

GIRLS INCORPORATED OF
LOS ANGELES

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Girls Incorporated of Los Angeles

We have audited the accompanying financial statements of Girls Incorporated of Los Angeles (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

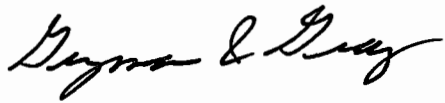
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girls Incorporated of Los Angeles as of June 30, 2020 and 2019, 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.

A handwritten signature in cursive script, appearing to read "Guzman & Gray", is positioned above the printed name of the firm.

GUZMAN & GRAY
Long Beach, CA
May 5, 2021

GIRLS INC. OF GREATER LOS ANGELES
STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2020 AND 2019

ASSETS

| | 2020 | 2019 |
|---|------------|------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 446,276 | \$ 472,372 |
| Accounts receivables | 58,022 | - |
| Prepaid expense | 4,930 | 2,006 |
| Other assets | 16 | |
| Total Current Assets | 509,244 | 474,378 |
| FURNITURE AND EQUIPMENT, net | 15,583 | 8,111 |
| DEPOSITS | 10,761 | |
| TOTAL ASSETS | \$ 535,588 | \$ 482,489 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,326 | |
| Accrued payroll | 54,462 | \$ 19,339 |
| Accrued vacation | 7,915 | 17,039 |
| Accrued expenses | 6,400 | 3,332 |
| TOTAL LIABILITIES | 70,103 | 39,710 |
| NET ASSETS | | |
| Without donor restriction | 465,485 | 442,779 |
| | 465,485 | 442,779 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 535,588 | \$ 482,489 |

See independent auditors' report and notes to financial statements

GIRLS INC. OF GREATER LOS ANGELES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---------------------------------------|------------|------------|
| REVENUE | | |
| Contributions | \$ 679,465 | \$ 783,326 |
| Grant Revenues | 354,538 | 96,925 |
| Program revenues | 21,000 | 44,771 |
| Special Event, net of expenses \$0 | 41,144 | 17,781 |
| Interest | 457 | 28 |
| In-kind contributions | - | - |
| Other Income | 918 | 1,600 |
| TOTAL REVENUE | 1,097,522 | 944,431 |
| EXPENSES | | |
| Program services | 824,639 | 662,740 |
| Management and general | 209,509 | 161,967 |
| Fundraising | 40,668 | 29,608 |
| TOTAL EXPENSES | 1,074,816 | 854,315 |
| CHANGE IN NET ASSETS | 22,706 | 90,116 |
| BEGINNING NET ASSETS | 442,779 | 352,663 |
| ENDING NET ASSETS | \$ 465,485 | \$ 442,779 |

See independent auditors' report and notes to financial statements

GIRLS INC. OF GREATER LOS ANGELES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 22,706 | \$ 90,116 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 2,855 | 2,509 |
| (Increase) decrease in assets: | | |
| Accounts receivable | (58,022) | 2,700 |
| Prepaid Expenses | (2,924) | - |
| Deposits | (10,761) | |
| Other assets | (16) | |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 1,326 | |
| Payroll payable | 35,123 | 9,078 |
| Accrued vacation | (9,124) | (4,421) |
| Accrued expenses | 3,068 | 3,332 |
| NET CASH FROM OPERATING ACTIVITIES | (15,769) | 103,314 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (10,327) | - |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | (10,327) | - |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (26,096) | 103,314 |
| BEGINNING CASH AND CASH EQUIVALENTS | 472,372 | 369,058 |
| ENDING CASH AND CASH EQUIVALENTS | \$ 446,276 | \$ 472,372 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

| | | |
|-------------------|------|------|
| INTEREST PAID | NONE | NONE |
| INCOME TAXES PAID | NONE | NONE |

See independent auditors' report and notes to financial statements

GIRLS INC. OF GREATER LOS ANGELES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|------------------------|-----------------------------|-----------------------------------|-------------------------|----------------------------|
| Salaries and wages | \$ 585,053 | \$ 131,637 | \$ 14,626 | \$ 731,316 |
| Payroll taxes | 28,338 | 6,376 | 708 | 35,422 |
| Employee benefits | 46,468 | 10,455 | 1,162 | 58,085 |
| Professional fees | 37,290 | 20,548 | 18,265 | 76,103 |
| Depreciation | 2,141 | 714 | - | 2,855 |
| Supplies and Materials | 21,203 | 4,039 | - | 25,242 |
| Postage | 791 | 311 | 311 | 1,413 |
| Telephone | 4,260 | 1,461 | 365 | 6,086 |
| Internet | 248 | 85 | 21 | 354 |
| Subscriptions | - | 8,363 | - | 8,363 |
| Marketing | 709 | 3,678 | 44 | 4,431 |
| Rent | 71,497 | 19,064 | 4,765 | 95,326 |
| Insurance | 7,218 | 401 | 401 | 8,020 |
| Dues | 6,753 | 22 | - | 6,775 |
| Travel and Meetings | 6,369 | 2,355 | - | 8,724 |
| Equipment Expense | 6,042 | - | - | 6,042 |
| Other expenses | 259 | - | - | 259 |
| TOTAL EXPENSES | <u><u>\$ 824,639</u></u> | <u><u>\$ 209,509</u></u> | <u><u>\$ 40,668</u></u> | <u><u>\$ 1,074,816</u></u> |

See independent auditors' report and notes to financial statements

GIRLS INC. OF GREATER LOS ANGELES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | Management and General | Fundraising | Total Expenses |
|------------------------|---------------------|---------------------------|------------------|-------------------|
| Salaries and wages | \$ 426,222 | \$ 95,900 | \$ 10,656 | \$ 532,778 |
| Payroll taxes | 33,626 | 7,566 | 841 | 42,033 |
| Employee benefits | 81,031 | 18,232 | 2,026 | 101,289 |
| Professional fees | 27,543 | 15,177 | 13,490 | 56,210 |
| Depreciation | 1,882 | 627 | - | 2,509 |
| Supplies and Materials | 27,830 | 5,301 | - | 33,131 |
| Postage | 327 | 129 | 128 | 584 |
| Telephone | 3,792 | 1,300 | 325 | 5,417 |
| Internet | 931 | 319 | 80 | 1,330 |
| Subscriptions | - | 1,836 | - | 1,836 |
| Marketing | 385 | 1,997 | 23 | 2,405 |
| Rent | 22,853 | 6,093 | 1,523 | 30,469 |
| Insurance | 9,294 | 516 | 516 | 10,326 |
| Dues | 6,753 | 22 | - | 6,775 |
| Travel and Meetings | 18,797 | 6,952 | - | 25,749 |
| Equipment Expense | 1,406 | - | - | 1,406 |
| Other expenses | 68 | - | - | 68 |
| TOTAL EXPENSES | \$ 662,740 | \$ 161,967 | \$ 29,608 | \$ 854,315 |

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 - ORGANIZATION

Girls Incorporated of Los Angeles (GILA) is a non-profit youth development organization serving girls ages 5 - 18. Its mission is to inspire all girls to be strong, smart and bold. GILA is an affiliate of the Girls Incorporated national organization which is one of the nation's leading research and evaluation organizations on issues pertaining to girls and young women. GILA is unique in providing programs developed by both the national organization and GILA locally that have proven to be effective in teaching girls to be strong, smart and bold. GILA provides programs for girls during the school year and summer at the GILA facility in Los Angeles and at elementary, middle, and high school sites throughout South Los Angeles, Watts, and Compton. All programs are delivered with a youth development approach that addresses the comprehensive needs of girls and their families and encompasses areas such as Health & Nutrition, Physical Fitness, Healthy Body Image, Prevention of Personal Violence and Substance Abuse, Science, Technology, Engineering, and Math (STEM), Literacy, Academic Tutoring, Financial Literacy, College and Career Planning, Personal Safety, Leadership and Advocacy.

GILA is affiliated with Girls Incorporated national network of 83 affiliates that operate in over 1,500 centers and programming sites in 300 cities across North America and Canada. Girls Incorporated offers educational programs and activities in an equitable environment to help prepare girls for confident and responsible adulthood, economic independence, and personal fulfillment. The cost of this year's affiliation is an annual fee equivalent to approximately one percent (1%) of expenses with a maximum of \$12,000.

GILA funds its operations through fundraising, events, soliciting individual and corporate donors, grants and through some fee-based programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets With Donor Restrictions - Net assets subject to donor - (or certain granter-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Pledges and grants

Pledges and grants are recorded in the financial statements when the donor makes a written promise to give that is in substance unconditional even though these pledges and grants may be paid over subsequent years. Donor-restricted pledges and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted pledges and grants whose restrictions are met in the same reporting period, are reported as unrestricted support. Net assets that are legally unrestricted, including any cash internally designated by GILA's Board of Directors, are reported as part of the unrestricted class. An allowance for uncollectible pledges and grants receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

GILA may be named as a beneficiary in various wills and trusts from time to time or may be negotiating receipt of pledges, but due to the contingent nature of the receipt and amount of such funds, no amounts are recorded until they become unconditional.

In Kind Contributed Materials and Services

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate.

Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of business and unpaid volunteers have made significant contributions of time and equipment use to GILA project development, fundraising, and operations.

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

GILA considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

Accounting Estimates

Preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Land Building and Equipment

Land, Building and Equipment are stated at cost or if contributed, at fair market value at the date of contribution. Depreciation is computed under the straight line method, with estimated useful lives ranging from three to five years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

Functional Allocation of Expenses

The costs of providing GILA's program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited. During the years ended June 30, 2020 and 2019 expenses allocated to program services were 76.94% and 77.58%, respectively.

Income Taxes

GILA is a qualified nonprofit organization that is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701 of the California Revenue Code. This exemption is for all income taxes except for those assessed on unrelated business income, if any. The Internal Revenue Service has classified GILA as "other than a private foundation".

GILA evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more than likely than not to be sustained upon examination. As of June 30, 2020, management does not believe GILA has any uncertain tax positions requiring accrual or disclosure. GILA is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements

In June, 2018 the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource provides as either exchange transactions or contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization has adopted the new accounting pronouncement as of the fiscal year end June 30, 2020. No significant changes were made to prior year amounts during the adoption of the new standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accordance with accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has adopted the new accounting pronouncement as of the fiscal year end June 30, 2020. No significant changes were made to prior year amounts during the adoption of the new standard

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Generally accepted accounting principles (GAAP) define fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

NOTE 3 – ACCOUNTS RECEIVABLES

Accounts receivables consist of the following as of the fiscal year ended June 30, 2020:

| | | |
|---------------------------------|----|--------|
| California Community Foundation | \$ | 15,000 |
| Disney | | 36,810 |
| Google | | 5,000 |
| Other Receivables | | 1,212 |
| Total | \$ | 58,022 |

The Organization did not have receivables for the fiscal year ended June 30, 2019

NOTE 4 – FURNITURE AND EQUIPMENT, net

Furniture and equipment consists of the following:

| | June 30, 2020 | June 30, 2019 |
|--------------------------------|------------------|------------------|
| Furniture and equipment | \$ 22,971 | \$ 12,645 |
| Less: accumulated depreciation | (7,388) | (4,534) |
| | \$ 15,583 | \$ 8,111 |

Depreciation for the year ended June 30, 2020 and 2019 was \$2,855 and \$2,509, respectively.

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 5 – LEASE OBLIGATIONS

In 2019, GILA renewed the office space lease which expired in January 2020. The lease agreement required monthly lease payment of \$5,381 per month. Lease expense for the year ended June 30, 2019 and 2018 was \$80,362 and \$22,172, respectively.

Future minimum rental payments required under operating leases that have an initial or remaining non-cancellable lease term in excess of one year as of June 30, 2020 are:

| | Year Ending June 30, | |
|------------|----------------------|------------|
| 2021 | | \$ 64,566 |
| 2022 | | 64,566 |
| 2023 | | 16,142 |
| 2024 | | - |
| 2025 | | - |
| Thereafter | | - |
| | | \$ 145,274 |

NOTE 6 – ACCRUED VACATION

The Organization accrues a liability for all employee vacation time and compensated time off which has been earned but not paid. As of June 30, 2020 and 2019 the accrued vacation balances was \$7,915 and \$17,039, respectively.

NOTE 7 - CONCENTRATION OF CREDIT RISK

GILA maintains cash in a financial institution which may, at times, exceed FDIC insured maximum deposit insurance amount of \$250,000. Uninsured balance was \$0 and \$234,545 at June 30, 2020 and 2019 respectively.

Due to the global outbreak of the coronavirus, and the subsequent measures taken by local and state government, GILA is unable to accurately predict how the coronavirus will affect the results of its operation because the disease's severity and the duration of the outbreak are uncertain.

NOTE 8 – LIQUIDITY AND AVAILABILITY

GILA maintains and manages adequate operating funds per policies set by the board of directors. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of cash and cash equivalents of \$462,817.

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 9 - PPP LOAN PAYABLE

In May 2020, the Company received loan proceeds in the amount of \$70,000 from a local bank under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration ("SBA"). The loan begins accruing interest at an annual rate of 1% per year and will mature in 24 months. As of the end of the loan period in May 2021, the Company has applied for forgiveness on the loan.

Based on the above facts and circumstances, the Company has adopted a policy to recognize the loan as a conditional contribution, with right of return while recognizing contribution income as the barriers to income recognition are met. The Company has recognized all \$70,000 of the loan proceeds as a contribution based on the Company's use of loan proceeds for qualifying expenses.

NOTE 10 – SUBSEQUENT EVENTS

GILA has evaluated events and transactions for potential recognition or disclosure through May 5, 2021, which represents the date the financial statements were available to be issued.