loan B in the amount of \$2,384,192 in exchange for payment by 510 16th Street of \$2,158.98. BOACDE also assigned its rights in the BOACDE Loan A in the amount of \$5,615,808 to BOA IF, which concurrently assigned its rights in the BOACDE Loan A to the Organization. Immediately after the assignment, BOACDE Loan A was cancelled. As of June 30, 2020, the BOACDE Notes have been settled and the outstanding balance was \$0.

Paycheck Protection Plan Loan

On May 6, 2020, the Organization entered into a loan agreement with Bank of America, as evidenced by a promissory note in the amount of \$852,462 (the “PPP Loan”). Interest on PPP Loan shall accrue at the rate of 1.00% per annum. Payment of the principal amount of the PPP Loan is dependent on confirmation of forgiveness by the U.S. Small Business Administration. As of June 30, 2020, the principal balance on PPP Loan was \$852,462.

10. Net assets

Net assets without donor restrictions

Net assets without donor restrictions consist of the following as of June 30, 2020:

Board-designated	\$ 2,983,222
Undesignated	<u>11,713,965</u>
Total net assets without donor restrictions	<u>\$ 14,697,187</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

10. Net assets (continued)

Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of June 30, 2020:

Girls programming	\$ 443,383
Endowments and accumulated earnings	1,194,907
Time restrictions	181,146
Scholarships	32,208
Development	38,750
Total net assets with donor restrictions	<u>\$ 1,890,394</u>

11. Endowment funds

The Organization has two endowment funds: a scholarship endowment and a general endowment. Its endowments include 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 by the Board of Directors. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions 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, 2020.

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

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

11. Endowment funds (continued)

Return objectives and risk parameters (continued)

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 provide additional real growth 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 the 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 may appropriate for expenditure so much of the fund as the Board determines is prudent, consistent with the provisions of UPMIFA and the intent that the fund be an endowment fund.

The Organization has a policy of considering appropriating for distributions 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 and 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.

In the first endowment, as of June 30, 2020, donor restricted net assets consist of \$134,000 to be held indefinitely. Income from the principal is restricted to fund scholarships.

In the second endowment as of June 30, 2020, donor restricted net assets consist of \$1,000,000 to be held indefinitely. Income from the principal can be used to provide support for the Organization.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

11. Endowment funds (continued)

Spending policy and how the investment objectives relate to spending policy (continued)

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

Endowment 1

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2019	\$ -	\$ 180,833	\$ 180,833
Contributions	-	13,250	13,250
Investment return (loss)			
Investment income	-	12,020	12,020
Net appreciation (realized and unrealized)	<u>-</u>	<u>(3,232)</u>	<u>(3,232)</u>
Total investment return	-	202,871	202,871
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(7,965)</u>	<u>(7,965)</u>
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 194,906</u>	<u>\$ 194,906</u>

Endowment 2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2019	\$ -	\$ -	\$ -
Contributions	-	1,000,000	1,000,000
Investment return (loss)			
Investment income	<u>-</u>	<u>1</u>	<u>1</u>
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 1,000,001</u>	<u>\$ 1,000,001</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

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.

For the year ended June 30, 2020, the Organization received \$18,631 of contributed services.

Girls Inc. also 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 do not meet the criteria for financial statement recognition. For the year ended June 30, 2020, total volunteer hours were approximately 4,616.

13. Pension plan

Girls Inc. maintains a defined contribution pension plan under IRS Code Section 403(b). For 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. For the year ended June 30, 2020, Girls Inc. made employer contributions of \$6,452. Elective deferrals were made by employees.

14. 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. The outstanding pledges were received as part of Girls Inc.'s capital campaign to purchase and renovate a building. As of June 30, 2020, management does not expect to collect any conditional pledge within one year.

15. Master Lease

On July 31, 2012, 510 16th Street entered into a master lease Agreement (the "Master Lease Agreement") with Simpson Center MT, for leasing of the Property (as further defined in the Master Lease Agreement). Simpson Center MT agreed to operate the Property as a commercial rental property and Permitted Use (as further defined in the Master Lease Agreement). Commencing on October 3, 2013, Simpson Center MT paid to 510 16th Street an amount equal to \$51,000 for 2013. Thereafter, Simpson Center MT shall pay to 510 16th Street annual fixed rent in the amounts set forth in the Master Lease Agreement, payable in equal quarterly installments on January 3, April 3, July 3, and October 3 of each lease year, pro-rated for any partial quarters. Pursuant to the Master Lease Agreement, lease payments not paid within 10 days from the date when due shall accrue interest at the lower of the annual rate of 5% or the maximum rate allowed by law until paid by Simpson Center MT. The lease term commenced on July 31, 2012 and terminates on October 3, 2031.

Pursuant to the Master Lease Agreement, Simpson Center MT agrees to pay or to cause the subtenants to pay as additional rent: (i) any premiums and deductibles for insurance, (ii) any and all Impositions (as further defined in the Master Lease Agreement), and (iii) any and all Operating Costs (as further defined in the Master Lease Agreement).

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

15. Master Lease (continued)

On August 6, 2019, 510 16th Street and Simpson Center MT entered into a termination of lease agreement (the “Lease Termination”). Pursuant to the Lease Termination, 510 16th Street and Simpson Center MT agree to terminate the master lease dated on July 31, 2012.

16. 433 Callan Lease

On May 7, 2018, the Organization entered into a lease agreement (the “433 Callan Lease Agreement”) with 433 Callan, LLC (“433 Callan”) to lease the property at 433 Callan Avenue, Suite 101, San Leandro, CA 94577. Pursuant to the 433 Callan Lease Agreement, the Organization will lease approximately 2,332 square feet from 433 Callan. Commencing on July 1, 2018, the Organization is required to make rental payments according to the schedule set forth in the 433 Callan Lease Agreement. The lease term commences on July 1, 2018 and terminates on August 31, 2023.

Pursuant to the 433 Callan Lease Agreement, future minimum rental payments payable to 433 Callan are as follows:

Year	Amount
2021	\$ 64,423
2022	66,356
2023	68,347
2024	11,733
Total	\$ 210,859

For the year ended June 30, 2020, the Organization incurred \$62,547 of rental expense.

17. Subleases

Simpson Center MT

On July 31, 2012, the Organization entered into a sublease agreement (the “Sublease Agreement”) with Simpson Center MT for sub-leasing of the Property. Pursuant to the Sublease Agreement, the Organization agreed to operate the Property as a center to provide academic enrichment programs and counseling services for low-income girls subject to terms of the Sublease Agreement. Commencing on October 1, 2013, the Organization paid Simpson Center MT an amount equal to \$74,000 for 2013. Thereafter, the Organization shall pay Simpson Center MT the annual fixed rent set forth in the Sublease Agreement, payable in arrears and in equal quarterly installments on January 1, April 1, July 1, and October 1 of each lease year. The lease term commenced on July 31, 2012 and terminates on October 1, 2020.

Pursuant to the Sublease Agreement, if and to the extent that the Organization is obligated to pay additional amounts under the Master Lease Agreement, for maintenance and/or other expenses attributable to the Property, then the Organization is obligated to pay for such maintenance and/or other expenses. The Organization is required to pay Simpson Center MT such additional amounts as additional sublease rent within ten days after Simpson Center MT has billed the Organization.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

17. Subleases (continued)

Simpson Center MT (continued)

On August 6, 2019, 510 16th Street and Simpson Center MT entered into a termination of lease agreement (the “Sublease Termination”). Pursuant to the Sublease Termination, Simpson Center MT and the Organization agree to terminate the Sublease Agreement.

IGNITE

In June 2015, the Organization entered into a sublease agreement (the “IGNITE Sublease Agreement”) with IGNITE for sub-leasing of a portion of the Property. Pursuant to the IGNITE Sublease Agreement, IGNITE will lease approximately 435 square feet from the Organization. Commencing on July 1, 2015, IGNITE is required to make rental payments on the first day of each month in an amount of \$1,200. IGNITE is required to make an initial rental payment of \$600 upon execution of the IGNITE Sublease Agreement. The lease term commenced on June 15, 2015 and terminated on June 14, 2017. The Organization exercised the option to extend the lease term for the period commencing June 15, 2017 and terminating on June 30, 2018. The Organization exercised the option to extend the term of the lease for the period commencing June 15, 2018 from month to month. On August 22, 2019, the Organization exercised the option to extend the lease term for the period commencing July 1, 2019 and terminating on June 30, 2020. On August 22, 2019, the Organization amended the lease to include 3 additional hotel stations at \$200 each per month for a monthly charge of \$1,800 effective September 1, 2019.

For the year ended June 30, 2020, the Organization has earned rental income of \$14,400.

VR Research

On September 8, 2015, the Organization entered into a sublease agreement (the “VR Research Sublease Agreement”) with VR Research, Inc. (“VR Research”) for sub-leasing of a portion of the Property. Pursuant to the VR Research Sublease Agreement, VR Research will lease approximately 1,929 square feet from the Organization. Commencing on November 1, 2015, VR Research is required to make rental payments according to the schedule set forth in the VR Research Sublease Agreement. The lease term commenced on November 1, 2015 and terminates on October 31, 2020.

Pursuant to the VR Research Sublease Agreement, future minimum rental payments due from VR Research are expected to be \$23,882 for the period from July 1, 2020 to October 31, 2020.

For the year ended June 30, 2020, the Organization has earned rental income of \$70,951.

18. Subsequent events

Subsequent events have been evaluated through December 2, 2020, which is the date the consolidated financial statements were available to be issued.

The spread of COVID-19 coronavirus (“COVID-19”) around the world in 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization’s net income may be negatively affected. However, the financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

GIRLS INCORPORATED OF ALAMEDA COUNTY
CONSOLIDATED SCHEDULE OF EXPENDITURES OF COUNTY OF ALAMEDA GRANTS
For the year ended June 30, 2020

<u>Program Name</u>	<u>Delinquency Prevention Network Service Program</u>	<u>Early and Periodic Screening Diagnostic and Treatment</u>	<u>Medi-Cal Administrative Activities</u>	<u>Child Abuse Prevention Intervention and Treatment</u>
Contract Number	16463	18405	16-93076	16916
Contract Period	7/1/19 - 6/30/20	7/1/19 - 6/30/20	7/1/19 - 6/30/20	7/1/19 - 6/30/20
Current Contract Amount	\$ 155,449	\$ 384,076	\$ -	\$ 67,800
Amount Invoiced	\$ 130,216	\$ 255,514	\$ 70,000	\$ 67,750
Expenses:				
Salaries	\$ 90,408	\$ -	\$ -	\$ -
Employee Benefits	15,369	-	-	-
Travel & Training	3,472	-	-	-
Supplies & Equipment	-	-	-	-
Consultant	6,840	-	-	-
Recruiting	804	-	-	-
General Office Expense	2,325	-	-	-
Office Space	-	-	-	-
Units of Service	-	255,514	-	67,750
Non-Itemized Expenses	-	-	70,000	-
Indirect	10,998	-	-	-
Total Expenses	<u>\$ 130,216</u>	<u>\$ 255,514</u>	<u>\$ 70,000</u>	<u>\$ 67,750</u>
Amount Reimbursed	\$ 120,573	\$ 190,494	\$ -	\$ 67,750
Accounts Receivable	\$ 9,643	\$ 65,020	\$ 70,000	\$ -



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 of
Girls Incorporated of Alameda County:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Girls Incorporated of Alameda County (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

San Francisco, California
December 2, 2020