

GIRLS INCORPORATED OF
LOS ANGELES

FINANCIAL STATEMENTS

JUNE 30, 2018

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Guzman & Gray

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Mark Gray, C.P.A.
Patrick S. Guzman, C.P.A.

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, 2018, 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, 2018, 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 black ink, appearing to read "Suzanne L. Gray". The signature is written in a cursive, flowing style.

GUZMAN & GRAY
Long Beach, CA
January 9, 2019

GIRLS INC. OF GREATER LOS ANGELES
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 359,503
Grants and program receivables	2,700
Prepaid Expense	<u>2,006</u>
Total Current Assets	<u>364,209</u>

FURNITURE AND EQUIPMENT, net	<u>10,620</u>
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TOTAL ASSETS	<u>\$ 374,829</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accrued Payroll	10,261
Accrued vacation	<u>21,460</u>

TOTAL LIABILITIES	<u>31,721</u>
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NET ASSETS

Retained Earnings	<u>343,108</u>
	<u>343,108</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 374,829</u>
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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 YEAR ENDED JUNE 30, 2018

Contributions	\$	596,187
Grant Revenues		140,267
Program revenues		44,580
Interest		19
In-kind contributions		5,150
Other Income		929
TOTAL REVENUE		787,132
 EXPENSES		
Program services		416,926
Management and general		73,907
Fundraising		65,056
TOTAL EXPENSES		555,889
 CHANGE IN NET ASSETS		 231,243
 BEGINNING NET ASSETS		 111,865
 ENDING NET ASSETS	 \$	 343,108

See independent auditors' report and notes to financial statements

GIRLS INC. OF GREATER LOS ANGELES
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 231,243
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	1,419
(Increase) decrease in assets:	
Grants receivable	(2,700)
In-kind donations	(5,150)
Prepaid Expenses	(2,006)
Increase (decrease) in liabilities:	
Payroll payable	6,774
Accrued vacation	12,190
NET CASH FROM OPERATING ACTIVITIES	<u>241,770</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	<u>(3,600)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(3,600)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 238,170
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>121,333</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$ 359,503</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

INTEREST PAID	<u>NONE</u>
 INCOME TAXES PAID	 <u>NONE</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, 2018

Salaries and wages	\$ 305,011	\$ 42,740	\$ 48,694	\$ 396,445
Payroll taxes	10,835	1,518	1,730	14,083
Employee benefits	23,235	3,256	3,709	30,200
Professional fees	16,600	9,169	8,025	33,794
Depreciation	1,065	355	-	1,420
Supplies and Materials	9,536	1,252	625	11,413
Postage	321	133	132	586
Telephone	2,380	816	204	3,400
Internet	987	315	108	1,410
Subscriptions	-	3,207	-	3,207
Marketing	316	1,590	23	1,929
Rent	19,372	5,165	1,291	25,828
Insurance	9,263	515	515	10,293
Dues	6,040	20	-	6,060
Travel and Meetings	10,349	3,856	-	14,205
Equipment Expense	625	-	-	625
Other expenses	991	-	-	991
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 416,926</u>	<u>\$ 73,907</u>	<u>\$ 65,056</u>	<u>\$ 555,889</u>

See independent auditors' report and notes to financial statements

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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

The financial statements of GILA have been prepared on the accrual basis of accounting. A description of the categories of net assets is as follows:

Unrestricted

The unrestricted category is utilized to record contributions, special events, fees and other forms of unrestricted revenue and expenditures related to the general operations and special events efforts of GILA that are not restricted by the donor through use or time restrictions. Restricted contributions received for which the restrictions were met during the fiscal year are accounted for as unrestricted.

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted

The temporarily restricted category is utilized to record contributions received that are restricted as to use or expiration of time.

Permanently Restricted

The permanently restricted category is utilized to record contributions received that are permanently restricted as to use by donor or grantor. GILA does not currently have any such contribution.

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, 2018

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 year ended June 30, 2018 was 65.94% of expenses were allocated to program services.

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, 2018, 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, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

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 not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

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, 2019, 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.

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. 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, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

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 is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reporting of Subsequent Events

GILA has evaluated events and transactions for potential recognition or disclosure through January 9, 2019, which represents the date the financial statements were available to be issued.

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 – PROGRAM RECEIVABLES

Program receivables consist of the following:

	<u>June 30, 2018</u>
Lifeline Education Charter	<u>\$ 2,700</u>
	<u>\$ 2,700</u>

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4 – FURNITURE AND EQUIPMENT, net

Furniture and equipment consists of the following:

	June 30, 2018
Furniture and equipment	\$ 12,645
Less: accumulated depreciation	(2,025)
	\$ 10,620

Depreciation for the year ended June 30, 2018 was \$1,420

NOTE 5 – LEASE OBLIGATIONS

In 2018, GILA renewed office space lease which expires in 2019. The lease agreement required monthly lease payment of \$1,987 per month. Lease expense for the year ended June 30, 2018 was \$22,318.

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, 2018 are:

	Year Ending June 30,
2019	\$ 15,900
2020	-
2021	-
2022	-
2023	-
Thereafter	-
	\$ 15,900

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, 2018 the accrued vacation balances was \$10,260.

GIRLS INCORPORATED OF
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$110,477 at June 30, 2018.