



of Carpinteria

GIRLS INCORPORATED OF CARPINTERIA

FINANCIAL STATEMENTS

JUNE 30, 2022

GIRLS INCORPORATED OF CARPINTERIA

June 30, 2022

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Girls Incorporated of Carpinteria
Carpinteria, California

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Girls Incorporated of Carpinteria and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Girls Incorporated of Carpinteria's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Girls Incorporated of Carpinteria's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Girls Incorporated of Carpinteria's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Girls Incorporated of Carpinteria June 30, 2021, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California

April 24, 2023

GIRLS INCORPORATED OF CARPINTERIA

STATEMENT OF FINANCIAL POSITION

As of June 30, 2022

(With Comparative Totals for June 30, 2021)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 499,251	\$ -	\$ 499,251	\$ 838,408
Cash in board designated funds	580,395	-	580,395	327,955
Accounts receivable	41,827	-	41,827	6,741
Pledges and grants receivable	-	50,500	50,500	12,500
Prepaid expenses	18,409	-	18,409	10,085
Total Current Assets	<u>1,139,882</u>	<u>50,500</u>	<u>1,190,382</u>	<u>1,195,689</u>
PROPERTY AND EQUIPMENT				
Land	132,456	-	132,456	132,456
Building and improvements	2,443,070	-	2,443,070	2,380,524
Furniture and equipment	289,307	-	289,307	220,525
Vehicles	128,266	-	128,266	128,266
	2,993,099	-	2,993,099	2,861,771
Less: Accumulated depreciation	<u>(1,877,008)</u>	<u>-</u>	<u>(1,877,008)</u>	<u>(1,783,319)</u>
Net Property and Equipment	<u>1,116,091</u>	<u>-</u>	<u>1,116,091</u>	<u>1,078,452</u>
OTHER ASSETS				
Unemployment reserve account	11,552	-	11,552	8,744
Beneficial interest in assets held by others	291,222	141,311	432,533	197,599
Total Other Assets	<u>302,774</u>	<u>141,311</u>	<u>444,085</u>	<u>206,343</u>
TOTAL ASSETS	<u>\$ 2,558,747</u>	<u>\$ 191,811</u>	<u>\$ 2,750,558</u>	<u>\$ 2,480,484</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and other accrued expenses	\$ 23,120	\$ -	\$ 23,120	\$ 26,351
Accrued payroll and related expenses	74,185	-	74,185	47,331
Current portion of long-term debt	-	-	-	25,176
Total Current Liabilities	<u>97,305</u>	<u>-</u>	<u>97,305</u>	<u>98,858</u>
LONG-TERM LIABILITIES				
Notes payable	-	-	-	115,324
Total Long-term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,324</u>
Total Liabilities	<u>97,305</u>	<u>-</u>	<u>97,305</u>	<u>214,182</u>
NET ASSETS				
Without Donor Restrictions	2,461,442	-	2,461,442	2,133,925
With Donor Restrictions	-	191,811	191,811	132,377
Total Net Assets	<u>2,461,442</u>	<u>191,811</u>	<u>2,653,253</u>	<u>2,266,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,558,747</u>	<u>\$ 191,811</u>	<u>\$ 2,750,558</u>	<u>\$ 2,480,484</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, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	(Memo) 2021 Total
PUBLIC SUPPORT AND REVENUE				
Public Support				
Contributions and grants	\$ 945,065	\$ 234,712	\$ 1,179,777	\$ 729,147
Federal and state grants	-	-	-	159,572
Contracts	12,000	-	12,000	25,625
Special events (net of expenses of \$49,266 and \$29,360)	212,047	-	212,047	248,532
Total Public Support	1,169,112	234,712	1,403,824	1,162,876
Revenue				
Program services (net of scholarships of \$117,330 and \$94,025)	377,094	-	377,094	279,319
Rental income	13,143	-	13,143	3,128
Investment income	3,201	-	3,201	1,788
Change in value of beneficial interest in assets held by others	(6,500)	(10,166)	(16,666)	25,698
Net assets released from restrictions	165,112	(165,112)	-	-
Total Revenue	552,050	(175,278)	376,772	309,933
Total Public Support and Revenue	1,721,162	59,434	1,780,596	1,472,809
EXPENSES				
Program services	932,327	-	932,327	800,790
Management and general	190,563	-	190,563	176,241
Fundraising	270,755	-	270,755	250,340
Total Expenses	1,393,645	-	1,393,645	1,227,371
CHANGE IN NET ASSETS	327,517	59,434	386,951	245,438
NET ASSETS, BEGINNING OF YEAR	2,133,925	132,377	2,266,302	2,020,864
NET ASSETS, END OF YEAR	\$ 2,461,442	\$ 191,811	\$ 2,653,253	\$ 2,266,302

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, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022</u>	<u>(Memo) 2021</u>
Salaries	\$ 427,804	\$ 72,385	\$ 165,023	\$ 665,212	\$ 619,691
Payroll taxes and related costs	33,042	5,591	12,746	51,379	47,475
Employee health and retirement benefits	37,167	6,288	14,337	57,792	47,812
Total Salaries and Related Expenses	<u>498,013</u>	<u>84,264</u>	<u>192,106</u>	<u>774,383</u>	<u>714,978</u>
Advertising	318	6,727	74	7,119	8,444
Conferences, conventions and meetings	2,573	5,650	244	8,467	5,747
Food and beverages	-	-	32,251	32,251	15,405
Professional fees	54,091	20,966	20,849	95,906	73,224
Information technology	11,206	3,154	-	14,360	26,026
Insurance	14,394	31,910	-	46,304	47,451
Occupancy	100,814	20,164	13,441	134,419	100,814
Other event expense	-	-	17,015	17,015	13,955
Office expenses and supplies	57,091	11,419	7,611	76,121	51,847
Payments to National	-	-	-	-	11,000
Program expenses and supplies	45,145	-	-	45,145	46,584
In-kind	59,231	-	-	59,231	30,191
Travel and auto	9,815	1,625	27,061	38,501	19,091
Subtotal	<u>852,691</u>	<u>185,879</u>	<u>310,652</u>	<u>1,349,222</u>	<u>1,164,757</u>
Depreciation	<u>79,636</u>	<u>4,684</u>	<u>9,369</u>	<u>93,689</u>	<u>91,974</u>
2022 Total Expenses by Function	<u>\$ 932,327</u>	<u>\$ 190,563</u>	<u>\$ 320,021</u>	<u>\$ 1,442,911</u>	<u>\$ 1,256,731</u>
Less expenses included with revenues on the statement of activities					
Special event direct expenses	<u>-</u>	<u>-</u>	<u>(49,266)</u>	<u>(49,266)</u>	<u>(29,360)</u>
2022 Total Expenses	<u>\$ 932,327</u>	<u>\$ 190,563</u>	<u>\$ 270,755</u>	<u>\$ 1,393,645</u>	
2021 Total Expenses (Memo)	<u>\$ 800,790</u>	<u>\$ 176,241</u>	<u>\$ 250,340</u>		<u>\$ 1,227,371</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, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	(Memo) 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 386,951	\$ 245,438
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	93,689	91,974
Change in value of beneficial interest in assets held by others	16,666	(25,698)
Forgiveness of government loans	-	(134,572)
Contributions restricted for endowment	(251,600)	(20,000)
Cash in board designated funds	(252,440)	(388)
Decrease (increase) in:		
Accounts receivable	(35,086)	(3,914)
Pledges and grants receivable	(38,000)	13,800
Prepaid expenses	(8,324)	6,982
Unemployment reserve account	(2,808)	18,807
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,231)	1,496
Accrued payroll and related	26,854	(13,874)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(67,329)</u>	<u>180,051</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(131,328)	(36,971)
Purchase of securities	(251,600)	(86,090)
NET CASH USED BY INVESTING ACTIVITIES	<u>(382,928)</u>	<u>(123,061)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(140,500)	(24,255)
Contributions restricted for endowment	251,600	20,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>111,100</u>	<u>(4,255)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(339,157)	52,735
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>838,408</u>	<u>785,673</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 499,251</u>	<u>\$ 838,408</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 3,843	\$ 6,275
In-kind contributions	\$ 59,231	\$ 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 550 youth (males and females) participate in the Organization’s engaging, research-based programs through school-based programs in Carpinteria, 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, 2022, 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, 2022, totaled \$93,689.

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, 2021, from which the summarized information was derived.

Certain reclassifications have been made to the June 30, 2021, balances, as reported in the prior year financial statements, to make them comparable to the balances reported for the year-ended June 30, 2022.

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, 2022, 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 2018 and 2017, respectively.

Subsequent Events

The Organization has evaluated subsequent events through April 24, 2023, 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, 2022, 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. In 2022, the Organization received contributions to the Fund in the amount of \$251,600.

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, 2022, the estimated fair market value of the Organization's interest in the Fund is \$432,533. 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, 2022, include a beneficial interest in assets held by others. As described in Note 4, the Organization placed \$251,600 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, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
SBF Endowment Fund	\$ -	\$ 432,533	\$ -	\$ 432,533
Unemployment reserve account	-	11,552	-	11,552
Total	<u>\$ -</u>	<u>\$ 444,085</u>	<u>\$ -</u>	<u>\$ 444,085</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, 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 77,722	\$ 119,877	\$ 197,599
Contributions	220,000	31,600	251,600
Net investment return	(6,500)	(10,166)	(16,666)
Amounts appropriated for expenditure	-	-	-
Endowment net assets, June 30, 2022	<u>\$ 291,222</u>	<u>\$ 141,311</u>	<u>\$ 432,533</u>

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 note was paid in full as of June 30, 2022.

Note 8 – 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.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 8 – LEASES (continued)

During the year ending June 30, 2022, due to the impacts of COVID-19, the Organization and the tenant entered into a rebate agreement to terminate the lease, effective July 28, 2021. The Organization agreed to pay the tenant \$27,551 as part of the rebate.

Note 9 – 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.

Note 10 – 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 \$367,000 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 county. 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, 2022, the Organization received \$32,000 in governmental funds under such grants. Management believes it is unlikely that the various agencies would disallow a significant portion of the costs.

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 11 – 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, 2022, the passage of restrictions resulted in net assets released from restrictions of \$165,112.

Note 12 – 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.

As part of the Organization's liquidity management plan, the Organization has designated an operating reserve, which had a balance of \$580,395 as of June 30, 2022.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2022:

Current assets	
Cash and cash equivalents available within one year	\$ 499,251
Cash in board designated funds available within one year	580,395
Pledges and grants receivable, current portion	50,500
Other receivables	<u>41,827</u>
Total Current Assets	<u>1,171,973</u>
Current liabilities	<u>(97,305)</u>
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2022	<u>\$ 1,074,668</u>

GIRLS INCORPORATED OF CARPINTERIA

NOTES TO FINANCIAL STATEMENTS

Note 13 – NET ASSETS

Net Assets Without Donor Restrictions

Included in total net assets without donor restrictions of \$2,140,451 on the statement of financial position are \$389,011 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, 2022, the operating reserve consists of cash in the amount of \$580,395.

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. During the year ended June 30, 2022, the Board of Trustees designated \$220,000 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, 2022, net assets with donor restrictions consist of the following:

Pledges and grants receivable	\$ 50,500
Unappropriated endowment earnings	24,711
Scholarships	13,000
General operations	<u>103,600</u>
Total Net Assets With Donor Restrictions	<u>\$ 191,811</u>