NOVOGRADAC & COMPANY LLP®
CERTIFIED PUBLIC ACCOUNTANTS

GIRLS INCORPORATED OF ALAMEDA COUNTY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)
WITH INDEPENDENT AUDITORS' REPORT

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NOVOGRADAC & COMPANY LLP®

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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, 2019, 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.

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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, 2019 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.

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 2018 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 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 4, 2019, 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.

Novogradac & Company LLP

San Francisco, California
December 4, 2019

GIRLS INCORPORATED OF ALAMEDA COUNTY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019

(with comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 2,836,883	$ 1,686,480
Grants receivable	678,427	847,647
Accounts receivable	31,055	142,240
Deferred rent asset - Master Lease	-	71,559
Capital campaign pledges	-	55,692
Split-interest agreement	142,552	111,955
Employee and other receivables	45,617	71,800
Interest receivable	14,040	524,675
Prepaid expenses	42,816	75,607
Deposits	5,866	93,806
Investments	180,833	180,310
Loans receivable	5,615,808	10,449,735
Fixed assets, net	11,873,888	12,360,969
TOTAL ASSETS	$ 21,467,785	$ 26,672,475
LIABILITIES AND NET ASSETS		
Accounts payable	$ 93,068	$ 79,412
Accrued expenses	418,209	522,186
Notes payable, net of unamortized debt issuance costs	7,804,274	17,262,751
Total liabilities	8,315,551	17,864,349
Net assets		
Net assets without donor restrictions	12,199,893	8,213,146
Net assets with donor restrictions	952,341	594,980
Total net assets	13,152,234	8,808,126
TOTAL LIABILITIES AND NET ASSETS	$ 21,467,785	$ 26,672,475

GIRLS INCORPORATED OF ALAMEDA COUNTY
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the year ended June 30, 2019
(with comparative totals for 2018)

	Net assets without donor restrictions	Net assets with donor restrictions	Totals 2019	Totals 2018
SUPPORT AND REVENUE				
Government grants	$ 2,225,737	-	$ 2,225,737	$ 1,930,056
Foundation grants	1,270,129	847,630	2,117,759	1,861,531
Contributions	1,818,460	43,500	1,861,960	1,422,350
Special events	830,316	-	830,316	967,584
Program fees	340,152	-	340,152	241,602
Rental income	236,288	-	236,288	322,244
Miscellaneous income	4,885	-	4,885	5,295
Financing income	16,506	-	16,506	198,941
Interest and dividends	1,633	2,847	4,480	2,497
Net realized and unrealized income (loss) on investments	(1,809)	6,917	5,108	6,605
Change in value of split-interest agreement	-	30,597	30,597	5,249
Net asset released from restrictions:				
Purpose accomplished or restricted time expired	574,130	(574,130)	-	-
TOTAL SUPPORT AND REVENUE	7,316,427	357,361	7,673,788	6,963,954
EXPENSES				
Program services	6,347,303	-	6,347,303	6,639,298
Management and general	528,976	-	528,976	488,757
Fundraising	599,154	-	599,154	438,839
TOTAL EXPENSES	7,475,433	-	7,475,433	7,566,894
OTHER				
Gain on transfer of equity from consolidation of entities	4,145,753	-	4,145,753	-
Change in net assets	3,986,747	357,361	4,344,108	(602,940)
Net assets, beginning of year	8,213,146	594,980	8,808,126	9,411,066
Net assets, end of year	$ 12,199,893	$ 952,341	$ 13,152,234	$ 8,808,126

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019
(with comparative totals for 2018)

	Program Services	Management and General	Fundraising	Totals 2019	Totals 2018
Salaries	$ 3,465,146	$ 225,570	$ 313,760	$ 4,004,476	$ 4,024,818
Program expenses	502,210	2,171	118,162	622,543	491,403
Employee benefits	522,892	33,916	46,029	602,837	614,015
Depreciation	487,082	-	-	487,082	509,222
General office expenses	257,878	123,195	24,851	405,924	392,102
Professional fees	177,294	47,365	53,728	278,387	329,502
Repair and maintenance	169,480	226	17,944	187,650	158,649
Facility lease	159,926	-	-	159,926	268,719
Utilities	148,872	-	-	148,872	143,506
Insurance	141,721	-	-	141,721	142,105
Interest expense	77,249	12,232	-	89,481	201,634
Information technology support	79,016	-	-	79,016	81,375
Other expenses	865	77,263	-	78,128	28,501
Property tax	68,630	-	-	68,630	66,151
Stipends	53,081	-	-	53,081	57,333
Printing	10,804	229	23,555	34,588	27,571
Travel	12,822	4,416	1,113	18,351	20,688
Training	12,335	2,393	12	14,740	9,600
TOTAL	$ 6,347,303	$ 528,976	$ 599,154	$ 7,475,433	$ 7,566,894

see accompanying notes

GIRLS INCORPORATED OF ALAMEDA COUNTY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended June 30, 2019

(with comparative totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,344,108	$ (602,940)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Interest expense - debt issuance costs amortization	31,145	31,145
Depreciation	487,081	509,222
Net change in value of split-interest agreement	(30,597)	(5,249)
Net realized and unrealized income on investments	(5,108)	(6,605)
Gain on transfer of equity from consolidation of entities	(4,145,753)	-
Changes in operating assets and liabilities:		
Grants receivable	169,220	(498,307)
Accounts receivable	111,185	(22,262)
Capital campaign pledges	55,692	62,500
Deferred rent asset - Master Lease	71,559	(14,644)
Employee and other receivables	26,183	137,517
Interest receivable	-	(76,819)
Prepaid expenses	32,791	1,310
Deposits	87,940	(5,866)
Accounts payable	13,656	33,010
Accrued expenses	(103,977)	19,806
Net cash provided by (used in) operating activities	1,145,125	(438,182)
CASH FLOWS FROM INVESTING ACTIVITY		
Proceeds from sales of investments	5,278	4,712
Net increase (decrease) in cash and cash equivalents	1,150,403	(433,470)
Cash and cash equivalents at beginning of year	1,686,480	2,119,950
Cash and cash equivalents at end of year	$ 2,836,883	$ 1,686,480
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 89,481	$ 170,488

see accompanying notes

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 8,055 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 the East Bay.

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

510 16th Street, LLC (formerly known as 510 16th Street, Inc.) ("510 16th Street"), a California limited liability company wholly-owned and controlled by Girls Inc., was created for the purpose of obtaining funding for the purchase and renovation of a building through the new markets tax credit program, a program of the Community Development Financial Institutions Fund, a division of the Department of Treasury.

Pursuant to the Membership Interest Purchase Agreements and Redemption Agreement (see footnote 18), the Organization wholly owns 510 16th Street, Simpson Center for Girls Master Tenant, LLC ("Simpson Center MT") and 510 16th Street Investment Fund, LLC ("510 16th Street IF") as of June 30, 2019. As such, the accompanying consolidated financial statements include the operations of Girls Inc., 510 16th Street, Simpson Center MT and 510 16th Street IF.

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

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

Basis of accounting (continued)
affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of presentation
Net assets and revenues, expenses, 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 without donor restrictions are unrestricted contributions, grants, program fees and interest from investments, less expenses incurred in providing program-related services and performing administrative and fundraising functions. Net assets without donor restrictions also include resources that have become available for use by the Organization in accordance with the intentions of the donor.

Net Assets With Donor Restrictions: Net assets are subject to donor-imposed stipulations which can be fulfilled either by actions of those stipulations and/or expire with the passage of time and subject to the variance power of the Board of Directors. Net assets with donor restrictions consist primarily of donor restricted contributions, charitable gift annuities, and accumulated investment earnings of endowment funds that have not been appropriated by the Board in accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA).

Principles of consolidation
The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of Girls Inc., 510 16th Street, Simpson Center MT and 510 16th Street IF. All material intercompany transactions and balances have been eliminated in consolidation.

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.

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.

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

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, 2019, government grants, consisting of Federal and Alameda County grants and program revenue represented 22% of Girls Inc.'s revenue; foundation grants represented 18% of Girls Inc.'s revenue; and individual giving represented 16% 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, 2019.

Capital campaign pledges

Capital campaign pledges that are made in one year but are not expected to be collected until after the end of the year are discounted at an appropriate discount rate commensurate with the risks involved and the period of time over which the pledges are expected to be collected. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful capital campaign pledges is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of capital campaign pledges. There was no allowance for doubtful capital campaign pledges as of June 30, 2019.

Split-interest agreement

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

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

Split-interest agreement (continued)
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.

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 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities. Valuations for assets and liabilities traded in less active dealer or broker markets are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable. Valuations for assets and liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

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

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

Fair value measurements (continued)

based upon the most recent bid quotation for identical or similar obligations provided by independent pricing services and from broker quotations.

(b) Capital campaign pledges (Level 3). Capital campaign pledges are valued based on unobservable inputs that are developed based on the best information available in the circumstances. Capital campaign pledges are not measured at fair value on a recurring basis subsequent to initial recognition.

(c) Contributions receivable – split-interest agreement (Level 3). The split-interest agreement is valued based on factors which include the current fair value of the investments, future expected investment returns and the present value discount rate.

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

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

Revenue recognition (continued)
received that are designated for future periods or restricted by the donor are reported as increases in net assets with donor 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.

The Organization recognizes revenue from interest income on the loans receivable. Interest on the loans receivable is based on the principal balances outstanding and is recognized when earned.

The Organization leases a certain Property known as the Simpson Center for Girls located in Oakland, California. The sublease qualifies as an operating lease. The term of the lease is eighteen years, with rent payments due quarterly. Rental revenue is recognized on a straight-line basis over the term of the Sublease Agreement (see footnote 17). The Organization records rent receivable when the lease payments become contractually due from Simpson Center MT and any difference between amounts recorded as rent received and receivable and rent recognized is recorded on the balance sheet as deferred rent revenue or deferred rent asset. As of December 13, 2018, Simpson Center MT is 100% owned by the Organization (see footnote 18) and the sublease has been eliminated in consolidation.

Government grant revenue
Government grant revenue is recognized as services are performed. There was no unearned government grant revenue at June 30, 2019.

Functional allocation of expenses
The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activity and changes in net assets. 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 50l(c)(3) of the Internal Revenue Code and by the California Revenue and Taxation Code under Section 2370 l (d). Income taxes on 510 16th Street, Simpson Center MT, and 510 16th Street IF are disregarded entities for federal income tax purposes and income taxes are levied on the member at the member level.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2019, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

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

Comparative financial information

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Girls Inc.'s financial statements for the year ended June 30, 2018, 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 $3,581,048 of financial assets available within one year of the balance sheet date to meet the cash needs for operating expenditures.

The following represents the Organization's financial assets as of June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	$ 2,836,883
Investments	180,833
Contributions receivable	897,651
Prepaid expenses	42,816
Fixed assets	11,873,888
Other assets	5,629,848
Total financial assets	$ 21,461,919
Less amounts not available to be used within one year:	
Investments	$ 180,833
Contributions receivable	196,302
Fixed assets	11,873,888
Other assets	5,629,848
Total funds unavailable for general expenditures	$ 17,880,871
Financial assets available to meet general expenditures over the next twelve months	$ 3,581,048

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, 2019 consisted of the following:

	Endowment
Mutual Funds	$ 180,575
Other	259
Total	$ 180,833

5. Loans receivable

USB Loans

On July 31, 2012, the Organization entered into a loan agreement (the "Fund Loan Agreement") with 510 16th Street IF in the amounts of $4,833,927 ("Loan A") and $2,152,228 ("Loan B") (collectively, the "USB Loans"). Pursuant to the Fund Loan Agreement, interest accrues on Loan A at a rate of 2.7% per annum (the "Loan A Interest Rate'). 510 16th Street IF is required to make quarterly interest only payments at a rate of 1% per annum, in arrears, on the 10th day of each January, April, July, and October of each year ("Quarterly Payment Date") from October 10, 2012 to September 30, 2020 ("Interest Only Period"). Thereafter, 510 16th Street IF is required to make quarterly interest and principal payments at the Loan A Interest Rate, in arrears, on each Quarterly Payment Date, so that the sum of (i) the outstanding principal balance of the Loan A as of the end of the Interest Only Period plus (ii) all accrued but unpaid interest as of the end of the Interest Only Period can be fully amortized over 540 months. A final payment of any outstanding principal, accrued and unpaid interest, and relevant fees pursuant to the Fund Loan Agreement shall be due on October 1, 2035, the maturity date of Loan A. As of June 30, 2019, 510 16th Street IF is 100% owned by the Organization (see footnote 18) and Loan A has been settled and the outstanding balance was $0.

Pursuant to the Fund Loan Agreement, interest accrues on Loan B at a rate of 2% per annum. Commencing on October 10, 2012 until maturity, 510 16th Street IF made quarterly interest only payments at a rate of 2.0% per annum on each Quarterly Payment Date. A final payment of any outstanding principal, accrued and unpaid interest, and relevant fees pursuant to the Fund Loan Agreement was due on August 1, 2014, the maturity date of Loan B. As of June 30, 2019, 510 16th Street IF is 100% owned by the Organization (see footnote 18) and Loan B has been settled and the outstanding balance was $0.

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.

As of June 30, 2019, the outstanding principal on the BOA Loan was $5,615,808.

As of June 30, 2019, aggregate interest receivable on the loans receivable totaled $14,040.

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, 2019 is $2,083,543. The discounted expected future cash flows of $142,552 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, 2019 consisted of the following:

Land	$ 630,000
Building and building improvements	15,649,058
Furniture and fixtures	905,176
Computers	197,192
Vehicles	19,541
Total fixed assets	15,200,967
Less: accumulated depreciation	(3,327,079)
Fixed assets, net	$ 11,873,888

Depreciation expense for the year ended June 30, 2019 was $487,082.

8. Fair value measurements

The following are the major categories of assets and liabilities measured at fair value on a recurring basis for the year ended June 30, 2019, 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	2019 Total
Investment				
Stocks				
Common stock	$ -	$ -	$ -	$ -
Fixed income securities				
Corporate bonds	-	-	-	-
Government bonds	-	-	-	-
Mutual funds				
Trust fund	-	-	-	-
Equity fund	52,456	-	-	52,456
Appreciation fund	23,140	-	-	23,140
Treasury fund	4,777	-	-	4,777
International fund	28,194	-	-	28,194
Low duration fund	9,689	-	-	9,689
Growth fund	13,827	-	-	13,827
Total return fund	10,579	-	-	10,579
Bond fund	-	-	-	-
Income fund	37,912	-	-	37,912
Other	259	-	-	259
Total investments	180,833	-	-	180,833
Split-interest agreement	-	-	142,552	142,552
Capital campaign pledges	-	-	-	
Other pledges	-	-	-	-
Total	$ 180,833	$ -	$ 142,552	$ 323,385

8. Fair value measurements (continued)

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, 2019:

	Split-interest agreement	Capital campaign pledges	Other pledges
Beginning balance	$ 111,955	$ 55,692	$ -
Change in value/net account activity	30,597	(55,692)	-
Ending balance	$ 142,552	$ -	$ -

9. Notes payable

Clearinghouse and 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") and Clearinghouse NMTC (Sub 27), LLC ("Clearinghouse") (collectively known as, the "Lenders") as evidenced by four promissory notes in the amounts of $4,833,927 ("Clearinghouse Note A"), $4,966,073 ("Clearinghouse Note B") (together, the "Clearinghouse Notes"), $5,615,808 ("BOACDE Note A") and $2,384,192 ("BOACDE Note B") (together, the "BOACDE Notes"). The Clearinghouse Notes and the BOACDE Notes are each secured by a construction term deed of trust, assignment, security agreement and fixture filing.

Interest on the Clearinghouse Notes shall accrue at a rate of 1.045% per annum and interest shall be computed assuming a 30 day month based on a 360 day year. Accrued and unpaid interest on the Clearinghouse Notes shall be due and payable in arrears through the last day of each calendar quarter commencing on October 5, 2012. Beginning on October 1, 2020, the outstanding principal and interest on the Clearinghouse 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 "Clearinghouse Payments Dates"). Two additional payments shall be made on Clearinghouse Note B during the amortization period: [1] a principal payment of $25,000 on July 31, 2019, and [2] a principal payment in the amount of $1,861,118 on October 1, 2031. On October 31, 2031, the amortization of Clearinghouse Note B shall be recalculated based on a period of 27 years. A final balloon payment consisting of the entire unpaid principal balance of the Clearinghouse Notes shall be payable in full on October 1, 2035 (the "Maturity Date"). Pursuant to the Redemption Agreement (see footnote 18), the Clearinghouse Notes have been settled and the outstanding balances were $0.

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 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,

9. Notes payable (continued)

Clearinghouse and BOACDE (continued)
interest, and other amounts due under the loan be repaid on July 31, 2019 (the "Early Repayment Date"). As of June 30, 2019, the outstanding principal on the BOACDE Notes was $8,000,000.

Notes payable consists of the following as of June 30, 2019:

Principal balance	$ 8,000,000
Less: unamortized debt issuance costs	(195,726)
Notes payable, net of unamortized debt issuance costs	$ 7,804,274

Debt issuance costs are being amortized over the life of the notes payable using the straight-line method. For the year ended June 30, 2019, the effective interest rate was 1.67%. For the year ended June 30, 2019, amortization expense for debt issuance costs was $31,145.

10. Net assets

Net assets without donor restrictions
Net assets without donor restrictions consist of the following as of June 30, 2019:

Board-designated	$ 2,065,562
Undesignated	10,134,331
Total net assets without donor restrictions	$ 12,199,893

Net assets with donor restrictions
Net assets with donor restrictions consist of the following as of June 30, 2019:

Girls programming	$ 572,500
Accumulated endowment earnings	180,832
Time restrictions	142,551
Scholarships	56,458
Total net assets with donor restrictions	$ 952,341

11. Endowment fund

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

Interpretation of relevant law
The Board of Directors of Girls Inc. has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent by the Board of Directors. The remaining portion of the donor-restricted endowment fund that is not

11. Endowment fund (continued)

Interpretation of relevant law (continued)
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, 2019.

Return objectives and risk parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that maintain purchasing power and the ability to make gifts in perpetuity while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate-of-return that exceeds 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 has a policy of appropriating for distributions up to 5 percent annually of the prior calendar year end market value. It is the intention of the fund that distributions not invade original endowment capital in establishing this policy 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.

As of June 30, 2019, donor restricted net assets consists of $134,000 to be held indefinitely. Income from the principal totaling $100,000 is restricted to fund a scholarship. Income from the principal of $34,000 can be used to support Girls Inc.’s general activities.

11. Endowment fund (continued)

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	$ -	$ 180,068	$ 180,068
Contributions	-	-	-
Investment return (loss)			
Investment income	-	1,720	1,720
Net appreciation (realized and unrealized)	-	8,045	8,045
Total investment return	-	9,765	9,765
Appropriation of endowment assets for expenditure	-	(9,000)	9,000
Endowment net assets, June 30, 2019	$ -	$ 180,833	$ 180,833

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, 2019, the Organization received $28,784 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, 2019, total volunteer hours were approximately 8,415.

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, 2019, Girls Inc. made $5,173 employer contributions. 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, 2019, 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. 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).

For the year ended June 30, 2019, 510 16th Street has earned rental income of $146,635. As of June 30, 2019, Simpson Center MT is 100% owned by the Organization and the master lease has been eliminated in consolidation.

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 for the next five years and thereafter are as follows:

Year	Amount
2020	$ 62,547
2021	64,423
2022	66,356
2023	68,347
2024	11,733
Total	$ 273,406

16. 433 Callan Lease (continued)

For the year ended June 30, 2019, the Organization has incurred $45,696 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.

For the year ended June 30, 2019, the Organization incurred rental expense of $91,296 which is included in program services, management and general, and fundraising on the consolidated statement of activities.

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. For the year ended June 30, 2019, the Organization incurred and paid additional sublease rent of $66,147 which is included in program services, management and general, and fundraising on the consolidated statement of activities. As of June 30, 2019, Simpson Center MT is 100% owned by the Organization and the sublease has been partially eliminated in consolidation.

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.

For the year ended June 30, 2019, the Organization has earned rental income of $14,400.

17. Subleases (continued)

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 as follows:

Year	Amount
2020	$ 70,951
2021	23,882
Total	$ 94,833

For the year ended June 30, 2019, the Organization has earned rental income of $68,884.

18. Membership Interest Purchase Agreements/Purchase Agreement

Simpson Center MT

On December 13, 2018, 510 16th Street, Simpson Center MT, the Organization, and USBCDC entered into a membership interest purchase agreement (the "SC Purchase Agreement"). Pursuant to the SC Purchase Agreement, 510 16th Street assigns, transfers and conveys to the Organization all of 510 16th Street's right and obligation to purchase USBCDC's interest as set forth in the Option Agreement (see note 19). The Organization accepts the foregoing assignment and assumes and agrees to pay and performed all obligation of 510 16th Street in connection with the put option. Pursuant to the SC Purchase Agreement, USBCDC agrees to transfer and sell all of the right, title and interest to the Organization in an amount equal to the sum of: [a] $500, [b] 5% of USBCDC's paid in capital contribution and [c] transfer taxes attributable to sale of USBCDC's Interest ($0), [d] any accrued but unpaid priority return, and [e] any accrued but unpaid Tax Equivalency Payment (the "Purchase Price"). As a result, as of December 13, 2018, Simpson Center MT is wholly owned by the Organization and the Organization recognized a gain in the amount of $2,171,130, which is included in net realized and unrealized income (loss) on investments on the accompanying consolidated Statements of Activities.

510 16th Street IF

On December 13, 2018, 510 16th Street IF, Clearinghouse, Clearinghouse Community Development Financial Institution ("CCDFI"), and the Organization entered into a redemption agreement (the "Redemption Agreement"). Pursuant to the Redemption Agreement, Clearinghouse purchased and redeemed 510 16th Street IF's interest in Clearinghouse for: (a) the amount of $9,800,000, which amount represents (i) the assignment of Clearinghouse Note A in the amount of $4,833,927, (ii) assignment of Clearinghouse Note B in the amount of $4,966,073; and (b) 99.99% of the other Assets (as defined in the Redemption Agreement) of Clearinghouse.

On December 13, 2018, 510 16th Street IF, CCDFI, and Clearinghouse entered into an assignment of membership interest (the "Assignment Agreement). Pursuant to the Assignment Agreement, 510 16th Street IF sold, assigned, and transferred to Clearinghouse all of the membership interest held by 510 16th

18. Membership Interest Purchase Agreements/Purchase Agreement (continued)

510 16th Street IF (continued)

Street IF. Clearinghouse assumed all of the obligations of 510 16th Street IF as a member. As of December 13, 2018, Clearinghouse is 100% owned by CCDFI.

On December 13, 2018, the Organization, 510 16th Street IF, USBCDC entered into a membership interest purchase agreement (the "IF Purchase Agreement"). Pursuant to the IF Purchase Agreement, the Organization purchased all of USBCDC's interest in 510 16th Street IF for $1,000.

On December 13, 2018, the Organization and USBCDC entered into a membership interest assignment (the "IF Assignment Agreement"). Pursuant to the IF Assignment Agreement, USBCDC sold, transferred, conveyed, assigned and set over to the Organization, all of USBCDC's interest, all rights and obligations under the 510 16th Street IF's operating agreement, free and clear of all encumbrances. The Organization accepted this assignment, and agreed to assume and perform all covenants, agreements, conditions, duties and obligations of USBCDC as and when due and be bound by the terms and provisions of 510 16th Street IF's operating agreement. As a result, as of December 13, 2018, 510 16th Street IF is wholly owned by the Organization and the Organization recognized a gain in the amount of $1,974,623, which is included in net realized and unrealized income (loss) on investments on the accompanying consolidated Statements of Activities.

19. Option Agreement

Pursuant to the Option Agreement dated July 31, 2012 (the "Option Agreement") between USBCDC and 510 16th Street , USBCDC has the option to sell its interest in Simpson Center MT. USBCDC can exercise its put option at any time during the 180 day put exercise period upon the occurrence of: [1] the later of (A) the HTC Recapture Expiration Date (as further defined in the Option Agreement) and (B) the NMTC Recapture Expiration Date (as further defined in the Option Agreement); [2] a NMTC Recapture Event (as further defined in the Option Agreement); or [3] a HTC Recapture Event (as further defined in the Option Agreement). The put purchase price shall be an amount equal to the sum of: [1] $500; [2] 5% of the principal amount advanced by Simpson Center MT under the Fund Loan; [3] any transfer taxes and other closing costs attributable to the put; [4] any amounts due from 510 16th Street or its Affiliates (as further defined in the Option Agreement); [5] any unpaid Priority Return; and [6] any unpaid Tax Equivalency Payment. In the event that USBCDC does not elect to exercise the put option, 510 16th Street shall have the right and option at any time during the six-month period following the expiration of the put exercise period to purchase USBCDC's interest in Simpson Center MT for an amount equal to the greater of: [1] the fair market value of USBCDC's interest in Simpson Center MT; or [2] the put purchase price. As of June 30, 2019, the option pursuant to the Option Agreement was exercised (see footnote 18).

20. Put and call agreement

On July 31, 2012, the Organization entered into an investment fund put and call agreement (the "Put and Call Agreement") with USBCDC. Pursuant to the Put and Call Agreement, USBCDC has the right and option to require the Organization to purchase all of USBCDC's interest in 510 16th Street IF (the "510 16th Street IF Put") upon each and every occurrence of the following events: (i) the later of (A) the first

20. Put and call agreement (continued)

day following the end of the Tax Credit Investment Period (as further defined in the Amended and Rested Operating Agreement of 510 16th Street IF) or (B) the seventh anniversary of the date of the Put and Call Agreement; or (ii) the occurrence of a Recapture Event (as further defined in the Unconditional Guaranty of New Markets Tax Credits, Put Price and Environmental Indemnification). USBCDC has the right to exercise the 510 16th Street IF Put at any time during the 120-day period following receipt by USBCDC of a Put Availability Notice (as further defined in the Put and Call Agreement) from the Organization (the "Put Exercise Period"). The purchase price shall be an amount equal to the sum of: (i) $1,000; plus (ii) any transfer taxes and other closing costs attributable to the exercise of the 510 16th Street IF Put and the USBCDC's interest in 510 16th Street IF; plus (iii) any amounts due and owing from the Organization, or any of its respective affiliates to 510 16th Street IF; plus (iv) any amounts owing from the Organization or 510 16th Street or any of their respective affiliates, to USBCDC in connection with the Unconditional Guaranty of New Markets Tax Credits, Put Price and Environmental Indemnification, including but not limited to any accrued and unpaid Tax Equivalency Payments (as further defined in the Unconditional Guaranty of New Markets Tax Credits, Put Price and Environmental Indemnification).

In the event that USBCDC has not exercised the 510 16th Street IF Put, the Organization shall have the right and option to purchase all of USBCDC's interest in 510 16th Street IF for a 180-day period following the expiration of the Put Exercise Period for an amount equal to the fair market value of USBCDC's interest in 510 16th Street IF. As of June 30, 2019, the option pursuant to the Put and Call Agreement was exercised (see footnote 18).

21. Subsequent events

Subsequent events have been evaluated through December 4, 2019, which is the date the financial statements were available to be issued.

On August 6, 2019, 510 16th Street, the Organization, BOACDE, and BOA Investment Fund III, LLC ("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. As a result, BOACDE Loan A is 100% owned by the Organization.

On August 6, 2019, the Organization and 510 16th Street entered into a memorandum of note cancellation agreement (the "Note Cancellation Agreement"). Pursuant to the Note Cancellation Agreement, the Organization agrees to cancel the Clearinghouse Note A, Clearinghouse Note B, and BOACDE Loan A and confirms that 510 16th Street has no further obligation.

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.

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 dated on July 31, 2012.

SUPPLEMENTARY INFORMATION

GIRLS INCORPORATED OF ALAMEDA COUNTY
CONSOLIDATED SCHEDULE OF EXPENDITURES OF COUNTY OF ALAMEDA GRANTS
For the year ended June 30, 2019

Program Name	Delinquency Prevention Network Service Program	Early and Periodic Screening Diagnostic and Treatment	Medi-Cal Administrative Activities	Child Abuse Prevention Intervention and Treatment
Contract Number	16463	16487	16-93076	17162
Contract Period	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19	7/1/18 - 6/30/19
Current Contract Amount	$ 155,449	$ 365,786	$ -	$ 75,166
Amount Invoiced	$ 155,449	$ 365,786	$ 70,000	$ 70,929
Expenses:				
Salaries	$ 111,618	$ -	$ -	$ -
Employee Benefits	18,975	-	-	-
Travel & Training	905	-	-	-
Concrete Services	6,201	-	-	-
Supplies & Equipment	-	-	-	-
Recruiting	794	-	-	-
General Office Expense	2,824	-	-	-
Office Space	-	-	-	-
Units of Service	-	365,786	-	70,929
Non-itemized Expenses	-	-	-	-
Indirect	14,132	-	-	-
Total Expenses	$ 155,449	$ 365,786	$ -	$ 70,929
Amount Reimbursed	$ 124,276	$ 308,916	$ -	$ 51,012
Accounts Receivable	$ 31,173	$ 56,870	$ 70,000	$ 19,918

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, 2019, and the related consolidated statement 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 4, 2019.

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.

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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 4, 2019