

GIRLS INCORPORATED OF
LOS ANGELES

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 written in black ink.

GUZMAN & GRAY
Long Beach, CA
March 24, 2023

GIRLS INC. OF GREATER LOS ANGELES
STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 194,853	\$ 446,276
Accounts receivables	69,673	58,022
Prepaid expense	5,000	4,930
Other assets	16	16
	<u>269,542</u>	<u>509,244</u>
FURNITURE AND EQUIPMENT, net	<u>-</u>	<u>15,583</u>
DEPOSITS	<u>10,761</u>	<u>10,761</u>
TOTAL ASSETS	<u>\$ 280,303</u>	<u>\$ 535,588</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 6,875	\$ 1,326
Accrued payroll	17,208	54,462
Accrued vacation	3,750	7,915
Accrued expenses	<u>(127)</u>	<u>6,400</u>
TOTAL LIABILITIES	<u>27,706</u>	<u>70,103</u>
NET ASSETS		
Without donor restriction	232,597	465,485
With donor restriction	<u>20,000</u>	<u>-</u>
	252,597	465,485
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 280,303</u>	<u>\$ 535,588</u>

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, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
REVENUE				
Contributions	\$ 341,356	20,000	\$ 361,356	\$ 679,465
Grant revenues	284,914	-	284,914	354,538
Program revenues	15,000	-	15,000	21,000
Employee retention credit	37,863	-	37,863	-
Special event, net	54,267	-	54,267	41,144
Interest	7	-	7	457
Investment, net	(961)	-	(961)	-
Disposal of fixed assets	(11,069)	-	(11,069)	-
Other income	11,625	-	11,625	918
TOTAL REVENUE	<u>733,002</u>	<u>20,000</u>	<u>753,002</u>	<u>1,097,522</u>
EXPENSES				
Program services	732,768	-	732,768	824,639
Support services				
Management and general	187,628	-	187,628	209,509
Fundraising	45,494	-	45,494	40,668
TOTAL EXPENSES	<u>965,890</u>	<u>-</u>	<u>965,890</u>	<u>1,074,816</u>
CHANGE IN NET ASSETS	(232,888)	20,000	(212,888)	22,706
BEGINNING NET ASSETS	<u>465,485</u>	<u>-</u>	<u>465,485</u>	<u>442,779</u>
ENDING NET ASSETS	<u>\$ 232,597</u>	<u>20,000</u>	<u>\$ 252,597</u>	<u>\$ 465,485</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, 2021

	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 534,725	\$ 120,313	\$ 13,368	\$ 668,406
Payroll taxes	50,135	11,280	1,253	62,668
Employee benefits	20,854	4,692	521	26,067
	<u>605,714</u>	<u>136,285</u>	<u>15,142</u>	<u>757,141</u>
Professional fees	55,096	30,359	26,986	112,441
Depreciation	3,386	1,129	-	4,515
Supplies and materials	6,336	1,207	-	7,543
Postage	1,064	418	418	1,900
Telephone	-	-	-	-
Internet	-	-	-	-
Subscriptions	-	5,330	-	5,330
Marketing	337	1,747	21	2,105
Rent	38,385	10,235	2,558	51,178
Insurance	6,649	369	369	7,387
Dues	8,866	29	-	8,895
Travel and meetings	1,407	520	-	1,927
Equipment	5,507	-	-	5,507
Other	21	-	-	21
	<u>732,768</u>	<u>187,628</u>	<u>45,494</u>	<u>965,890</u>
TOTAL EXPENSES	\$ <u>732,768</u>	\$ <u>187,628</u>	\$ <u>45,494</u>	\$ <u>965,890</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, 2020

	Program Services	Support Services Management and General	Fundraising	Total Expenses
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
	<u>659,859</u>	<u>148,468</u>	<u>16,496</u>	<u>824,823</u>
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
	<u>824,639</u>	<u>209,509</u>	<u>40,668</u>	<u>1,074,816</u>
TOTAL EXPENSES	\$ <u>824,639</u>	\$ <u>209,509</u>	\$ <u>40,668</u>	\$ <u>1,074,816</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (212,888)	\$ 22,706
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	4,515	2,855
Loss on disposal of furniture and equipment	11,068	-
(Increase) decrease in assets:		
Accounts receivable	(11,651)	(58,022)
Prepaid expenses	(70)	(2,924)
Deposits	-	(10,761)
Other assets	-	(16)
Increase (decrease) in liabilities:		
Accounts payable	5,549	1,326
Payroll payable	(37,254)	35,123
Accrued vacation	(4,165)	(9,124)
Accrued expenses	(6,527)	3,068
NET CASH (USED) IN OPERATING ACTIVITIES	<u>(251,423)</u>	<u>(15,769)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(10,327)
NET CASH FLOWS (USED) IN INVESTING ACTIVITIES	<u>-</u>	<u>(10,327)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(251,423)	(26,096)
BEGINNING CASH AND CASH EQUIVALENTS	<u>446,276</u>	<u>472,372</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 194,853</u>	<u>\$ 446,276</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

See independent auditors' report and notes to financial statements

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - ORGANIZATION

Girls Inc. of Los Angeles (GILA) empowers girls to tap into their strengths and amplify their talents to transcend stereotypes and systemic barriers - becoming leaders of today and tomorrow. For 158 years, Girls Inc. has championed girls by providing support and research-based programming to build self-esteem, develop life skills and enable academic achievement. Through our programs and advocacy, hundreds of thousands of girls have successfully broken barriers and positively changed the trajectory of their lives. Girls Inc. of Los Angeles currently serves elementary and middle school-aged girls in South Los Angeles, Watts and Venice, providing programming focused on inspiring girls to be strong, smart and bold. The program benefits 100% girls of color (including youth identifying as female), ages 5-13, who live in under-resourced LA neighborhoods, facing intersecting systemic inequities that limit the resources and opportunities they need to succeed.

GILA is affiliated with Girls Incorporated national network of 78 affiliates that operate in over 1,500 centers and programming sites in 350 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 and grants.

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
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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, 2021 and 2020 expenses allocated to program services were 86.54% and 76.72%, 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, 2021, 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, 2021 AND 2020

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, 2021 AND 2020

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, 2021:

Accounts Receivable	\$	45,036
Pledges Receivable		<u>24,637</u>
Total	\$	<u>69,673</u>

Accounts receivables for the fiscal year ended June 30, 2020 was \$58,022.

NOTE 4 – FURNITURE AND EQUIPMENT, net

Furniture and equipment consists of the following:

	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Furniture and equipment	\$ 2,025	\$ 22,971
Less: accumulated depreciation	<u>(2,025)</u>	<u>(7,388)</u>
	<u>\$ -</u>	<u>\$ 15,583</u>

Depreciation for the year ended June 30, 2021 and 2020 was \$4,514 and \$2,855, respectively.

GIRLS INCORPORATED OF
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 5 – LEASE OBLIGATIONS

In 2019, GILA renewed the office space lease which expired in September 2022. The lease agreement required monthly lease payment of \$5,381 per month. Lease expense for the year ended June 30, 2021 and 2020 was \$51,179 and \$80,362, respectively.

The Organization exited the contract in October 2021 and the lessee and lessor settled on the termination of the lease on November 24, 2021.

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, 2021 and 2020 the accrued vacation balances was \$3,750 and \$7,915, respectively.

NOTE 7 - CONCENTRATION OF CREDIT RISK

As of June 30, 2021 and 2020, and throughout the year, the Organization maintained cash balances in its financial institutions in excess of federally insured limits.

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 OF FINANCIAL ASSETS

The Organization's financial assets and resources available to meet cash needs for general expenditures within one year of the statement of financial position date were as follows:

Cash and cash equivalents	\$	194,853
Accounts receivables		69,673
		<u>264,526</u>
Restricted cash		(20,000)
	\$	<u>239,526</u>

GIRLS INCORPORATED OF
LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 9 - PPP LOAN PAYABLE

In May 2020, the Organization 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 Organization 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 Organization has recognized all \$70,000 of the loan proceeds as a contribution based on the Organization's use of loan proceeds for qualifying expenses.

NOTE 10 – EMPLOYEE RETENTION CREDIT

Under the subsequent extension of the CARES Act the Girls Inc. of Los Angeles was eligible for a refundable employee retention credit (ERC) subject to certain criteria. In 2021, the extended relief provisions allowed employers with 500 or fewer employees to qualify for the credit. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through the expiration date of September 30, 2021. Based on these additional provisions, the tax credit is equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Organization recognized \$37,863 of ERC during the year ended June 30, 2021. The amount is presented on the statement of activities and change in net assets. The ERC claimed and not received prior to year-end in the amount of \$37,863 is expected to be settled subsequent to year end and is included in accounts receivable and pledges as presented in the statement of financial position. The Organization used the contribution model to recognize the ERC.

GIRLS INCORPORATED OF
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 11 – SUBSEQUENT EVENTS

GILA has evaluated events and transactions for potential recognition or disclosure through March 24, 2023, which represents the date the financial statements were available to be issued.

On May 11, 2021 the Organization received an Employee Retention Credit (ERC) for \$12,827 for the first quarter of 2021 and on June 7, 2022 the Organization received \$25,036 for the second quarter of 2021. See Note 10 for more details.

On September 22, 2021 the Organization settled an agreement with a former employee, with \$9,000 accrued payroll and related expenses and \$46,000 paid by the insurance.

On November 24, 2021 the Organization settled to pay \$5,000 to the lessor to terminate the lease contract. See Note 5 for more details.