

girls
inc.

of Carpinteria

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016

GIRLS INCORPORATED OF CARPINTERIA

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Board of Trustees Girls Incorporated of Carpinteria:

We have audited the accompanying financials of Girls Incorporated of Carpinteria (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2016, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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 of 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girls Incorporated of Carpinteria as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Girls Incorporated of Carpinteria June 30, 2015, financial statements, and our report dated November 16, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MacFarlane, Faletti + Co. LLP

Santa Barbara, California
March 28, 2017

GIRLS INCORPORATED OF CARPINTERIA
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 658,693	\$ 250,314	\$ -	\$ 909,007	\$ 867,295
Accounts receivable	45,981	-	-	45,981	22,932
Grant receivable	100,000	-	-	100,000	-
Prepaid expenses	5,374	-	-	5,374	-
Beneficial interest in assets held by others (Note 3)	1,524	2,459	63,476	67,459	68,902
Unemployment reserve account	28,704	-	-	28,704	27,281
Property and equipment - net (Note 4)	1,292,202	-	-	1,292,202	1,319,750
Total Assets	\$ 2,132,478	\$ 252,773	\$ 63,476	\$ 2,448,727	\$ 2,306,160
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities					
Accounts payable and other accrued expenses	\$ 11,217	\$ -	\$ -	\$ 11,217	\$ 9,389
Accrued payroll, vacation, and other related items	62,299	-	-	62,299	45,286
Security deposits	300	-	-	300	-
Note payable (Note 5)	251,989	-	-	251,989	280,048
Deferred revenue	5,313	-	-	5,313	5,286
Total Liabilities	331,118	-	-	331,118	340,009
Net Assets (Note 6)	1,801,360	252,773	63,476	2,117,609	1,966,151
Total Liabilities and Net Assets	\$ 2,132,478	\$ 252,773	\$ 63,476	\$ 2,448,727	\$ 2,306,160

See accompanying notes

GIRLS INCORPORATED OF CARPINTERIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Public Support and Revenue:					
Public support:					
Contributions	\$ 105,260	\$ 55,745	\$ -	\$ 161,005	\$ 111,784
United Way	3,200	-	-	3,200	3,230
Grants and contracts	122,443	1,000	-	123,443	128,436
Foundations	72,500	267,100	-	339,600	282,500
Special events, net of expenses of \$59,531 and \$61,438, respectively	144,314	-	-	144,314	158,843
Net assets released from restriction	239,755	(239,755)	-	-	-
Total Public Support	687,472	84,090	-	771,562	684,793
Revenue:					
Program services (net of scholarships granted of \$50,783 and \$69,507, respectively)	264,129	-	-	264,129	207,162
Rental income	119,006	-	-	119,006	109,762
Other revenue	5,958	-	-	5,958	17,285
Investment income	419	-	-	419	643
Change in value of beneficial interest in assets held by others	-	(1,443)	-	(1,443)	897
Total Revenue	389,512	(1,443)	-	388,069	335,749
Total Public Support and Revenue	1,076,984	82,647	-	1,159,631	1,020,542
Expenses:					
Program services	816,964	-	-	816,964	670,590
Management and general	155,846	-	-	155,846	160,056
Fundraising	35,363	-	-	35,363	44,087
Total Expenses	1,008,173	-	-	1,008,173	874,733
Excess of Support over Expenses	68,811	82,647	-	151,458	145,809
Net Assets at Beginning of Year	1,732,549	170,126	63,476	1,966,151	1,820,342
Net Assets at End of Year	\$ 1,801,360	\$ 252,773	\$ 63,476	\$ 2,117,609	\$ 1,966,151

See accompanying notes

GIRLS INCORPORATED OF CARPINTERIA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Program Services		Support Services		Total Support Services	Total 2016 Expenses	Total 2015 Expenses
	Program Services		Management and General	Fundraising			
Salaries	\$ 431,979	\$ 805	\$ 52,353	\$ 805	\$ 53,158	\$ 485,137	\$ 420,400
Payroll taxes and related costs	34,002	65	4,011	65	4,076	38,078	27,121
Employee health and retirement benefits	24,888	-	11,059	-	11,059	35,947	32,420
Total Salaries and Related Expenses	490,869	870	67,423	870	68,293	559,162	479,941
Advertising	14,828	8,071	4,554	8,071	12,625	27,453	22,007
Bad debt	-	-	1,093	-	1,093	1,093	1,157
Building and grounds	28,423	2,267	3,344	2,267	5,611	34,034	25,498
Conferences, conventions and meetings	-	-	5,076	-	5,076	5,076	536
Contract services	3,502	9,333	10,746	9,333	20,079	23,581	27,592
Insurance	17,013	1,001	3,830	1,001	4,831	21,844	20,538
Interest	10,411	612	1,225	612	1,837	12,248	13,264
National and other dues	7,047	414	1,735	414	2,149	9,196	8,168
Office expense and supplies	7,692	1,713	14,779	1,713	16,492	24,184	30,139
Postage and printing	19	2,218	10,774	2,218	12,992	13,011	12,079
Professional fees	38,196	2,247	4,494	2,247	6,741	44,937	43,119
Program expenses and supplies	68,538	28	974	28	1,002	69,540	53,125
Rental expenses	6,608	389	778	389	1,167	7,775	1,595
Repair and maintenance	-	-	12,759	-	12,759	12,759	7,671
Security	1,467	86	172	86	258	1,725	1,731
Taxes	6,403	377	763	377	1,140	7,543	56
Telephone	3,709	156	313	156	469	4,178	3,297
Training	6,487	5	50	5	55	6,542	1,139
Travel and auto	16,794	343	499	343	842	17,636	14,524
Utilities	30,118	1,772	3,543	1,772	5,315	35,433	40,671
Total Expenses Before Depreciation	758,124	31,902	148,924	31,902	180,826	938,950	807,847
Depreciation Expense	58,840	3,461	6,922	3,461	10,383	69,223	66,886
Total Expenses- June 30, 2016	\$ 816,964	\$ 35,363	\$ 155,846	\$ 35,363	\$ 191,209	\$ 1,008,173	\$ 874,733
Total Expenses- June 30, 2015	\$ 670,590	\$ 44,087	\$ 160,056	\$ 44,087	\$ 204,143	\$ 874,733	\$ 874,733

GIRLS INCORPORATED OF CARPINTERIA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	\$ 151,458	\$ 145,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,223	66,886
Change in value of beneficial interest in assets held by others	1,443	(897)
Changes in:		
Accounts receivable	(23,049)	(4,296)
Grant receivable	(100,000)	-
Prepaid expenses	(5,374)	-
Unemployment reserve account	(1,423)	(27,281)
Accounts payable and other accrued expenses	1,828	3,934
Accrued payroll, vacation, and other related items	17,013	19,855
Security deposits	300	(250)
Deferred revenue	27	5,286
Net cash provided by operating activities	111,446	209,046
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(41,675)	(3,496)
Net cash used by investing activities	(41,675)	(3,496)
Cash Flows from Financing Activities:		
Payments on note payable	(28,059)	(22,241)
Net cash used by financing activities	(28,059)	(22,241)
Net Increase in Cash	41,712	183,309
Cash and Cash Equivalents at Beginning of the Year	867,295	683,986
Cash and Cash Equivalents at End of The Year	\$ 909,007	\$ 867,295
Supplementary Information:		
Cash paid for interest	\$ 12,248	\$ 13,264

See accompanying notes

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Girls Incorporated of Carpinteria (the "Organization") is a charitable and educational corporation, organized under the general nonprofit corporation law of the State of California on November 8, 1974.

The Organization inspires all girls to be strong, smart and bold. Each year, over 700 girls and young women participate in the Organization's engaging, research-based programs. These programs feature research-based curricula for girls aged 4 ½ to 18 at the Carpinteria Center and outreach sites throughout Carpinteria Valley and Ventura County. The Organization helps girls unlock their potential through the Early Literacy, After School Enrichment and Academic Support, and Eureka programs. These programs form a strategic continuum that starts in kindergarten and grows with the girls until college. This "whole girl" approach integrates rigorous academic enrichment with extracurricular activities and sustained mentorship. Participants develop into well-rounded leaders who report high academic self-efficacy, increased confidence in tackling STEM topics, comfort taking healthy risks, high levels of physical activity, and strong interest in attending college. The Organization plays a key role in helping girls break the cycle of poverty and attain economic self-sufficiency through the promise of careers and higher education.

Girls Inc. of Carpinteria is proud to be among the top producers of National Scholars compared to the 82 total Girls Incorporated affiliates nationwide. For the year ended June 30, 2015, the Organization ranked #7 in affiliates with the highest number of National Scholars, with 19 award recipients to date.

For the year ended June 30, 2016, the Organization reports its participation as follows:

<u>Age</u>	<u>Ethnicity</u>
5-6 years, 38%	Latina- 82%
7-11 years, 25%	Caucasian- 11%
12-18 years, 37%	Multi- 7%

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis. To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. The accounting and reporting method classifies resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into three classes of net assets:

Unrestricted Net Assets

Unrestricted net assets consist of funds free of any legally enforceable donor-imposed restrictions. This net asset class includes board designated net assets.

GIRLS INCORPORATED OF CARPINTERIA
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and other inflows of funds temporarily subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Organization that fulfill donor stipulations.

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions and other inflows of funds subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Public Support and Revenue

Public and private contracts, grants and contributions are generally available for unrestricted use in the related fiscal year awarded unless specifically restricted by the funding source. The Organization records contributions or similar inflows subject to donor-imposed restrictions as an increase in temporarily or permanently restricted net assets depending upon the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted or permanently restricted net assets. Unconditional promises to give are recorded as received.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in demand deposit accounts at banks and cash in money market accounts that is highly liquid, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Cash held for endowment is not included as cash and cash equivalents for purposes of the statement of cash flows.

Land, Buildings, Equipment and Depreciation

Land, buildings and equipment are recorded at cost or, if donated, at fair value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation of buildings, improvements, equipment and vehicles is provided over the estimated useful lives, ranging from 3 to 39 years, of the respective assets on a straight-line basis. The Organization capitalizes all assets which are considered tangible personal or real property acquired through purchase or donation with a cost or fair value of greater than or equal to \$1,000 and an expected useful life of over one year. Maintenance and repairs are charged to operations when incurred.

GIRLS INCORPORATED OF CARPINTERIA
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts and Grant Receivables

Accounts receivable consist of amounts earned by the Organization but not yet received at year-end. Grant receivable consists of a promise to give a contribution of cash. Management considers these receivables to be fully collectible within one year; therefore, no allowance for uncollectible accounts or grant receivable has been recorded.

Income Tax Status

On July 24, 1989, the Internal Revenue Service determined the corporation was exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). The California Franchise Tax Board also granted tax-exempt status to the Organization. As a tax-exempt corporation, the Organization has no provision for income taxes. The Organization is not considered a private foundation. The Organization is unaware of any uncertain tax positions at June 30, 2016, or for any period for which the statute of limitations remains open.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include:

- Depreciable lives and estimated residual value of fixed assets
- Valuation of beneficial interest held by others
- Allocation of expenses among functions
- Collectability of accounts receivable

It is at least reasonably possible that the significant estimates used will change within the next year.

Fair Value of Financial Instruments

The carrying value of cash in banks, accounts and grant receivables, accounts payable and accrued expenses approximate fair value due to the relatively short maturity of these instruments. The amount shown for the note payable approximates fair value since the interest rate is at current market rates.

Donated Services

The Organization relies heavily on a substantial number of volunteers to perform certain services for some of its programs and fundraising campaigns. Because these services do not meet specified criteria for recognition as income and expense, the value of these services has not been included in the statement of activities.

GIRLS INCORPORATED OF CARPINTERIA
NOTES TO FINANCIAL STATEMENTS

NOTE 3: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2014, the Organization placed \$65,000 with the Santa Barbara Foundation (SBF) in the Santa Barbara Foundation Endowment Fund (the Fund) for an endowment. The Organization's beneficial interest operates under an Agency Fund Agreement (Fund Agreement). The Fund attempts to provide stable capital appreciation on a total return basis. Assets of the Fund are fully exposed to market risks and may experience market volatility and principal loss. The beneficial interest in the Fund is reported by the Organization at the estimated fair market value that is based on the reported net asset value of the fund as reported by SBF. At June 30, 2016 and 2015, the estimated fair market value of the Organization's interest in the Fund is \$67,459 and \$68,902.

The Fund Agreement provides for the distribution of funds to be in accordance with the Santa Barbara Foundation's spending policy for its endowed funds and consistent with the applicable provisions of the California Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with California State law, Santa Barbara Foundation (SBF) retains sole and absolute discretion over distributions from the Fund. However, the Fund Agreement allows SBF to seek the Organization's advice concerning the timing and amounts of distributions from the Fund to the Organization. The Organization also may request an extraordinary distribution from the Fund. The funding of any extraordinary distribution is at the SBF's sole discretion.

NOTE 4: PROPERTY AND EQUIPMENT AND DEPRECIATION

Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 3-39 years. As of June 30, 2016 and 2015, the historical costs and useful lives of such assets are as follows:

	Estimated Life in Years	2016	2015
Land		\$ 132,456	\$ 132,456
Building	39	2,331,973	2,331,973
Equipment	3-7	205,872	194,611
Furniture and fixtures	5-10	72,918	85,267
Vehicles	5	<u>51,306</u>	<u>51,306</u>
Total Cost		2,794,525	2,795,613
Less accumulated depreciation		<u>(1,502,323)</u>	<u>(1,475,863)</u>
Property and Equipment, net		<u>\$ 1,292,202</u>	<u>\$ 1,319,750</u>

GIRLS INCORPORATED OF CARPINTERIA
NOTES TO FINANCIAL STATEMENTS

NOTE 5: NOTE PAYABLE

The Organization originally borrowed \$425,000. In March 2008, the Organization refinanced the then balance due of \$210,000 with a new lender, the June G. Outhwaite Foundation. In November 2010, the Organization again refinanced this loan with the same Foundation, borrowing an additional amount of approximately \$175,000, bringing the loan to \$344,253. The loan bearing interest at 4.5% is payable in monthly installments of \$2,159 with a balloon payment of approximately \$247,288 due November 30, 2017. The Foothill Road Complex secures the note. The Organization paid an additional \$14,919 in principal payments during the year ended June 30, 2016. Subsequent to year-end, the Organization refinanced the note with Montecito Bank & Trust (see Note 13).

See subsequent event note 13, for future minimum principal payments under the note payable with Montecito Bank & Trust.

NOTE 6: RESTRICTED NET ASSETS AND ENDOWMENT

Board Designated Unrestricted Endowment Net Assets

Included in total unrestricted net assets on the statement of financial position are net assets designated by the Board of Trustees for the longevity of the Organization. These net assets are unavailable for operations without specific Board approval. During the year ended June 30, 2014, the Board of Trustees designated \$1,524 for an endowment. The designated funds consist of a beneficiary interest in assets held by others (see Note 3) at the Santa Barbara Foundation and are subject to the Santa Barbara Foundation's spending policy for its endowed funds.

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Programs	\$ 245,314	\$ 121,222
Facilities and equipment	5,000	5,000
Future periods – core support	<u>2,459</u>	<u>43,904</u>
Total Temporarily Restricted Net Assets	<u>\$ 252,773</u>	<u>\$ 170,126</u>

Permanently Restricted Net Assets and Endowment

Permanently restricted net assets are restricted in perpetuity for investment purposes, whereas the income is expendable as support for the following activities:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 13,000	\$ 13,000
General operations	<u>50,476</u>	<u>50,476</u>
Total Permanently Restricted Net Assets	<u>\$ 63,476</u>	<u>\$ 63,476</u>

GIRLS INCORPORATED OF CARPINTERIA
NOTES TO FINANCIAL STATEMENTS

NOTE 6: RESTRICTED NET ASSETS AND ENDOWMENT (continued)

During the year ended June 30, 2014, the Organization established an endowment, which consists of Board designated and donor-restricted endowment funds with a third party, and which now consists of a beneficiary interest in assets held by SBF (see Note 3). The underlying investments in which the Organization has a beneficiary interest are determined by the Fund. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies any assets for which (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanently restricted net assets.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Board approved and adopted investment and spending policies for the endowment assets. The objective of the investment policy is to provide adequate returns to meet the spending needs of the Organization while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return which exceeds the annual distribution with acceptable levels of risk. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to avoid exposing the fund to unacceptable levels of risk. Endowment assets are invested with the Santa Barbara Foundation which has a well-diversified asset mix, which includes equity and debt securities.

GIRLS INCORPORATED OF CARPINTERIA
NOTES TO FINANCIAL STATEMENTS

NOTE 6: RESTRICTED NET ASSETS AND ENDOWMENT (continued)

Spending Policy

The Organization has established a spending policy that includes the annual distributions, as well as the cost of managing the funds. The Organization has a policy of appropriating for distribution each year, if needed, the net income generated from the beneficiary interest in assets held by others, which will be measured per the terms of the Fund Agreement. Net income is defined as the total receipts allocated to income, including dividends and interest income, during an accounting period minus any fees during the accounting period.

In establishing this policy, the Organization considered the funding needs of the Organization as well as the goal of protecting the purchasing power of endowment assets over the long-term. Exceptions to this policy are by board resolution to appropriate the earnings or a portion of the earnings designated by the Board based on annual budget needs. Earnings is defined as all net income and appreciation, including realized and unrealized, over the previous year's ending value.

The Organization expects the current spending policy to allow its endowment funds to grow at a rate that is at least at the rate of inflation, even with the Organization's objective to maintain the original value of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the year ended June 30, 2016, are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Trust</u>
Endowment net assets, June 30, 2015	\$ 1,524	\$ 3,902	\$ 63,476	\$ 68,902
Contributions	-	-	-	-
Net investment return	-	(1,443)	-	(1,443)
Amounts appropriated for expenditure	-	-	-	-
Total Funds	<u>\$ 1,524</u>	<u>\$ 2,459</u>	<u>\$ 63,476</u>	<u>\$ 67,459</u>

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Trust</u>
Endowment net assets, June 30, 2014	\$ 1,524	\$ 3,005	\$ 63,476	\$ 68,005
Contributions	-	-	-	-
Net investment return	-	897	-	897
Amounts appropriated for expenditure	-	-	-	-
Total Funds	<u>\$ 1,524</u>	<u>\$ 3,902</u>	<u>\$ 63,476</u>	<u>\$ 68,902</u>

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Direct costs are charged directly to the appropriate program. Other costs, common to several functions, have been allocated by various statistical bases.

NOTE 8: OPERATING LEASE

On July 1, 2013, the Organization renegotiated a long-term operating lease with its tenant. The new term is through June 30, 2018, with an option to extend an additional five years. The new lease calls for annual lease payments of \$81,200, payable in 10 equal payments of \$8,120. The annual base rate will be adjusted annually based on the increase, if any, in the United States Consumer Price Index.

NOTE 9: CONCENTRATIONS OF RISK AND CONTINGENCIES

The Organization has more than \$250,000 on deposit with two financial institutions as a part of its cash management system. The FDIC only insures the first \$250,000 of certain interest bearing funds on deposit at each institution. At year-end, the Organization had approximately \$374,000 in funds that were uninsured.

A significant portion of the Organization's revenue is from public support from individuals and foundations. Revenue generated from this source is approximately 39% of total operating revenue. The receivable from one agency represents 76% of total accounts receivable.

The Organization also receives grants from various governmental agencies. These grants are earned by the Organization based on its services to clients in Santa Barbara and Ventura counties. These grants are subject to audit by the corresponding oversight agency as to allowable costs paid with governmental funds. The Organization could be liable for up to the full amount of government funds expended, should costs charged to grants be disallowed. During fiscal year ended June 30, 2016, the Organization received \$123,443 in governmental funds. Management believes it is unlikely that the various agencies would disallow a significant portion of the costs.

NOTE 10: COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

GIRLS INCORPORATED OF CARPINTERIA
NOTES TO FINANCIAL STATEMENTS

NOTE 10: COMPARATIVE INFORMATION (continued)

Certain reclassifications have been made to the June 30, 2015 balances, as reported in the prior year financial statements, to make them comparable to the balances reported for the year ended June 30, 2016.

NOTE 11: ASSETS VALUED AT FAIR VALUE

The Financial Accounting Standard Board's authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities, for which the fair value measurement is based on significant unobservable inputs, are classified as Level 3.

Assets carried at fair value as of June 30, 2016, include a beneficial interest in assets held by others. As described in Note 3, the Organization placed \$65,000 with the Santa Barbara Foundation as an endowment fund. The Santa Barbara Foundation invested the endowment fund in a variety of investments including:

<u>Nature of Investment</u>	<u>Approximate Portfolio Allocation</u>
Cash	2.0%
Domestic equity	27.0%
International equity	14.5%
Private equity	10.0%
Fixed income	33.0%
Hedge funds	10.0%
Real assets	3.5%

The value of assets in the unemployment reserve account is based upon market values for similar investments.

GIRLS INCORPORATED OF CARPINTERIA
NOTES TO FINANCIAL STATEMENTS

NOTE 11: ASSETS VALUED AT FAIR VALUE (continued)

Financial instruments carried at fair value as of June 30, 2016, are classified in the table below in one of the three categories described above:

	Quoted prices in active markets for identical assets <u>Level 1</u>	Significant other observable inputs <u>Level 2</u>	Significant unobservable inputs <u>Level 3</u>
SBF Endowment Fund	\$ -	\$ 51,606	\$ 15,853
Unemployment reserve account	-	28,704	-
Total	<u>\$ -</u>	<u>\$ 80,310</u>	<u>\$ 15,853</u>

Financial instruments carried at fair value as of June 30, 2015, are classified in the table below in one of the three categories described above:

	Quoted prices in active markets for identical assets <u>Level 1</u>	Significant other observable inputs <u>Level 2</u>	Significant unobservable inputs <u>Level 3</u>
SBF Endowment Fund	\$ -	\$ 68,902	\$ -
Unemployment reserve account	-	27,281	-
Total	<u>\$ -</u>	<u>\$ 96,183</u>	<u>\$ -</u>

A portion of the beneficiary interest of assets held by others was transferred from Level 2 to Level 3 as of June 30, 2016, as the Organization has information regarding the underlying investments in the Fund.

There were no transfers between Level 1, 2, and 3 of the fair value hierarchy for the year ended June 30, 2015.

The following is a reconciliation of the Organization's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	<u>2016</u>
Level 3 at beginning of year	\$ -
Transferred to Level 3	<u>15,853</u>
Level 3 at end of year	<u>\$ 15,853</u>

NOTE 12: RELATED PARTY

The Board President is a senior vice president at Montecito Bank & Trust, where the Organization conducts business.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2017, which is the date the financial statements were available to be issued pending final approval by the Board of Trustees. Management has determined no subsequent events with significant impact to the financial statements and requiring disclosure have occurred except:

- In August 2016, the Organization refinanced its note payable with a new lender, Montecito Bank & Trust, in the amount of \$250,000 with a fixed interest rate of 3.75% and a term of 10 years (see Note 5). Future minimum principal payments are as follows for the year ended June 30:

2017	\$ 17,464
2018	21,753
2019	22,583
2020	23,444
2021	24,339
Thereafter	<u>140,417</u>
Total	<u>\$ 250,000</u>

- Subsequent to year-end, the Organization was named in a lawsuit related to employment issues.