

Girls Incorporated of Alameda County

Financial statements with Report of Independent Auditors
June 30, 2021
(with comparative totals for June 30, 2020)

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Auditors	1
Financial statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial statements	7
Supplementary Information	
Schedule of Expenditures of County of Alameda Grants	22
Additional Report of Independent Auditors	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23

Report of Independent Auditors

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

Report on the Financial statements

We have audited the accompanying financial statements of Girls Incorporated of Alameda County, a California nonprofit organization (the “Organization”), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Girls Incorporated of Alameda County as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of 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

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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the 2020 financial statements of Girls Incorporated of Alameda County, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited 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, 2021, 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.

A handwritten signature in blue ink that reads "Novogradac & Company LLP". The signature is written in a cursive, flowing style.

San Francisco, California
December 2, 2021

GIRLS INCORPORATED OF ALAMEDA COUNTY
STATEMENTS OF FINANCIAL POSITION
June 30, 2021
(with comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,015,258	\$ 1,883,337
Investments	3,649,314	3,678,049
Grants receivable	507,298	655,009
Accounts receivable	49,929	61,551
Employee and other receivables	35,784	70,000
Split-interest agreement	281,183	161,851
Deposits	5,866	6,866
Fixed assets, net	11,191,976	11,445,387
Prepaid expenses	47,345	40,316
TOTAL ASSETS	\$ 18,783,953	\$ 18,002,366
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 128,168	\$ 124,154
Accrued expenses	455,776	438,169
Deferred revenue	50,884	-
Notes payable, net of unamortized debt issuance costs	-	852,462
Total liabilities	634,828	1,414,785
Net assets		
Net assets without donor restrictions	16,308,308	14,697,187
Net assets with donor restrictions	1,840,817	1,890,394
Total net assets	18,149,125	16,587,581
TOTAL LIABILITIES AND NET ASSETS	\$ 18,783,953	\$ 18,002,366

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
STATEMENTS OF ACTIVITIES
For the year ended June 30, 2021
(with comparative totals for 2020)

	Net assets	Net assets	Totals	
	without donor restrictions	with donor restrictions	2021	2020
SUPPORT AND REVENUE				
Government grants	\$ 2,229,863	\$ -	\$ 2,229,863	\$ 1,931,122
Foundation grants	1,531,250	242,750	1,774,000	3,200,304
Contributions	2,314,769	64,900	2,379,669	1,905,112
Special events	806,573	30,000	836,573	731,865
Program fees	303,999	-	303,999	345,913
Rental income	44,282	-	44,282	87,675
Miscellaneous income	988	-	988	1,700
Financing income	1,421	-	1,421	-
Interest and dividends	847	4,335	5,182	19,373
Net realized and unrealized income (loss) on investments	(768)	59,382	58,614	4,420
Change in value of split-interest agreement	-	119,332	119,332	19,299
Net assets released from restrictions:				
Purpose accomplished or restricted time expired	570,276	(570,276)	-	-
TOTAL SUPPORT AND REVENUE	<u>7,803,500</u>	<u>(49,577)</u>	<u>7,753,923</u>	<u>8,246,783</u>
EXPENSES				
Program services	6,046,654	-	6,046,654	5,977,061
Management and general	379,943	-	379,943	368,461
Fundraising	618,244	-	618,244	654,311
TOTAL EXPENSES	<u>7,044,841</u>	<u>-</u>	<u>7,044,841</u>	<u>6,999,833</u>
OTHER				
Gain on extinguishment of debt	852,462	-	852,462	2,188,397
Change in net assets	<u>1,611,121</u>	<u>(49,577)</u>	<u>1,561,544</u>	<u>3,435,347</u>
Net assets, beginning of year	<u>14,697,187</u>	<u>1,890,394</u>	<u>16,587,581</u>	<u>13,152,234</u>
Net assets, end of year	<u>\$ 16,308,308</u>	<u>\$ 1,840,817</u>	<u>\$ 18,149,125</u>	<u>\$ 16,587,581</u>

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021
(with comparative totals for 2020)

	Program Services	Management and General	Fundraising	Totals	
				2021	2020
Salaries	\$ 4,001,463	\$ 184,229	\$ 336,175	\$ 4,521,867	\$ 4,236,491
Employee benefits	557,116	71,277	45,628	674,021	643,013
Depreciation	370,488	31,179	18,561	420,228	428,501
Program expenses	301,299	2,505	35,723	339,527	448,312
General office expenses	155,958	38,801	60,727	255,486	233,237
Professional fees	142,791	16,080	45,993	204,864	246,866
Utilities	159,931	11,218	9,615	180,764	160,391
Repair and maintenance	130,384	8,188	34,511	173,083	189,185
Insurance	104,097	8,236	7,703	120,036	133,079
Information technology support	83,264	6,404	4,267	93,935	83,165
Stipends	19,961	-	-	19,961	40,418
Printing	-	2	18,188	18,190	22,342
Property tax	10,318	830	712	11,860	69,992
Training	9,019	974	413	10,406	17,200
Travel	565	20	28	613	13,214
Other expenses	-	-	-	-	33,006
Interest expense	-	-	-	-	1,421
TOTAL	<u>\$ 6,046,654</u>	<u>\$ 379,943</u>	<u>\$ 618,244</u>	<u>\$ 7,044,841</u>	<u>\$ 6,999,833</u>

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
STATEMENTS OF CASH FLOWS
For the year ended June 30, 2021
(with comparative totals for 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,561,544	\$ 3,435,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	420,228	428,501
Net change in value of split-interest agreement	(119,332)	(19,299)
Net realized and unrealized income on investments	(58,614)	(4,420)
Gain on extinguishment of debt	(852,462)	(2,188,397)
Changes in operating assets and liabilities:		
Grants receivable	147,711	23,418
Accounts receivable	11,622	(30,496)
Employee and other receivables	34,216	(24,383)
Interest receivable	-	14,040
Deposits	1,000	(1,000)
Prepaid expenses	(7,029)	2,500
Accounts payable	4,014	31,086
Accrued expenses	17,607	19,960
Deferred revenue	50,884	-
Net cash provided by operating activities	1,211,389	1,686,857
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	87,349	(3,492,865)
Purchases of fixed assets	(166,817)	-
Net cash used in investing activities	(79,468)	(3,492,865)
 CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from notes payable	-	852,462
Net increase (decrease) in cash and cash equivalents	1,131,921	(953,546)
Cash and cash equivalents at beginning of year	1,883,337	2,836,883
Cash and cash equivalents at end of year	\$ 3,015,258	\$ 1,883,337
 Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ 1,421

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 7,769 girls, families, and community members, Girls Inc. provides vital year-round educational programs, enrichment, skill-building opportunities and clinical counseling services at 15 school and community sites in Alameda County. Due to COVID-19 restrictions, all programs were delivered remotely 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. evaluates its offerings through continuous quality improvement practices to best fit the changing needs of today’s girls. After careful analysis and planning, Girls Inc. transferred its Pathways Counseling Center to Seneca Families of Agencies in April 2021. Seneca welcomed Pathways Counseling Center programs, staff, and clients. Girls Inc. continued our unwavering commitment to mental health and mental health resources for our program participants, their families and our program staff.

From early literacy to college and career 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 projects. The girls also enhance their technological fluency and coding 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. Additionally, during the summer months, we expose the participants to 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 additional mental health supports, we can provide referrals to Pathways Counseling Center at Seneca for her and her family.

In over sixty years of serving girls in Alameda County, Girls Inc. has watched many of our girls graduate college and enjoy 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.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

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

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

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.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Basis of presentation (continued)

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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions 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.

Contributions and pledges receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Comparative financial information

The 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, 2020, from which the summarized information was derived.

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.

Economic concentrations

The Organization 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

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Economic concentrations (continued)

be a resulting effect upon the level and types of activities and program services offered by the Organization. For the year ended June 30, 2021, government grants, consisting of Federal and Alameda County grants and program revenue represented 29% of the Organization's revenue; foundation grants represented 21% of the Organization's revenue; and individual giving represented 28% of the Organization's revenue. The Organization 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.

The Organization, as a direct owner, has an economic interest in 510 16th Street, Oakland (the "Property") that is subject to business risks associated with the economy and level of unemployment in California, which affects occupancy, as well as the tenant's ability to make rental payments.

Endowment funds

In August 2008, Financial Accounting Standards Board ("FASB") provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). This guidance also improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Organization is subject to the required disclosures in that the Organization classifies its unrealized gains and losses on donor-restricted endowed funds as net assets with donor restrictions. As of June 30, 2021, no fund balances were below the historical gift amount.

Estimates

The preparation of 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 financial statements and accompanying notes. Actual results could differ from those estimates.

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.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Fair value measurements (continued)

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.

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.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense during the year ended June 30, 2021 was \$420,228. The useful lives of the assets are estimated as follows:

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

Functional allocation of expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, administrative and support, and fundraising services benefited. Such allocations are determined by management on an equitable basis.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Building depreciation	Square footage
FF&E depreciation and amortization	Full time equivalent
General office expenses	Full time equivalent
Professional fees	Full time equivalent
Office maintenance	Full time equivalent
Repairs and maintenance	Square footage
Building insurance	Square footage
Office insurance	Full time equivalent
Occupancy	Square footage

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during the year ended June 30, 2021.

Income taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d).

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

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.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 statements 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. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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 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 remainder 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 net assets with donor restrictions.

Recent and pending accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes FASB ASC Topic 840, Leases, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on-balance sheet via the right of use asset and lease liability, and additional qualitative and quantitative disclosures. The standard will be effective for the Organization for annual periods beginning after December 15, 2021, permits early adoption, and mandates a modified retrospective transition method. The Organization is currently evaluating the effect of the standard on the financial statements. It is not expected to have a material effect.

Contributions

All contributions are considered available for Girls Inc.'s general operations unless specifically restricted by the donor. Contributions, including foundation grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

Contributions (continued)

restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. 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 net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Revenue recognition

Revenue resulting from special events, fees charged by the Organization, and government grants are recognized as services are performed. Miscellaneous income is recognized when performance obligations are met.

Subsequent events

Subsequent events have been evaluated through December 2, 2021, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

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 \$6,139,404 of financial assets available within one year of the statement of financial position date to meet the cash needs for operating expenditures.

The following represents the Organization's financial assets as of June 30, 2021:

Financial assets at year end:

Cash and cash equivalents	\$ 3,015,258
Investments	3,649,314
Grants receivable	507,298
Accounts receivable	49,929
Employee and other receivables	35,784
Prepaid expenses	47,345
Other assets	<u>5,866</u>
Total financial assets	<u>7,310,794</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

3. Liquidity and availability of financial assets (continued)

Less amounts not available to be used within one year:

Investments	1,165,524
Other assets	5,866
Total funds unavailable for general expenditures	1,171,390

Financial assets available to meet general expenditures

Over the next twelve months	\$ 6,139,404
-----------------------------	--------------

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 \$1,820,000. 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 Organization's investments balance, including current and noncurrent portions as of June 30, 2021 consisted of the following:

Mutual funds	\$ 3,199,394
Stocks and options	372,814
Fixed income securities	77,106
Total financial assets	\$ 3,649,314

5. 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, 2021 is \$2,963,448. The discounted expected future cash flows of \$281,183 represent Girls Inc.'s twenty percent share of the fair market value of the unitrust principal at 2027.

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. Fixed assets

The Organization's fixed assets balance as of June 30, 2021 consisted of the following:

Land	\$	630,000
Building and building improvements		13,615,875
Furniture and fixtures		902,676
Computers		<u>40,085</u>
Total fixed assets		15,188,636
Less: accumulated depreciation		<u>(3,996,660)</u>
Fixed assets, net		<u>\$ 11,191,976</u>

7. 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, 2021, 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	2021 Total
Investment				
Stocks	\$ 372,814	\$ -	\$ -	\$ 372,814
Fixed income securities				
Government bonds	77,106	-	-	77,106
Mutual funds	<u>3,199,394</u>	<u>-</u>	<u>-</u>	<u>3,199,394</u>
Total investments	3,649,314	-	-	3,649,314

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, 2021:

		Split-interest agreement
Beginning balance	\$	161,851
Change in value/net account activity		<u>119,332</u>
Ending balance	\$	<u>281,183</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

8. Notes payable

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. On March 5, 2021, Small Business Administration has remitted to Bank of America the payment of the PPP Loan for forgiveness of the Organization’s PPP Loan. As of June 30, 2021, the PPP Loan has been settled and the outstanding balance was \$0.

9. Net assets

Net assets without donor restrictions

Net assets without donor restrictions consist of the following as of June 30, 2021:

Board-designated	\$	2,735,634
Undesignated		13,572,674
Total net assets without donor restrictions		16,308,308

Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of June 30, 2021:

Girls programming	\$	140,707
Endowments		1,249,424
Time restrictions		400,478
Scholarships		20,208
Events		30,000
Total net assets with donor restrictions		1,840,817

10. 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 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 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

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

10. Endowment funds (continued)

Interpretation of relevant law (continued)

- (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, 2021.

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 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, 2021, 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, 2021, 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 FINANCIAL STATEMENTS
June 30, 2021

10. 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, 2021 is as follows:

Endowment 1

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ -	\$ 194,906	\$ 194,906
Contributions	-	-	-
Investment return (loss)			
Investment income	-	3,100	3,100
Net appreciation (realized and unrealized)	-	<u>37,408</u>	<u>37,408</u>
Total investment return	-	235,414	235,414
Appropriation of endowment assets for expenditure	-	<u>(9,200)</u>	<u>(9,200)</u>
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 226,214</u>	<u>\$ 226,214</u>

Endowment 2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ -	\$ 1,000,001	\$ 1,000,001
Contributions	-	-	-
Investment return (loss)			
Investment income	-	1,342	1,342
Net appreciation (realized and unrealized)	-	<u>23,886</u>	<u>23,886</u>
Total investment return	-	1,025,229	1,025,229
Appropriation of endowment assets for expenditure	-	<u>(2,018)</u>	<u>(2,018)</u>
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 1,023,211</u>	<u>\$ 1,023,211</u>

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

11. Pension plan

Girls Inc. maintains a defined contribution pension plan under Internal Revenue Code Section 403(b). For each plan year, the Board of Directors will determine the amount of the matching contribution (if any) that the Organization 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, 2021, Girls Inc. made employer contributions of \$7,876. Elective deferrals were made by employees.

12. 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, 2021, management does not expect to collect any conditional pledge within one year.

13. 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
2022	\$ 66,356
2023	68,347
2024	11,733
Total	\$ 146,436

For the year ended June 30, 2021, the Organization incurred \$64,423 of rental expense.

14. Leases

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. On June 9, 2017, the Organization exercised the option to extend the term of the lease from June 15, 2017 to June 30, 2018. On July 11, 2018, the Organization exercised the option to extend the term of the lease from June 15, 2018 to month to month. On August 22, 2019, the Organization exercised the option

GIRLS INCORPORATED OF ALAMEDA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

14. Leases (continued)

IGNITE (continued)

to extend the term of the lease from July 1, 2019 to 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.

The Organization and IGNITE agreed to a month to month lease commencing July 1, 2020. On August 3, 2020, the Organization and IGNITE entered into a lease addendum to exclude the 3 hotel stations at \$200 each per month for a monthly charge of \$1,200 effective August 1, 2020.

For the year ended June 30, 2021, the Organization has earned rental income of \$15,000.

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 terminated on October 31, 2020.

For the year ended June 30, 2021, the Organization has earned rental income of \$23,882.

15. COVID-19

The severity of the impact of COVID-19 on the Organization’s operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Organization’s grantors, all of which are uncertain and cannot be predicted. The Organization’s future results could be adversely impacted by decrease in grants. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

SUPPLEMENTARY INFORMATION

GIRLS INCORPORATED OF ALAMEDA COUNTY
SCHEDULE OF EXPENDITURES OF COUNTY OF ALAMEDA GRANTS
For the year ended June 30, 2021

<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	19949	16-93076	17539
Contract Period	7/1/20 - 3/31/21	7/1/20 - 3/31/21	7/1/20 - 3/31/21	7/1/20 - 3/31/21
Current Contract Amount	\$ 155,449	\$ 384,076	\$ -	\$ 67,800
Amount Invoiced	\$ 140,950	\$ 125,930	\$ 20,000	\$ 67,639
Expenses:				
Salaries	\$ 101,230	\$ -	\$ -	\$ -
Employee Benefits	17,209	-	-	-
Travel & Training	315	-	-	-
Supplies & Equipment	-	-	-	-
Consultant	6,662	-	-	-
Recruiting	804	-	-	-
General Office Expense	1,825	-	-	-
Office Space	-	-	-	-
Units of Service	-	125,930	-	67,639
Non-Itemized Expenses	-	-	20,000	-
Indirect	12,805	-	-	-
Total Expenses	<u>\$ 140,850</u>	<u>\$ 125,930</u>	<u>\$ 20,000</u>	<u>\$ 67,639</u>
Amount Reimbursed	\$ 140,850	\$ 117,635	\$ -	\$ 67,639
Accounts Receivable	\$ -	\$ 8,295	\$ 20,000	\$ -



Independent Auditors' 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 audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Girls Incorporated of Alameda County (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 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, 2021