

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

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

**JUNE 30, 2020
(with summarized comparative information
for the year ended June 30, 2019)**

**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, 2020, 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.

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MaeBeth, CPA | Sukhdev Singh, CPA |
Laura Armbruster, CPA | Rose Maxwell, CPA

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, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Girls Incorporated of the Central Coast June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



McGilloway, Ray, Brown & Kaufman
Salinas, California
November 17, 2020

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(with summarized comparative information at June 30, 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,581,338	\$ 1,281,558
Promises to give	5,028	25,381
Grants receivable - Note 3	145,593	126,036
Prepaid expenses	12,285	16,205
Total current assets	1,744,244	1,449,180
Promises to give, less current portion	150	7,852
Grants receivable, less current portion	-	90,000
Property and equipment, net - Note 4	1,080	2,968
Investments held at Community Foundation - Note 6	121,522	120,375
Deposits	1,720	1,720
Total assets	\$ 1,868,716	\$ 1,672,095
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 13,392	\$ 6,507
Accrued liabilities	38,376	50,380
Deferred revenue	1,350	14,900
Total current liabilities	53,118	71,787
NET ASSETS		
Without donor restrictions		
Undesignated	1,019,135	768,596
Board designated	460,000	460,000
Total without donor restrictions	1,479,135	1,228,596
With donor restrictions		
Purpose and time restricted	336,463	371,712
Total net assets	1,815,598	1,600,308
Total liabilities and net assets	\$ 1,868,716	\$ 1,672,095

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(with summarized comparative information for the year ended June 30, 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support				
Grants and contracts	\$ 261,131	\$ 450,081	\$ 711,212	\$ 536,609
Contributions	197,934	5,178	203,112	167,078
Special events, net - Note 9	84,393	-	84,393	141,041
Program revenue services	38,720	-	38,720	51,774
Investment return, net - Community Foundation	1,147	-	1,147	3,542
Interest and dividends	20,365	-	20,365	10,759
Other income	4,045	-	4,045	6,750
	<u>607,735</u>	<u>455,259</u>	<u>1,062,994</u>	<u>917,553</u>
Net assets released from restrictions				
Satisfaction of purpose restriction	299,964	(299,964)	-	-
Satisfaction of time restriction	190,544	(190,544)	-	-
Total assets released from restriction	<u>490,508</u>	<u>(490,508)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,098,243</u>	<u>(35,249)</u>	<u>1,062,994</u>	<u>917,553</u>
Expenses				
Program services				
ECHO	249,696	-	249,696	249,634
Smart Choices	22,270	-	22,270	52,125
Will Power/Won't Power	85,566	-	85,566	72,139
Friendly PEERsuasion	121,308	-	121,308	134,982
Growing Together	43,039	-	43,039	48,192
SSB Summer Camp	38,905	-	38,905	44,487
Total program services	<u>560,784</u>	<u>-</u>	<u>560,784</u>	<u>601,559</u>
Support services				
Administrative	128,113	-	128,113	119,226
Development	158,807	-	158,807	130,014
Total support services	<u>286,920</u>	<u>-</u>	<u>286,920</u>	<u>249,240</u>
Total expenses	<u>847,704</u>	<u>-</u>	<u>847,704</u>	<u>850,799</u>
Change in net assets	<u>250,539</u>	<u>(35,249)</u>	<u>215,290</u>	<u>66,754</u>
Net assets at beginning of year	<u>1,228,596</u>	<u>371,712</u>	<u>1,600,308</u>	<u>1,533,554</u>
Net assets at end of year	<u>\$ 1,479,135</u>	<u>\$ 336,463</u>	<u>\$ 1,815,598</u>	<u>\$ 1,600,308</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, 2020
(with summarized comparative information for the year ended June 30, 2019)

	Program Services						Total Program Services	Support Services			Totals	
	ECHO	Smart Choices	Will Power/ Won't Power	Friendly PEERsuasion	Growing Together	SSB Summer Camp		Administrative	Development	Total Support Services	2020	2019
Salaries and related expenses	\$ 173,200	\$ 12,348	\$ 72,441	\$ 95,068	\$ 37,246	\$ 30,244	\$ 420,547	\$ 74,000	\$ 86,573	\$ 160,573	\$ 581,120	\$ 596,224
Other expenses												
Bad debt	-	-	-	-	-	-	-	-	11,706	11,706	11,706	2,374
Bank charges	-	-	-	-	-	-	-	1,646	76	1,722	1,722	2,831
Depreciation	-	-	-	-	-	-	-	1,888	-	1,888	1,888	1,888
Dues and membership	1,467	2,455	1,467	1,467	1,467	1,467	9,790	-	-	-	9,790	7,984
Food and events	10,423	30	1,028	955	718	82	13,236	-	-	-	13,236	36,582
Information technology	848	203	167	572	-	101	1,891	1,065	9,717	10,782	12,673	6,460
Insurance	-	-	-	-	-	-	-	6,965	-	6,965	6,965	5,926
Marketing and fundraising	-	-	-	-	-	-	-	-	1,663	1,663	1,663	1,094
Miscellaneous	-	-	-	53	-	-	53	13,064	745	13,809	13,862	10,947
Supplies	13,456	859	4,150	4,978	1,893	3,866	29,202	468	1,531	1,999	31,201	40,429
Phone cards	585	-	190	155	195	-	1,125	-	200	200	1,325	860
Printing and postage	3,397	841	631	2,312	70	350	7,601	1,244	2,644	3,888	11,489	12,195
Professional fees	-	-	-	-	-	-	-	18,863	24,798	43,661	43,661	38,686
Rent	17,893	4,936	3,702	13,574	-	2,468	42,573	6,170	12,957	19,127	61,700	40,600
Training and conferences	654	-	299	96	36	-	1,085	2,293	3,574	5,867	6,952	7,876
Travel	26,476	240	1,223	1,094	1,414	148	30,595	-	1,684	1,684	32,279	33,480
Utilities	1,297	358	268	984	-	179	3,086	447	939	1,386	4,472	4,363
Total June 30, 2020	<u>\$ 249,696</u>	<u>\$ 22,270</u>	<u>\$ 85,566</u>	<u>\$ 121,308</u>	<u>\$ 43,039</u>	<u>\$ 38,905</u>	<u>\$ 560,784</u>	<u>\$ 128,113</u>	<u>\$ 158,807</u>	<u>\$ 286,920</u>	<u>\$ 847,704</u>	
Total June 30, 2019	<u>\$ 249,634</u>	<u>\$ 52,125</u>	<u>\$ 72,139</u>	<u>\$ 134,982</u>	<u>\$ 48,192</u>	<u>\$ 44,487</u>	<u>\$ 601,559</u>	<u>\$ 119,226</u>	<u>\$ 130,014</u>	<u>\$ 249,240</u>		<u>\$ 850,799</u>

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(with summarized comparative information for the year ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 215,290	\$ 66,754
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,888	1,888
Change in value - investment held at Community Foundation	(1,147)	(3,542)
(Increase) decrease in operating assets and liabilities		
Promises to give	28,055	(18,346)
Grants receivable	70,443	39,241
Prepaid expenses	3,920	(10,466)
Other receivables	-	2,100
Accounts payable	6,885	(1,953)
Accrued liabilities	(12,004)	8,247
Deferred revenue	(13,550)	1,290
Net cash provided by operating activities	299,780	85,213
Net increase in cash and cash equivalents	299,780	85,213
Cash and cash equivalents, beginning of year	1,281,558	1,196,345
Cash and cash equivalents, end of year	\$ 1,581,338	\$ 1,281,558

See accompanying notes to financial statements

GIRLS INCORPORATED OF THE CENTRAL COAST
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 43 schools throughout 12 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.
- **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

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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 Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP). In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity, resulting in the use of cash, respectively.

Classes of Net Assets

The classification of a not-for-profit organization's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. Therefore, it requires that the amounts for each of the classes of net assets with donor restrictions and without donor restrictions be displaced in the statement of financial position and the amounts

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of change in each of those classes of net assets be displayed in the statement of activities. The classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions over which the Board of Directors have discretionary control in carrying out the operations of the Organization.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor-imposed restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, 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 year ended June 30, 2020. 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.

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.

GICC had no interest and penalties related to income taxes for the year ended June 30, 2020.

Cash and Cash Equivalents

For the purposes of the statement 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, 2020, GICC maintained deposits with multiple banks, balances of which exceeded the FDIC insured limit by \$757,661.

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, 2020. All promises to give are expected to be collected within two years. The fair value of the promises to give

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due in more than one-year, approximate the carrying amounts and no present value discount was considered necessary.

See Note 3 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 life of 7 years.

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.

Grants and Contributions

GICC enters into various grant agreements. Revenue related to these agreements are recognized in accordance with the terms and conditions included therein.

Contributions are recognized as revenue when received or unconditional promised. 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 without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

Revenue received for grants and contracts was 67% of total revenue for the year ended June 30, 2020. As of June 30, 2020, two organizations constitutes approximately 22% and 14% of total grant and contract revenue, respectively.

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.

The contributed services for the year ended June 30, 2020, did not meet the requirements above, therefore no amounts were recognized in the accompanying financial statements.

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 \$1,969 for the year ended June 30, 2020.

Functional Expenses

The costs of providing GICC's program and supporting services have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. 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.

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The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time spent
Utilities	Size of staff
Printing	Size of staff and number of participants
Supplies	Actual and size of staff
Rent	Size of staff

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with the accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Recently Issued Accounting Pronouncements (ASU)

ASU 2018-08

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The amendments provide for additional clarifying guidance resulting in greater consistency in application and make the accounting for contributions more operable. The guidance is effective for periods beginning after December 15, 2018. The amendments in this Update should be applied on a modified prospective basis. Retrospective application is permitted. This ASU has been applied to the year presented with no material changes to the financial statements.

Upcoming Accounting Pronouncements

ASU 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which amended revenue recognition guidance to clarify the principles for recognizing revenues from contracts with customers. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, disclosures are required about customer contracts, significant judgement and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years beginning after December 15, 2018. In June 2020, FASB issued ASU No. 2020-05 *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) to delay the effective date for annual reporting to fiscal years beginning after December 15, 2019, for Topic 606. The Organization

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is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

ASU 2020-07

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this update will apply to not-for-profits that receive contributed nonfinancial assets. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, which amends the FASB Accounting Standards Codification and creates Topic 842, *Leases*, requiring organizations to recognize lease assets and lease liabilities on the statement of net position and requiring disclosure of key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2020. ASU No. 2016-02 mandates a modified retrospective transition method. In June 2020, FASB issued ASU No. 2020-05 *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) to delay the effective date for annual reporting to fiscal years beginning after December 15, 2021, for Topic 842. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

2. Financial Assets Availability, Liquidity and Reserves Management

The following reflects GICC’s financial assets as of June 30, 2020, reduced by amounts not available for general expenditure due to contractual or donor-imposed restrictions within one year. Amounts not available include amounts set aside for the operating reserve upon approval of the Board of Directors.

The following assets are available to meet cash needs for general expenditure within one year:

Cash and cash equivalents	\$ 1,581,338
Promises to give	5,178
Grants receivable	145,593
Investments held at Community Foundation	<u>121,522</u>
Financial assets as of June 30, 2020	1,853,631
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
Restricted by donor with purpose or time restrictions	150
Board designated	
Amounts set aside for operating reserve	<u>(460,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,393,781</u></u>

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As part of GICC’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, GICC has established an operating reserve approximately equal to six months of operating expenses, which is \$460,000 as of June 30, 2020. This was established through approval of the Board of Directors to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Subsequent to year end, the Board of Directors approved to increase the operating reserve to equal approximately twelve months of operating expenses due to the potential impacts of COVID-19 on the Organization.

3. Grants Receivable

Grants receivable consist of the following at June 30, 2020:

CDBG City of Seaside	\$ 5,593
Chapman Foundation	15,000
City of Watsonville	5,000
Harden Foundation	25,000
Monterey Peninsula Foundation	90,000
United Way of Santa Cruz	<u>5,000</u>
Total grants receivable	<u><u>\$ 145,593</u></u>

As of June 30, 2020, one organization constitutes approximately 62% of total grant receivables. All receivables as of June 30, 2020 are expected to be collected within one year.

4. Property and Equipment, net

Property and equipment consists of the following at June 30, 2020:

Office equipment	\$ 9,442
Less accumulated depreciation	<u>(8,362)</u>
	<u><u>\$ 1,080</u></u>

Depreciation expense for the year ended June 30, 2020 was \$1,888.

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.

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),

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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 year ended June 30, 2020.

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, 2020 the following table sets forth by level, within the fair value hierarchy, GICC’s assets at fair value:

	(Level 3)
Investments held at Community	
Foundation for Monterey County	\$ 121,522

At June 30, 2020 the following table sets forth a summary of changes in the fair value of the GICC’s Level 3 assets:

Beginning balance, June 30, 2019	\$ 120,375
Interest and dividends	3,896
Realized (loss)	(2,918)
Unrealized gain	1,511
Administrative fees	(1,342)
Investment return, net	1,147
Ending balance, June 30, 2020	\$ 121,522

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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 year ended June 30, 2020, there were no distributions from the Fund.

7. Net Assets – With Donor Restrictions

Net assets with donor restrictions consist for the following purposes as of June 30, 2020:

Restricted for use due to time:	\$ 239,434
Restricted for specific purposes:	
ECHO	42,501
Smart Choices	-
Growing Together	5,000
Will Power/Won't Power	9,230
Friendly PEERsuasion	7,798
SSB Summer Camp	32,500
	<hr/>
Total	<u><u>\$ 336,463</u></u>

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Released from net assets with donor restrictions for the year ended June 30, 2020, are as follows:

Released for satisfaction of specific purpose:

ECHO	\$ 97,315
Smart Choices	21,565
Growing Together	38,000
Will Power/Won't Power	44,418
Friendly PEERsuasion	44,416
SSB Summer Camp	54,250
	299,964
Released for use due to time	190,544
Total	\$ 490,508

8. Retirement Plan

GICC maintains a 403(b) plan with an original effective date on July 1, 2012. The Plan was amended, and the restated provisions became effective on July 1, 2018. The Plan is offered to all employees that are eligible under the plan provisions. The Plan allows for pre-tax and Roth participant deferrals. The Plan provides for a discretionary matching contribution from GICC which is determined each year by the Board of Directors. During the year ended June 30, 2020, the Board of Directors approved a contribution of 5% for each eligible employee's compensation to the plan. The total amount of the matching contribution by GICC to the Plan was \$21,617 for the year ended June 30, 2020.

9. Special Events, net

GICC held various special fundraising events during the year ended June 30, 2020. The following represents the results of those events:

Special event revenues	\$ 122,099
Special event donations	32,379
Special event expenses	(70,085)
	\$ 84,393

10. Related Party Transactions

The total donations received by GICC from board members for the year ended June 30, 2020 was \$13,578.

11. Lease Commitment

A seven-year lease agreement was entered on July 5, 2017, with a base year rent of \$3,400 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, 2020:

For the year ended	Amount
2021	\$ 66,979
2022	68,319
2023	69,685
2024	71,079
2025	11,885
	\$ 287,947

Total rent expense was \$61,700 for the year ended June 30, 2020.

12. Subsequent Events

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus, COVID-19, as a pandemic, which continues to spread throughout the United States. The impacts of COVID-19 may have a material adverse impact on the Organization.

Future potential impacts the Organization could face are a reduction in special events and grants revenue. In addition, COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect future program services, grant and donor funding.

Any of the foregoing could harm the Organization and management cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact the Organization. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

No adjustments have been made to these financial statements as a result of this uncertainty.

Date of Management Review

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events after the statement of financial position date of June 30, 2020 through November 17, 2020, which was the date the financial statements were available to be issued and determined there were no other items to be disclosed.