

**GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED JUNE 30, 2018 and 2017

**McGILLOWAY, RAY, BROWN & KAUFMAN
ACCOUNTANTS & CONSULTANTS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girls Incorporated of the Central Coast
Salinas, California

We have audited the accompanying financial statements of the Girls Incorporated of the Central Coast (GICC), a nonprofit corporation, which comprise the statement of financial position as of June 30, 2018, and 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 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 of material misstatement.

An audit includes 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 the Girls Incorporated of the Central Coast as of June 30, 2018, 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.

Other Matters

The financial statements of the Girls Incorporated of the Central Coast as of June 30, 2017, and for the year then ended, were audited by other auditors whose report dated November 7, 2017, expressed an unmodified opinion on those financial statements.

A handwritten signature in black ink that reads "McGilloway, Ray, Brown & Kaufman". The signature is written in a cursive, flowing style.

McGilloway, Ray, Brown & Kaufman
Salinas, California
December 13, 2018

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

| ASSETS | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 1,196,345 | \$ 1,037,126 |
| Promises to give | 14,887 | 12,683 |
| Grants receivable - Note 2 | 139,117 | 12,500 |
| Prepaid expenses - Note 3 | 5,739 | 12,848 |
| Other receivables | 2,100 | 2,100 |
| Program fees receivables | - | 280 |
| Total current assets | <u>1,358,188</u> | <u>1,077,537</u> |
| Grants receivable, less current portion | 116,160 | - |
| Property and equipment - net - Note 4 | 4,856 | 6,744 |
| Investments held at Community Foundation - Note 5 | 116,833 | 109,282 |
| Other assets | | |
| Deposits | <u>1,720</u> | <u>1,720</u> |
| Total assets | <u><u>\$ 1,597,757</u></u> | <u><u>\$ 1,195,283</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ 8,460 | \$ 10,575 |
| Accrued liabilities | 42,133 | 39,928 |
| Deferred revenue | <u>13,610</u> | <u>22,685</u> |
| Total current liabilities | <u>64,203</u> | <u>73,188</u> |
| NET ASSETS | | |
| Unrestricted | 1,087,387 | 928,175 |
| Temporarily restricted - Note 7 | <u>446,167</u> | <u>193,920</u> |
| Total net assets | <u>1,533,554</u> | <u>1,122,095</u> |
| Total liabilities and net assets | <u><u>\$ 1,597,757</u></u> | <u><u>\$ 1,195,283</u></u> |

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| Revenues, gains and other support | | | |
| Grants and contracts | \$ 169,500 | \$ 629,659 | \$ 799,159 |
| Contributions | 117,518 | 14,887 | 132,405 |
| Special events, net - Note 9 | 110,158 | - | 110,158 |
| Contributions - in-kind | 123,283 | - | 123,283 |
| Program revenue services | 52,022 | - | 52,022 |
| Investment earnings - Community Foundation | 7,551 | - | 7,551 |
| Interest | 3,000 | - | 3,000 |
| Other income | 1,381 | - | 1,381 |
| | <u>584,413</u> | <u>644,546</u> | <u>1,228,959</u> |
| Net assets released from restrictions | <u>392,299</u> | <u>(392,299)</u> | <u>-</u> |
| Total revenues, gains and other support | <u>976,712</u> | <u>252,247</u> | <u>1,228,959</u> |
| Expenses | | | |
| Program services | | | |
| ECHO | 231,319 | - | 231,319 |
| Smart Choices | 54,972 | - | 54,972 |
| Will Power/Won't Power | 83,166 | - | 83,166 |
| Friendly PEERSuasion | 147,421 | - | 147,421 |
| Growing Together | 33,872 | - | 33,872 |
| SSB Summer Camp | 31,776 | - | 31,776 |
| Total program services | <u>582,526</u> | <u>-</u> | <u>582,526</u> |
| Support services | | | |
| Administrative | 117,380 | - | 117,380 |
| Development | 117,594 | - | 117,594 |
| Total support services | <u>234,974</u> | <u>-</u> | <u>234,974</u> |
| Total expenses | <u>817,500</u> | <u>-</u> | <u>817,500</u> |
| Change in net assets | <u>159,212</u> | <u>252,247</u> | <u>411,459</u> |
| Net assets at beginning of year | <u>928,175</u> | <u>193,920</u> | <u>1,122,095</u> |
| Net assets at end of year | <u>\$ 1,087,387</u> | <u>\$ 446,167</u> | <u>\$ 1,533,554</u> |

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|---------------------|
| Revenues, gains and other support | | | |
| Grants and contracts | \$ 43,500 | \$ 374,905 | \$ 418,405 |
| Contributions | 164,604 | - | 164,604 |
| Special events, net - Note 9 | 124,472 | - | 124,472 |
| Contributions - in-kind | 10,603 | - | 10,603 |
| Program revenue services | 50,827 | - | 50,827 |
| Investment earnings - Community Foundation | 11,992 | - | 11,992 |
| Interest | 1,947 | - | 1,947 |
| Other income | 2,084 | - | 2,084 |
| Dividends | 100 | - | 100 |
| | <u>410,129</u> | <u>374,905</u> | <u>785,034</u> |
| Net assets released from restrictions | <u>583,540</u> | <u>(583,540)</u> | <u>-</u> |
| Total revenues, gains and other support | <u>993,669</u> | <u>(208,635)</u> | <u>785,034</u> |
| Expenses | | | |
| Program services | | | |
| ECHO | 208,292 | - | 208,292 |
| Smart Choices | 56,310 | - | 56,310 |
| Will Power/Won't Power | 62,046 | - | 62,046 |
| Friendly PEERSuasion | 118,825 | - | 118,825 |
| Growing Together | 41,359 | - | 41,359 |
| SSB Summer Camp | 27,234 | - | 27,234 |
| Total program services | <u>514,066</u> | <u>-</u> | <u>514,066</u> |
| Support services | | | |
| Administrative | 127,246 | - | 127,246 |
| Development | 102,829 | - | 102,829 |
| Total support services | <u>230,075</u> | <u>-</u> | <u>230,075</u> |
| Total expenses | <u>744,141</u> | <u>-</u> | <u>744,141</u> |
| Change in net assets | <u>249,528</u> | <u>(208,635)</u> | <u>40,893</u> |
| Net assets at beginning of year | <u>678,647</u> | <u>402,555</u> | <u>1,081,202</u> |
| Net assets at end of year | <u>\$ 928,175</u> | <u>\$ 193,920</u> | <u>\$ 1,122,095</u> |

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

| | Program Services | | | | | | Support Services | | | | |
|-----------------------------------|-------------------|------------------|----------------------------|-------------------------|---------------------|--------------------|------------------------------|-------------------|-------------------|---------------------------|-------------------|
| | ECHO | Smart Choices | Will Power/ Won't Power | Friendly PEERSuasion | Growing Together | SSB Summer Camp | Total Program Services | Administrative | Development | Total Support Services | Total Expenses |
| Salaries and related expenses | \$ 160,119 | \$ 20,699 | \$ 70,070 | \$ 117,841 | \$ 28,102 | \$ 20,802 | \$ 417,633 | \$ 66,050 | \$ 65,824 | \$ 131,874 | \$ 549,507 |
| Other expenses | | | | | | | | | | | |
| Bad debt expense | - | - | - | - | - | - | - | 2,633 | - | 2,633 | 2,633 |
| Bank charges and credit card fees | - | - | - | - | - | - | - | 2,125 | 155 | 2,280 | 2,280 |
| Depreciation | - | - | - | - | - | - | - | 1,888 | - | 1,888 | 1,888 |
| Dues and membership | 1,419 | 789 | 1,419 | 1,419 | 1,419 | 1,419 | 7,884 | - | - | - | 7,884 |
| Food and events | 9,503 | 25,037 | 1,340 | 2,116 | 258 | 289 | 38,543 | - | - | - | 38,543 |
| Information technology | 873 | 241 | 181 | 662 | - | 120 | 2,077 | 514 | 1,559 | 2,073 | 4,150 |
| Insurance | - | - | - | - | - | - | - | 5,883 | - | 5,883 | 5,883 |
| Marketing and fundraising | - | - | - | - | - | - | - | 55 | 7,663 | 7,718 | 7,718 |
| Miscellaneous | - | - | - | - | - | - | - | 7,079 | 538 | 7,617 | 7,617 |
| Moving expense | 48 | 11 | 8 | 37 | - | 5 | 109 | 4,788 | 14 | 4,802 | 4,911 |
| Operating supplies and services | 12,239 | 2,334 | 2,871 | 5,746 | 2,138 | 5,360 | 30,688 | 704 | 1,368 | 2,072 | 32,760 |
| Phone cards | 450 | - | 220 | 230 | 240 | - | 1,140 | - | - | - | 1,140 |
| Printing and postage | 7,321 | 1,388 | 1,600 | 5,227 | - | 694 | 16,230 | 1,751 | 3,007 | 4,758 | 20,988 |
| Professional fees | - | - | - | - | - | - | - | 15,925 | 28,082 | 44,007 | 44,007 |
| Rent - Note 10 | 11,426 | 3,152 | 2,364 | 8,668 | - | 1,576 | 27,186 | 3,940 | 8,274 | 12,214 | 39,400 |
| Training and conferences | 826 | 28 | 191 | 31 | - | 23 | 1,099 | 3,616 | 209 | 3,825 | 4,924 |
| Travel | 25,851 | 950 | 2,645 | 4,500 | 1,715 | 1,316 | 36,977 | - | - | - | 36,977 |
| Utilities | 1,244 | 343 | 257 | 944 | - | 172 | 2,960 | 429 | 901 | 1,330 | 4,290 |
| Total expenses | \$ 231,319 | \$ 54,972 | \$ 83,166 | \$ 147,421 | \$ 33,872 | \$ 31,776 | \$ 582,526 | \$ 117,380 | \$ 117,594 | \$ 234,974 | \$ 817,500 |

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

| | Program Services | | | | | | Support Services | | | | |
|-----------------------------------|-------------------|------------------|----------------------------|-------------------------|---------------------|--------------------|------------------------------|-------------------|-------------------|---------------------------|-------------------|
| | ECHO | Smart Choices | Will Power/ Won't Power | Friendly PEERSuasion | Growing Together | SSB Summer Camp | Total Program Services | Administrative | Development | Total Support Services | Total Expenses |
| Salaries and related expenses | \$ 145,484 | \$ 18,530 | \$ 51,922 | \$ 95,562 | \$ 36,399 | \$ 19,802 | \$ 367,699 | \$ 64,871 | \$ 62,608 | \$ 127,479 | \$ 495,178 |
| Other expenses | | | | | | | | | | | |
| Bad debt expense | - | - | - | - | - | - | - | 10,913 | - | 10,913 | 10,913 |
| Bank charges and credit card fees | - | - | - | - | - | - | - | 739 | 1,628 | 2,367 | 2,367 |
| Depreciation | - | - | - | - | - | - | - | 1,349 | - | 1,349 | 1,349 |
| Dues and membership | 1,329 | 738 | 1,329 | 1,329 | 1,329 | 2,254 | 8,308 | - | - | - | 8,308 |
| Food and events | 7,459 | 29,027 | 866 | 1,670 | 875 | 1,081 | 40,978 | - | - | - | 40,978 |
| Information technology | 402 | 111 | 83 | 305 | - | 55 | 956 | 2,696 | 476 | 3,172 | 4,128 |
| Insurance | - | - | - | - | - | - | - | 5,298 | - | 5,298 | 5,298 |
| Marketing and fundraising | - | - | - | - | - | - | - | 175 | 3,004 | 3,179 | 3,179 |
| Miscellaneous | - | - | - | - | - | - | - | 4,922 | 99 | 5,021 | 5,021 |
| Operating supplies and services | 10,220 | 1,141 | 2,613 | 4,128 | 757 | 982 | 19,841 | 552 | 1,189 | 1,741 | 21,582 |
| Phone cards | 550 | - | 95 | 395 | 175 | - | 1,215 | - | - | - | 1,215 |
| Printing and postage | 5,590 | 1,031 | 773 | 3,381 | - | 516 | 11,291 | 1,342 | 1,917 | 3,259 | 14,550 |
| Professional fees | - | - | - | - | - | - | - | 19,214 | 22,440 | 41,654 | 41,654 |
| Rent - Note 10 | 11,020 | 3,040 | 2,280 | 8,360 | - | 1,520 | 26,220 | 3,800 | 7,980 | 11,780 | 38,000 |
| Services in-kind | - | - | - | - | - | - | - | 10,603 | - | 10,603 | 10,603 |
| Training and conferences | 817 | 78 | 322 | 110 | - | 50 | 1,377 | 356 | 148 | 504 | 1,881 |
| Travel | 24,221 | 2,283 | 1,515 | 2,674 | 1,824 | 808 | 33,325 | - | 470 | 470 | 33,795 |
| Utilities | 1,200 | 331 | 248 | 911 | - | 166 | 2,856 | 416 | 870 | 1,286 | 4,142 |
| Total expenses | \$ 208,292 | \$ 56,310 | \$ 62,046 | \$ 118,825 | \$ 41,359 | \$ 27,234 | \$ 514,066 | \$ 127,246 | \$ 102,829 | \$ 230,075 | \$ 744,141 |

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|---|--------------|--------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 411,459 | \$ 40,893 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 1,888 | 1,349 |
| Change in value - investment held at Community Foundatic | (7,551) | (11,992) |
| (Increase) decrease in operating assets | | |
| Promises to give | (2,204) | 82,145 |
| Grants receivable | (242,777) | (11,327) |
| Prepaid expense | 7,109 | (4,002) |
| Other receivables | - | (2,100) |
| Program fees receivables | 280 | (280) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | (2,115) | 2,099 |
| Accrued liabilities | 2,205 | 8,701 |
| Deferred revenue | (9,075) | 6,169 |
| Net cash provided (used) by operating activities | 159,219 | 111,655 |
| Net increase (decrease) in cash and cash equivalents | 159,219 | 111,655 |
| Cash and cash equivalents, beginning of year | 1,037,126 | 925,471 |
| Cash and cash equivalents, end of year | \$ 1,196,345 | \$ 1,037,126 |

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Girls Incorporated of the Central Coast (GICC) is a California Nonprofit Corporation organized in 1999 to inspire girls to be strong, smart, and bold, and to respect themselves and the world around them. GICC is an affiliate of the Girls Incorporated, a national organization that has been providing programs for girls since 1864 in the United States and Canada. GICC delivers innovative, research-based programs designed specifically to address the strengths and needs of girls ages 8 to 18. GICC programs focus on empowerment, health and leadership, preparing girls for economic independence and confident adulthood.

GICC began in 1999 in one high school as one program; education, careers, health, opportunities (ECHO). In 2001, the ACTION Council of Monterey County adopted ECHO as its major project with the intention of expanding services, developing organizational capacity and sustainability, and when ready, spinning it off as an independent non-profit organization. In 2006, GICC received its 501 (c)(3) designation and became an affiliate of Girls Incorporated. In 2010, a steering committee was formed to prepare for the agency's transition to an independent non-profit. On July 1, 2011, GICC became an independent organization with a 15-member Board of Directors. GICC has grown to serve more than 1,700 girls each year with seven programs, in 41 schools throughout 10 cities and rural Monterey, San Benito, and most recently Santa Cruz counties.

GICC operates the following major programs on an ongoing basis:

- **ECHO Leadership Mentoring Program** – ECHO is a leadership mentoring program to encourage girls ages 15-17, to pursue post-secondary education and plan for future careers. The sessions are designed to inspire girls to value themselves, reach for their dreams, develop an action plan to achieve their goals, and see themselves as leaders.
- **Youth Leadership Program** – ECHO Leadership Graduates have the opportunity to continue their leadership development in the Youth Leadership Program, by delivering programs to girls in middle and high schools in their home communities. Youth leaders receive extensive training in decision-making, goal setting, facilitation, public speaking and program planning. They learn job-interviewing skills (both as applicants and interviewers), how to read and present a curriculum to others, how to work as a member of a team and how to manage a group of 25-35 girls. In addition, they are required to learn the informational content of each program: pregnancy and substance abuse prevention, preparing for high school and college, media and financial literacy, stress reduction, bullying prevention, female health and developing healthy relationships
- **Smart Choices** - Smart Choices is a week long summer camp held at UC Santa Cruz for 8th grade girls to help them make smart choices regarding school, relationships, and health. Smart Choices give girls entering high school the opportunity to experience college life and get a head start in planning for high school and beyond. Smart Choices addresses the issues facing these girls by focusing on pursuing higher education, setting goals, making decisions, taking the necessary steps, and understanding the value of an education.

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

- **Will Power/Won't Power** - Will Power/Won't Power is a series of interactive assertive communication workshops for girls ages 12-14. The program focuses on values and healthy relationships, helps girls identify and avoid risky situations, provides factual information on female health and the reproductive system and encourages girls to value and support each other.
- **Friendly PEERsuasion** - Friendly PEERsuasion Phase 1 is a program that is a unique response to girls' needs because it approaches substance-abuse prevention as a peer issue, using the positive influence of young people modeling healthy behavior. Session topics include: Effective communication, healthy stress management, reasons to avoid tobacco and alcohol, responsible use of prescription and over-the-counter medications, harmful impacts of bullying, standing up against bullying, resisting peer and media pressures, public speaking strategies, leadership development, and goal setting.

Upon completion of the Friendly PEERsuasion Phase 1, the middle school girls, "PEERsuaders"(Phase 2), began working closely with their Youth Leaders to improve their public speaking skills, divide activities, prepare materials and practice teamwork. Once preparations are completed, the "PEERsuaders" teach what they have learned at their local elementary schools. The curriculum for Friendly PEERsuasion Phase 2 mirrors the curriculum for the first phase, but is simplified for the 4th and 5th graders. Through Phase 2, the newly minted facilitators help the younger girls to improve their communication skills, make healthier choices around stress management and friendships, and create an atmosphere of support and sisterhood.

- **Growing Together** - Growing Together is a program that supports girls ages 10-12 years old and their moms or another significant adult by creating a safe space where they come together once a week for four weeks to partake in a series of different activities and learn about different topics that can assist in the changes they are or will be going through. Girls gain valuable experience through program activities: problem solving strategies, positive communication skills, knowledge of their reproductive health and changes in their bodies, and the importance of values and setting goals.
- **Strong, Smart, and Bold Summer Camp** - Strong, Smart, and Bold Summer Camp is a two-week day camp for girls ages 8-11. Girls participate in research-based programs:
 - Girls Take Another Look increases their awareness of the scope and power of the media and the effects of media messages on girls and women.
 - Girls Encourage is designed to sustain girls' interest in sports through adolescence by introducing them to nontraditional activities and adventures.
 - Operation SMART which develops girls' enthusiasm for and skills in science, technology, engineering and math (STEM) through hands-on activities.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (GAAP) under which revenues are recognized when they are earned, and expenses are recognized when the related liability is incurred. All financial transactions have been recorded and reported as either: unrestricted, temporarily restricted, or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions.

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

In accordance with the limitations, designations and restrictions placed on the use of resources available to GICC, the following classifications are utilized according to the nature and purpose of the resources:

Unrestricted Net Assets - Unrestricted net assets represent net assets that are not subject to donor-imposed or time restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Certain funds function as an endowment fund within unrestricted net assets designated by the Board of Directors as a quasi-endowment to be used for the purpose of funding operations.

Temporarily Restricted Net Assets - Temporarily restricted net assets are assets subject to donor-imposed restrictions that may or will be met, either by actions of GICC and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are transferred to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Permanently restricted net assets are subject to donor-imposed restrictions that will be maintained in perpetuity. Funds are held in perpetuity while the income is available for general use. GICC had no permanently restricted net assets at June 30, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax-Exempt Status

GICC has been granted tax-exempt status by the Internal Revenue Service under Code Section 501(c)(3). Certain types of income are considered unrelated business taxable income which is taxed at regular corporate income tax rates. GICC had no unrelated business taxable income during the years ended June 30, 2018 and 2017. GICC believes that its tax positions will, more likely than not, be sustained based on their technical merits, should there be an examination by a taxing authority.

Currently, the 2015, 2016, and 2017 tax years are open and subject to examination by the taxing authorities. However, GICC is not currently under audit nor has GICC been contacted by one of the taxing authorities.

Management evaluated GICC's tax positions and concluded they took no uncertain tax positions requiring adjustment to the financial statements to comply with the provisions issued by the Financial Accounting Standards Board.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, GICC considers all highly liquid investments and certificates of deposit with an original maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk

Deposits with banks and certain financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) for account balances up to an aggregate amount of \$250,000 per depositor. At June 30, 2018 and 2017, GICC maintained deposits with multiple banks,

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

balances of which exceeded the FDIC insured limit by \$713,034 and \$545,248, respectively.

Promises to Give and Grants Receivable

Promises to give and grants receivable generally represent various amounts owed to GICC from various donating entities and individuals. No provision for doubtful accounts has been made since all receivables are considered collectible by GICC at June 30, 2018 and 2017. All promises to give are current and are expected to be collected in the next fiscal year. See Note 2 for additional information regarding grants receivable.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

| | <u>Years</u> |
|------------------|--------------|
| Office equipment | 7 |

Maintenance and repairs that do not improve or extend the useful lives of respective assets are charged against income; major renewals and betterments of \$5,000 or greater are capitalized and depreciated.

Fair Value of Financial Instruments

Financial instruments included in GICC's statements of financial position include cash and cash equivalents, promises to give, grants receivable, program fees receivable, investments held at Community Foundation for Monterey County, accounts payable, and accrued liabilities.

For cash and cash equivalents, promises to give, grants receivable, program fees receivable, accounts payable and accrued liabilities, the carrying amounts represent a reasonable estimate of the corresponding fair values.

Investments held at Community Foundation for Monterey County are reflected in the accompanying statements of financial position at their estimated fair values using methodologies described in Note 5.

Grants and Contributions

Grants and contributions are recorded upon receipt of cash or unconditional promises. Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

Revenue received for grants and contracts were 68% and 53% of total revenue for the year ended June 30, 2018 and 2017, respectively. As of June 30, 2018, one organization constitutes approximately 34% of total grant and contract revenue and another organizations constitutes 18% of total grant and contract revenue.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. The financial statements include \$123,283 and \$0 in donated assets for the years ended June 30, 2018 and 2017.

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Contributed Services

Contributions of donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased by GICC if not provided by donation.

Donated in-kind accounting services of \$0, and \$10,603 have been reflected in the accompanying financial statements for the years ended June 30, 2018 and 2017, respectively. These amounts have been charged to expense in the statement of activities and are related to support services.

Volunteer Services

A substantial number of volunteers donated significant amounts of time to GICC's fundraising campaign, allocation functions, and administrative oversight. Such services are not reflected in the financial statements, since they do not create or enhance non-financial assets nor require specialized skills that would typically be purchased.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses totaled \$3,287 and \$4,900 for the years ended June 30, 2018 and 2017, respectively.

Functional Expenses

The costs of providing GICC's program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and development expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of GICC.

Upcoming Accounting Pronouncements

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This ASU improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. GICC is assessing the impact this ASU will have on its financial statements.

In May 2014, the FASB issued ASE 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. U.S. GAAP guidance requires the use of more estimates and judgements than the present standards, along with additional disclosures. The guidance will be effective for GICC for annual reporting periods beginning after December 15, 2018. The GICC is assessing the impact this ASU will have on its financial statements.

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In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. GICC is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Reclassifications

Certain accounts in the prior year-financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

The investments held at the Community Foundation has been reclassified within the fair value hierarchy, as stated in Note 5, however there have been no changes in valuation techniques used for these assets.

Subsequent Events

Subsequent events were evaluated through December 13, 2018, the date the financial statements were available to be issued.

2. Grants Receivable

Grants receivable consist of the following grants at June 30, 2018:

| | |
|-------------------------------|--------------------------|
| City of Seaside | \$ 2,001 |
| Chapman Foundation | 10,000 |
| Girls Inc. National | 63,276 |
| Monterey Peninsula Foundation | <u>180,000</u> |
| Total grants receivable | <u><u>\$ 255,277</u></u> |

As of June 30, 2018, one organization constitutes approximately 71% and another organizations constitutes 25% of total grant receivables.

Grants receivable as of June 30, 2018 are expected to be collected in full according to the schedule below. The fair value of the payments due in more than one-year, approximate book value and no present value discount was necessary.

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Grants receivable as of June 30, 2018 are scheduled for collection as follows:

| | |
|------------------------------|--------------------------|
| In year ending June 30, 2019 | \$ 139,117 |
| In year ending June 30, 2020 | <u>116,160</u> |
| Total grant payments | <u><u>\$ 255,277</u></u> |

Grants receivable consist of the following grants at June 30, 2017:

| | |
|---|-------------------------|
| Community Foundation of San Benito | \$ 6,000 |
| County of Monterey | 1,500 |
| City of Salinas | 2,000 |
| Community Foundation of Santa Cruz County | <u>3,000</u> |
| Total grants receivable | <u><u>\$ 12,500</u></u> |

All grants receivable for the year ended June 30, 2017, were collected in the year ended June 30, 2018.

3. Prepaid Expense

Prepaid expense consists of the following at June 30:

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|------------------------|-------------------------|
| Property insurance | \$ - | \$ 4,637 |
| Other prepaid | 413 | 3,594 |
| Rent | 3,300 | 3,200 |
| Officers' and directors' insurance | 1,700 | 1,091 |
| Worker's compensation insurance | <u>326</u> | <u>326</u> |
| | <u><u>\$ 5,739</u></u> | <u><u>\$ 12,848</u></u> |

4. Property and Equipment

Property and equipment consists of the following at June 30:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|------------------------|------------------------|
| Office equipment | \$ 9,442 | \$ 9,442 |
| Less accumulated depreciation | <u>(4,586)</u> | <u>(2,698)</u> |
| | <u><u>\$ 4,856</u></u> | <u><u>\$ 6,744</u></u> |

Depreciation expense for the years ended June 30, 2018 and 2017 was \$1,888 and \$1,349, respectively.

5. Fair Value Measurements

GICC measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, GICC uses the market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

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GICC uses the fair value hierarchy to determine the fair values based on the following:

- Level 1 – Holdings use quoted (unadjusted) prices for identical assets or liabilities in active markets.
- Level 2 – Holdings use the following methods: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in non-active (few transactions, limited information, non-current prices, high variability over time), inputs other than quoted prices that are observable for the assets or liabilities (e.g. interest rates, yield curves volatilities, default rates, etc.), and inputs that are derived primarily from or corroborated by other observable market data.
- Level 3 – Holdings use is based on the GICC’s best estimate of what market participants would use in pricing the investments at the measurement date. It involves prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

There have been no changes in valuation techniques for these assets for the years ended June 30, 2018 and 2017.

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments Held at Community Foundation of Monterey County – Stewardship Fund

Investments held at the Community Foundation of Monterey County (CFMC) represents amounts held in the Stewardship Fund of Community Foundation. CFMC invests the assets held in the fund. See Note 6 for additional information. GICC has used the fair value of its pro-rata share of the investment pool held by CFMC to determine the fair value of the beneficial interest. The unobservable inputs to the valuation are the underlying assets at the CFMC; therefore, these investments are classified as Level 3 assets within the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although GICC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, the following table sets forth by level, within the fair value hierarchy, GICC’s assets at fair value:

| | 2018 (Level 3) | 2017 (Level 3) |
|---|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Investments held at Community Foundation for Monterey County | <u>\$ 116,833</u> | <u>\$ 109,282</u> |

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At June 30, the following table sets forth a summary of changes in the fair value of the GICC's level 3 assets:

| | 2018 | 2017 |
|-----------------------------|------------|------------|
| Beginning balance | \$ 109,282 | \$ 97,290 |
| Contributions | - | 1,000 |
| Interest and dividends | 3,709 | 2,757 |
| Realized gain (loss) | 288 | 395 |
| Unrealized gain (loss) | 4,878 | 9,025 |
| Administrative fees | (1,324) | (1,017) |
| Investment consulting/other | - | (168) |
| Ending balance | \$ 116,833 | \$ 109,282 |

6. Investment Held at Community Foundation

On March 6, 2015, GICC established an Agency Stewardship Fund (Fund) with the Community Foundation of Monterey County (Foundation), for the benefit of GICC with an initial contribution of \$100,000. GICC granted variance power to the Foundation; thus, the Foundation has fully authority and discretion as to the investment and reinvestment of the assets.

The Foundation will make annual distributions from the Fund, if so requested. Absent the establishment of an annual distribution, grants from the Fund will be made at GICC's request. Distributions from the Fund are for GICC's discretionary use, so long as such uses are legal and do not jeopardize GICC's 501(c)(3) status with the IRS.

The Foundation's fees for administrating the Fund is assessed quarterly. The administrative fee is taken from income generated by the assets held in Fund, unless GICC wishes to make additional donations to cover the fee. The corpus of the Fund shall be included in the permanent endowment of the Foundation. GICC may terminate the Fund, or received payment larger than the Foundation distribution (i.e. receive all or part of their fund), by submitting in writing a copy of a resolution authorizing such action approved by three-fourths (3/4) of the directors of GICC's board. Any such distribution shall be subject to the approved of the Foundation's board of directors and shall not be unreasonably withheld.

In the event that GICC ceases operation as a qualified 501(c)(3) organization as designed by the Internal Revenue Service (IRS), the board of directors of the Foundation, in consultation with the Board of Directors of GICC, may designate other qualified charitable organization as successor beneficiaries are qualified by the IRS as 501(c)(3) organizations. No matter the new beneficiary, however, the corpus of the Fund shall continue to remain the permanent possession of the Foundation and its endowment. In all cases, the board of the Foundation has full right and authority to exercise its "power of variance" in redirecting the use of the assets of the Fund in keeping with the original intent of GICC, insofar as possible.

For the years ended June 30, 2018 and 2017, there were no distributions from the Fund.

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7. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes as of June 30:

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|-------------------|-------------------|
| Operating fund (time restricted) | \$ 346,000 | \$ 146,667 |
| ECHO | 16,656 | 22,171 |
| Smart Choices | 15,989 | 3,934 |
| Growing Together | 12,655 | 2,266 |
| Will Power/Won't Power | 19,990 | 2,266 |
| Friendly PEERSuasion | 19,990 | 2,266 |
| SSB Summer Camp | - | 1,667 |
| Promises to give | 14,887 | 12,683 |
| | <u>\$ 446,167</u> | <u>\$ 193,920</u> |

8. Retirement Plan

GICC maintains 403(b) plan covering all eligible employees. The plan provides for a discretionary contribution from GICC which is determined each year by the Board of Directors. The plan does not provide any contributions from GICC, rather allows employees a vehicle to defer payroll amounts to self-directed accounts. GICC incurred no expenses related to the 403(b) plan in the years ended June 30, 2018 and 2017.

GICC also maintains a SEP IRA retirement plan covering all employees. Participants in this plan are eligible when they have reached a minimum age of 21, completes a 12 month term of employment and earned at least \$550 in the calendar year. Each November, GICC contributes 2% of each eligible employee's compensation to the plan, or higher if approved by the Board of Directors according to the budget. Total expenses incurred under this plan were \$11,648 and \$9,779, for the years ended June 30, 2018 and 2017, respectively.

9. Special Events

GICC held various special fundraising events during the years ended June 30, 2018 and 2017. The following represents the results of those events:

| | <u>2018</u> | <u>2017</u> |
|-------------------------|-------------------|-------------------|
| Special event revenues | \$ 141,256 | \$ 168,400 |
| Special event donations | 48,195 | 44,351 |
| Special event expenses | (79,293) | (88,279) |
| | <u>\$ 110,158</u> | <u>\$ 124,472</u> |

10. Lease Commitments

A seven-year lease agreement was entered on July 5, 2017, with a base year rent of \$3,200 per month and provides for an annual increase in the base rent. The lease agreement has an option to renew for an additional three years.

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Future minimum payments under this operating lease are summarized as follows at June 30, 2018:

| <u>For the year ended</u> | <u>Amount</u> |
|---------------------------|-------------------|
| 2019 | \$ 40,600 |
| 2020 | 61,701 |
| 2021 | 66,979 |
| 2022 | 68,319 |
| 2023 | 69,685 |
| Thereafter | <u>71,079</u> |
| | <u>\$ 378,363</u> |

Total rent expenses were \$39,400 and \$38,000 for the years ended June 30, 2018 and 2017, respectively.