



of Carpinteria

GIRLS INCORPORATED OF CARPINTERIA

FINANCIAL STATEMENTS

JUNE 30, 2021

GIRLS INCORPORATED OF CARPINTERIA

June 30, 2021

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Girls Incorporated of Carpinteria
Carpinteria, California

We have audited the accompanying financial statements of Girls Incorporated of Carpinteria (a non-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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.

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, 2021, and the change 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.

Report on Summarized Comparative Information

We have previously audited the Girls Incorporated of Carpinteria June 30, 2020, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California

February 28, 2022

GIRLS INCORPORATED OF CARPINTERIA

STATEMENT OF FINANCIAL POSITION

As of June 30, 2021

(With Comparative Totals for June 30, 2020)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 838,408	\$ -	\$ 838,408	\$ 785,673
Cash in board designated funds	327,955	-	327,955	327,567
Accounts receivable	6,741	-	6,741	2,827
Pledges and grants receivable	-	12,500	12,500	26,300
Prepaid expenses and other current assets	10,085	-	10,085	17,067
Total Current Assets	<u>1,183,189</u>	<u>12,500</u>	<u>1,195,689</u>	<u>1,159,434</u>
PROPERTY AND EQUIPMENT				
Land	132,456	-	132,456	132,456
Building and improvements	2,380,524	-	2,380,524	2,347,053
Furniture and equipment	220,525	-	220,525	217,025
Vehicles	128,266	-	128,266	128,266
	2,861,771	-	2,861,771	2,824,800
Less: Accumulated depreciation	<u>(1,783,319)</u>	<u>-</u>	<u>(1,783,319)</u>	<u>(1,691,345)</u>
Net Property and Equipment	<u>1,078,452</u>	<u>-</u>	<u>1,078,452</u>	<u>1,133,455</u>
OTHER ASSETS				
Unemployment reserve account	8,744	-	8,744	27,551
Beneficial interest in assets held by others	77,722	119,877	197,599	85,811
Total Other Assets	<u>86,466</u>	<u>119,877</u>	<u>206,343</u>	<u>113,362</u>
TOTAL ASSETS	<u>\$ 2,348,107</u>	<u>\$ 132,377</u>	<u>\$ 2,480,484</u>	<u>\$ 2,406,251</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and other accrued expenses	\$ 26,351	\$ -	\$ 26,351	\$ 24,855
Accrued payroll and related expenses	47,331	-	47,331	61,205
Current portion of long-term debt	25,176	-	25,176	24,238
Total Current Liabilities	<u>98,858</u>	<u>-</u>	<u>98,858</u>	<u>110,298</u>
LONG-TERM LIABILITIES				
PPP loan payable	-	-	-	124,572
SBA loan payable	-	-	-	10,000
Notes payable	115,324	-	115,324	140,517
Total Long-term Liabilities	<u>115,324</u>	<u>-</u>	<u>115,324</u>	<u>275,089</u>
Total Liabilities	<u>214,182</u>	<u>-</u>	<u>214,182</u>	<u>385,387</u>
NET ASSETS				
Without Donor Restrictions	2,133,925	-	2,133,925	1,909,232
With Donor Restrictions	-	132,377	132,377	111,632
Total Net Assets	<u>2,133,925</u>	<u>132,377</u>	<u>2,266,302</u>	<u>2,020,864</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,348,107</u>	<u>\$ 132,377</u>	<u>\$ 2,480,484</u>	<u>\$ 2,406,251</u>

The accompanying notes are an integral part of these financial statements.

GIRLS INCORPORATED OF CARPINTERIA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	(Memo) 2020 Total
PUBLIC SUPPORT AND REVENUE				
Public Support				
Contributions and grants	\$ 617,107	\$ 112,040	\$ 729,147	\$ 631,567
Federal and state grants	159,572	-	159,572	-
Contracts	25,625	-	25,625	41,974
Special events (net of expenses of \$29,360 and \$57,571)	248,532	-	248,532	228,776
Total Public Support	<u>1,050,836</u>	<u>112,040</u>	<u>1,162,876</u>	<u>902,317</u>
Revenue				
Program services (net of scholarships of \$94,025 and \$53,743)	279,319	-	279,319	261,474
Rental income	3,128	-	3,128	120,431
Investment income	1,788	-	1,788	757
Change in value of beneficial interest in assets held by others	10,108	15,590	25,698	2,566
Net assets released from restrictions	106,885	(106,885)	-	-
Total Revenue	<u>401,228</u>	<u>(91,295)</u>	<u>309,933</u>	<u>385,228</u>
Total Public Support and Revenue	<u>1,452,064</u>	<u>20,745</u>	<u>1,472,809</u>	<u>1,287,545</u>
EXPENSES				
Program services	800,790	-	800,790	886,119
Management and general	176,241	-	176,241	212,822
Fundraising	250,340	-	250,340	120,682
Total Expenses	<u>1,227,371</u>	<u>-</u>	<u>1,227,371</u>	<u>1,219,623</u>
CHANGE IN NET ASSETS	224,693	20,745	245,438	67,922
NET ASSETS, BEGINNING OF YEAR	<u>1,909,232</u>	<u>111,632</u>	<u>2,020,864</u>	<u>1,952,942</u>
NET ASSETS, END OF YEAR	<u>\$ 2,133,925</u>	<u>\$ 132,377</u>	<u>\$ 2,266,302</u>	<u>\$ 2,020,864</u>

The accompanying notes are an integral part of these financial statements.

GIRLS INCORPORATED OF CARPINTERIA

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021</u>	<u>(Memo) 2020</u>
Salaries	\$ 403,276	\$ 55,964	\$ 160,451	\$ 619,691	\$ 570,735
Payroll taxes and related costs	29,116	3,918	14,441	47,475	42,537
Employee health and retirement benefits	<u>27,417</u>	<u>17,918</u>	<u>2,477</u>	<u>47,812</u>	<u>66,110</u>
Total Salaries and Related Expenses	459,809	77,800	177,369	714,978	679,382
Advertising	160	80	8,204	8,444	16,188
Conferences, conventions and meetings	3,073	2,441	233	5,747	13,845
Food and beverages	-	-	15,405	15,405	43,864
Professional fees	41,298	16,008	15,918	73,224	117,656
Information technology	20,310	5,716	-	26,026	17,819
Insurance	14,751	32,700	-	47,451	40,436
Occupancy	75,610	15,123	10,081	100,814	92,417
Other event expense	-	-	13,955	13,955	8,560
Office expenses and supplies	38,885	7,778	5,184	51,847	43,715
Payments to National	-	11,000	-	11,000	11,000
Program expenses and supplies	46,584	-	-	46,584	83,338
In-kind	6,038	-	24,153	30,191	-
Travel and auto	<u>16,094</u>	<u>2,997</u>	<u>-</u>	<u>19,091</u>	<u>18,607</u>
Subtotal	722,612	171,643	270,502	1,164,757	1,186,827
Depreciation	<u>78,178</u>	<u>4,598</u>	<u>9,198</u>	<u>91,974</u>	<u>90,367</u>
2020 Total Expenses by Function	<u>\$ 800,790</u>	<u>\$ 176,241</u>	<u>\$ 279,700</u>	<u>\$ 1,256,731</u>	<u>\$ 1,277,194</u>
Less expenses included with revenues on the statement of activities					
Special event direct expenses	<u>-</u>	<u>-</u>	<u>(29,360)</u>	<u>(29,360)</u>	<u>(57,571)</u>
2021 Total Expenses	<u>\$ 800,790</u>	<u>\$ 176,241</u>	<u>\$ 250,340</u>	<u>\$ 1,227,371</u>	
2020 Total Expenses (Memo)	<u>\$ 886,119</u>	<u>\$ 212,822</u>	<u>\$ 120,682</u>		<u>\$ 1,219,623</u>

The accompanying notes are an integral part of these financial statements.

GIRLS INCORPORATED OF CARPINTERIA

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	2021	(Memo) 2020
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 245,438	\$ 67,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	91,974	90,367
Change in value of beneficial interest in assets held by others	(25,698)	(2,566)
Forgiveness of government loans	(134,572)	-
Contributions restricted for endowment	(20,000)	-
Decrease (increase) in:		
Accounts receivable	(3,914)	19,363
Pledges and grants receivable	13,800	(5,141)
Prepaid expenses	6,982	5,901
Unemployment reserve account	18,807	(5,847)
Cash in board designated funds	(388)	(58,473)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,496	(18,385)
Accrued payroll and related	(13,874)	1,001
Deferred revenue	-	(23,045)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>180,051</u>	<u>71,097</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(36,971)	(32,130)
Purchase of securities	(86,090)	-
NET CASH USED BY INVESTING ACTIVITIES	<u>(123,061)</u>	<u>(32,130)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from loans payable	-	134,572
Principal payments on notes payable	(24,255)	(23,334)
Contributions restricted for endowment	20,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(4,255)</u>	<u>111,238</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,735	150,205
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>785,673</u>	<u>635,468</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 838,408</u>	<u>\$ 785,673</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 6,275	\$ 6,758
In-kind contributions	\$ 30,191	\$ -

The accompanying notes are an integral part of these financial statements.

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 1,100 youth (males and females) participate in the Organization’s engaging, research-based programs through school-based programs in Carpinteria and Santa Paula, as well as on the Girls Inc. Carpinteria Campus located at 5315 Foothill Road, Carpinteria.

Girls Inc. of Carpinteria is proud to be among the top producers of National Scholars compared to the 77 total Girls Incorporated affiliates nationwide. For the year-ended June 30, 2021, the Organization ranked #6 in affiliates with the highest number of National Scholars, with 40 award recipients to date.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Organization reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “Net assets released from restrictions”.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

With Donor Restrictions (continued)

Net assets with donor restrictions include perpetual income trusts for which the related income is reported as contributions without donor restrictions when received on the Statement of Activities. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the Statement of Activities. Net assets with donor restrictions also consist of those donor-restricted endowments held by the Organization as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Revenue Recognition

In the absence of donor restrictions, contributions are considered to be available for use without restriction. All revenue is recognized in the period when the contribution or unconditional promise to give is received. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year.

Significant estimates used in the preparation of these financial statements include: the allocation of certain expenses by function, the collectability of accounts, pledges, and grants receivable, valuation of beneficial interest held by others and the depreciable lives of property and equipment.

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 and board designated reserve are not included as cash and cash equivalents for purposes of the statement of cash flows.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying value of cash in banks, accounts, grants, pledges, and bequest 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.

Functional Expenses

The cost of providing program activities and supporting services is summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses allocated include salaries, benefits, payroll taxes, occupancy, information technology, insurance, and depreciation. Information technology is allocated based upon the number of staff positions. Marketing expenses are allocated based upon estimated efforts and benefit to each division. Depreciation, insurance and occupancy are allocated based upon square footage. All other costs are charged directly to the appropriate functional category.

Property and Equipment

Property and Equipment are recorded at cost or, if donated, at fair market 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. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$1,000.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Buildings and improvements	10-39 years
Furniture	5-10 years
Equipment	3-7 years
Vehicles	5 years

Depreciation expense for the year ended June 30, 2021, totaled \$91,974.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Certain reclassifications have been made to the June 30, 2020 balances, as reported in the prior year financial statements, to make them comparable to the balances reported for the year-ended June 30, 2021.

Tax Exempt Status

The Organization is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701d; therefore, no provision for income taxes is required. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2021, the Organization had no uncertain tax positions requiring accrual.

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2017 and 2016, respectively.

Subsequent Events

The Organization has evaluated subsequent events through February 28, 2022, the date which the financial statements were available to be issued.

Note 3 – RECEIVABLES

Receivables consist of program fees receivable and unconditional pledges to be collected in future years. At June 30, 2021, these amounts are considered current and fully collectible. Therefore no allowances for doubtful accounts, pledges, and grants receivable have been recorded.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 4 – 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. In 2021, the Organization received a contribution to the Fund in the amount of \$20,000 and \$66,090 was moved to the fund by the Board as a Board Designated Endowment.

The beneficial interest in the Fund is reported by the Organization at the estimated fair market value which is based on the reported net asset value of the fund as reported by SBF. At June 30, 2021, the estimated fair market value of the Organization's interest in the Fund is \$197,599. 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 5 – FAIR VALUE MEASUREMENT

The Organization has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity;

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 5 – FAIR VALUE MEASUREMENT (continued)

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models quoted prices of securities with similar characteristics or discounted cash flows. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair market valuation of Level 3 investments are determined by management in good faith with the assistance of an independent third-party appraiser using methods they consider appropriate. Because of the inherent uncertainty of valuations, however, those estimated values may differ from the values that would have been used had a ready market existed, and the differences could be material.

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, 2021, include a beneficial interest in assets held by others. As described in Note 4, the Organization placed \$151,090 with the Santa Barbara Foundation as an endowment fund. The fair value assessment of the fund is based upon estimated value of underlying investments derived from reports provided by the Santa Barbara Foundation. 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%
Global equity	35.0%
Private equity	12.0%
Fixed income	26.0%
Hedge funds	25.0%

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

The following table presents assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at June 30, 2021:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
SBF Endowment Fund	\$ -	\$ 197,599	\$ -	\$ 197,599
Unemployment reserve account	<u>-</u>	<u>8,744</u>	<u>-</u>	<u>8,744</u>
Total	<u>\$ -</u>	<u>\$ 206,343</u>	<u>\$ -</u>	<u>\$ 206,343</u>

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 6 –ENDOWMENT FUNDS

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. The underlying investments in which the Organization has a beneficiary interest are determined by the Fund. As required by accounting principles generally accepted in the United States of America, 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.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the California-adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified, at the explicit direction of the donor, as net assets with donor restrictions (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 donor at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the Organization considers the following factors in making a determination to appropriate or invest donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for donor-specified periods and purposes. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and 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 – ENDOWMENT FUNDS (continued)

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, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 1,524	\$ 84,287	\$ 85,811
Contributions	66,090	20,000	86,090
Net investment return	10,108	15,590	25,698
Amounts appropriated for expenditure	-	-	-
Endowment net assets, June 30, 2021	\$ 77,722	\$ 119,877	\$ 197,599

Note 7 – NOTE PAYABLE

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. The Foothill Road Complex secures the note.

The Organization is committed to the following maturity of notes payable:

2022	\$ 25,176
2023	26,149
2024	27,153
2025	28,212
2026	29,352
Thereafter	4,458
Total	\$ 140,500

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 8 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM

On April 27, 2020, the Organization received loan funding of \$124,572 under the Paycheck Protection Program (PPP) as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. On March 30, 2021, the loan was forgiven and paid by the Small Business Administration (SBA). Accordingly, the amount forgiven of \$124,572 has been reported as federal grant revenue as of June 30, 2021.

Note 9 – ECONOMIC INJURY DISASTER LOAN

On April 29, 2020, the Organization received an Economic Injury Disaster Loan (EIDL) in the amount of \$10,000. The loan is secured by tangible and intangible personal property. Interest is calculated at a fixed rate of 2.75% per annum. Monthly payments are deferred for twelve months from date of the note and matures thirty years from the date of the note. During the fiscal year ending June 30, 2021, the loan was forgiven. Accordingly, the amount forgiven of \$10,000 has been reported as grant revenue as of June 30, 2021.

Note 10 – LEASES

On July 1, 2018, the Organization renegotiated a long-term operating lease with its tenant, with an initial term through June 30, 2018, and an option to extend an additional five years. During the year ended June 30, 2019, the tenant exercised the option to extend the lease through June 30, 2023, with base rate adjusted annually based upon a fixed schedule as stipulated in the extended lease agreement.

Subsequent to year end, due to the impacts of COVID-19, the Organization and the tenant entered into a settlement agreement to terminate the lease, effective July 28, 2021. The Organization agreed to pay the tenant \$27,551 as part of the settlement.

Note 11 – CONTINGENCIES AND UNCERTAINTIES

Contingencies

The Organization elected to utilize the services of a third party to administer its unemployment deposits and potential claims. The Organization contributes an amount estimated for potential claims to a trust; should total claims exceed the amount on deposit, the Organization could be liable for the deficit.

Uncertainties

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Due to the uncertainty of the full impact from the COVID-19 outbreak on the Organization's financial condition, liquidity, and future results of operations, the Organization is not able to estimate the total effects of the COVID-19 outbreak on its results.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 12 – RISK AND CONCENTRATIONS

Credit Risk

The Organization has more than \$250,000 on deposit with three 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 \$439,000 in funds that were uninsured.

Concentrations of Revenue

A significant portion of the Organization's revenue is from public support from individuals and foundations. Revenue generated from this source is approximately 50% of total operating revenue. 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, 2021, the Organization received \$25,625 in governmental funds under such grants. Management believes it is unlikely that the various agencies would disallow a significant portion of the costs.

Note 13 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions due to time, appropriation by the Board, or by satisfying the restricted purposes specified by donors. For the year ended June 30, 2021, the passage of restrictions resulted in net assets released from restrictions of \$106,885.

Note 14 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

The Organization's Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor restricted endowment funds are not available for general expenditure.

The Board designated endowment is subject to the annual spending policy as described in Note 6. Although the Organization does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary, with the specific approval of the Board.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 14 – LIQUIDITY (continued)

As part of the Organization's liquidity management plan, the Organization has designated an operating reserve, which had a balance of \$327,955 as of June 30, 2021.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021:

Current assets	
Cash and cash equivalents available within one year	\$ 838,408
Cash in board designated funds available within one year	327,955
Pledges and grants receivable, current portion	19,241
Other current assets	<u>10,085</u>
Total Current Assets	<u>1,195,689</u>
Current liabilities	<u>(98,858)</u>
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021	<u>\$ 1,096,831</u>

Note 15 – NET ASSETS

Net Assets Without Donor Restrictions

Included in total net assets without donor restrictions of \$2,133,925 on the statement of financial position are \$395,569 of net assets designated by the Board of Trustees for the following purposes:

During the year-ended June 30, 2017, the Board of Trustees established an operating reserve equal to approximately three months of operating expenses, based on the amount of expenses incurred in the prior year. At June 30, 2021, the operating reserve consists of cash in the amount of \$327,955.

During the year-ended June 30, 2014, the Board of Trustees designated \$1,524 for an endowment. During the year ended June 30, 2021, the Board of Trustees designated \$66,090 to the endowment. The designated funds consist of a beneficiary interest in assets held by others at the Santa Barbara Foundation and are subject to the Santa Barbara Foundation's spending policy for its endowed funds. These net assets are unavailable for operations without specific Board approval.

Net Assets With Donor Restrictions

As of June 30, 2021, net assets with donor restrictions consist of the following:

Pledges and grants receivable	\$ 12,500
Unappropriated endowment earnings	34,877
Scholarships	13,000
General operations	<u>72,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 132,377</u>