



GIRLS INCORPORATED OF ORANGE COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Girls Incorporated of Orange County

We have audited the accompanying financial statements of Girls Incorporated of Orange County (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

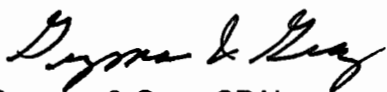
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girls Incorporated of Orange County as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Guzman & Gray, CPA's
Long Beach, CA
April 6, 2021

GIRLS INCORPORATED OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION
: DECEMBER 31, 2020

| ASSETS | | | |
|---|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,269,360 | \$ 279,196 | \$ 1,548,556 |
| Certificates of deposit | 81,858 | - | 81,858 |
| Pledges and grants receivable, net | 218,914 | 10,000 | 228,914 |
| Inventory | 120,006 | - | 120,006 |
| Prepaid expenses | 141,601 | - | 141,601 |
| Total Current Assets | 1,831,739 | 289,196 | 2,120,935 |
| Noncurrent Assets | | | |
| Pledges and grants receivable, net | - | 2,000 | 2,000 |
| Investments | 2,416,444 | - | 2,416,444 |
| Property and equipment, net | 82,865 | - | 82,865 |
| Security deposit | 2,520 | - | 2,520 |
| Total Noncurrent Assets | 2,501,829 | 2,000 | 2,503,829 |
| TOTAL ASSETS | \$ 4,333,568 | \$ 291,196 | \$ 4,624,764 |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | \$ 44,271 | \$ - | \$ 44,271 |
| Accrued payroll and payroll taxes | 50,877 | - | 50,877 |
| Accrued vacation | 74,425 | - | 74,425 |
| Deferred revenue | 136,500 | - | 136,500 |
| Total Current Liabilities | 306,073 | - | 306,073 |
| NET ASSETS | 4,027,495 | 291,196 | 4,318,691 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,333,568 | \$ 291,196 | \$ 4,624,764 |

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

GIRLS INCORPORATED OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

| ASSETS | | | |
|---|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Current Assets | | | |
| Cash and cash equivalents | \$ 973,325 | \$ 171,363 | \$ 1,144,688 |
| Certificates of deposit | 80,149 | - | 80,149 |
| Pledges and grants receivable, net | 31,534 | 13,244 | 44,778 |
| Prepaid expenses | 145,905 | - | 145,905 |
| Total Current Assets | 1,230,913 | 184,607 | 1,415,520 |
| Noncurrent Assets | | | |
| Pledges and grants receivable, net | - | 10,457 | 10,457 |
| Property and equipment, net | 188,960 | - | 188,960 |
| Total Noncurrent Assets | 188,960 | 10,457 | 199,417 |
| TOTAL ASSETS | \$ 1,419,873 | \$ 195,064 | \$ 1,614,937 |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | \$ 44,333 | \$ - | \$ 44,333 |
| Accrued payroll and payroll taxes | 63,112 | - | 63,112 |
| Accrued vacation | 50,129 | - | 50,129 |
| Deferred revenue | 76,014 | - | 76,014 |
| Total Current Liabilities | 233,588 | - | 233,588 |
| NET ASSETS | 1,186,285 | 195,064 | 1,381,349 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,419,873 | \$ 195,064 | \$ 1,614,937 |

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

GIRLS INCORPORATED OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|--------------|
| REVENUE, SUPPORT AND GAINS | | | |
| Private grants | \$ 1,200,999 | \$ 289,000 | \$ 1,489,999 |
| Paycheck Protection Program | 326,487 | - | 326,487 |
| Contributions | 257,864 | - | 257,864 |
| Program activities | 61,124 | - | 61,124 |
| Miscellaneous income | 2,035 | - | 2,035 |
| In-Kind income | 270,238 | - | 270,238 |
| Investment return, net | 30,191 | - | 30,191 |
| Fundraising events | \$ 532,480 | - | - |
| Less: Cost of direct benefit to donors | (68,418) | 464,062 | 464,062 |
| | 2,613,000 | 289,000 | 2,902,000 |
| NET ASSETS RELEASED FROM RESTRICTIONS | 192,868 | (192,868) | - |
| TOTAL REVENUE, SUPPORT AND GAINS | 2,805,868 | 96,132 | 2,902,000 |
| EXPENSES | | | |
| Program services | 1,657,661 | - | 1,657,661 |
| Management and general | 177,072 | - | 177,072 |
| Fundraising | 364,827 | - | 364,827 |
| TOTAL EXPENSES | 2,199,560 | - | 2,199,560 |
| CHANGE IN NET ASSETS FROM OPERATIONS | 606,308 | 96,132 | 702,440 |
| OTHER CHANGES | | | |
| Infrequently Occurring Item | | | |
| Gain on sale of office facilities | 2,234,902 | - | 2,234,902 |
| CHANGE IN NET ASSETS | 2,841,210 | 96,132 | 2,937,342 |
| BEGINNING NET ASSETS | 1,186,285 | 195,064 | 1,381,349 |
| ENDING NET ASSETS | \$ 4,027,495 | \$ 291,196 | \$ 4,318,691 |

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

GIRLS INCORPORATED OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|---------------------|
| REVENUE, SUPPORT AND GAINS | | | |
| Private grants | \$ 1,072,746 | \$ 160,000 | \$ 1,232,746 |
| Contributions | 557,739 | - | 557,739 |
| Program activities | 123,361 | - | 123,361 |
| Miscellaneous income | 25,619 | - | 25,619 |
| In-Kind income | 36,112 | - | 36,112 |
| Investment return, net | 4,734 | - | 4,734 |
| Fundraising events | \$ 689,756 | | |
| Less: Cost of direct benefit to donors | <u>(193,419)</u> | - | 496,337 |
| | 2,316,648 | 160,000 | 2,476,648 |
| NET ASSETS RELEASED FROM RESTRICTIONS | <u>202,066</u> | <u>(202,066)</u> | <u>-</u> |
| TOTAL REVENUE, SUPPORT AND GAINS | <u>2,518,714</u> | <u>(42,066)</u> | <u>2,476,648</u> |
| EXPENSES | | | |
| Program services | 1,745,302 | - | 1,745,302 |
| Management and general | 174,776 | - | 174,776 |
| Fundraising | 321,783 | - | 321,783 |
| TOTAL EXPENSES | <u>2,241,861</u> | <u>-</u> | <u>2,241,861</u> |
| CHANGE IN NET ASSETS | 276,853 | (42,066) | 234,787 |
| BEGINNING NET ASSETS | <u>909,432</u> | <u>237,130</u> | <u>1,146,562</u> |
| ENDING NET ASSETS | <u>\$ 1,186,285</u> | <u>\$ 195,064</u> | <u>\$ 1,381,349</u> |

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

GIRLS INCORPORATED OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Program Services | Management and General | Fundraising | Cost of Direct Benefit to Donors | Total |
|---|---------------------|---------------------------|-------------------|--|---------------------|
| Salaries and wages | \$ 1,051,087 | \$ 97,515 | \$ 196,617 | \$ - | \$ 1,345,219 |
| Program | 110,140 | - | - | - | 110,140 |
| Employee benefits | 106,994 | 5,984 | 733 | - | 113,711 |
| Pension | 22,369 | 3,714 | 6,299 | - | 32,382 |
| Payroll taxes | 62,860 | 5,191 | 11,730 | - | 79,781 |
| Occupancy | 40,287 | 5,036 | 5,036 | - | 50,359 |
| Office | 2,955 | 4,480 | - | - | 7,435 |
| Equipment | 4,498 | 562 | 562 | - | 5,622 |
| Postage | 1,872 | 312 | 936 | - | 3,120 |
| Printing | 1,029 | 172 | 514 | - | 1,715 |
| Events | 2,523 | - | 37,992 | 68,418 | 108,933 |
| Insurance | 11,554 | 6,913 | 4,642 | - | 23,109 |
| Professional services | 1,522 | 19,258 | 68,253 | - | 89,033 |
| Repair and maintenance | 4,942 | 618 | 617 | - | 6,177 |
| Depreciation | 17,527 | 1,964 | 2,464 | - | 21,955 |
| Communication and marketing | 83,768 | 7,239 | 12,410 | - | 103,417 |
| Vehicle | 1,524 | - | - | - | 1,524 |
| Utilities and telephone | 19,740 | 3,037 | 2,531 | - | 25,308 |
| Dues and subscriptions | - | 676 | - | - | 676 |
| Other taxes | - | 238 | - | - | 238 |
| Travel and meetings | - | 3,013 | - | - | 3,013 |
| Bank and credit card charges | 7,990 | - | 1,998 | - | 9,988 |
| Bad debts | - | 7,400 | - | - | 7,400 |
| In-Kind | 102,480 | 3,750 | 11,493 | - | 117,723 |
| | <u>1,657,661</u> | <u>177,072</u> | <u>364,827</u> | <u>68,418</u> | <u>2,267,978</u> |
| Less expenses included with revenue, support and gains on the statement of activities and changes in net assets: | | | | | |
| Cost of direct benefit to donors | - | - | | (68,418) | (68,418) |
| TOTAL EXPENSES | <u>\$ 1,657,661</u> | <u>\$ 177,072</u> | <u>\$ 364,827</u> | <u>\$ -</u> | <u>\$ 2,199,560</u> |
| | 75.36% | 8.05% | 16.59% | | 100% |

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

GIRLS INCORPORATED OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Program Services | Supporting Services | | Cost of Direct Benefit to Donors | Total |
|---|---------------------------|---------------------------|--------------------------|--|----------------------------|
| | | Management and General | Fundraising | | |
| Salaries and wages | \$1,097,923 | \$ 47,075 | \$ 117,193 | \$ - | \$ 1,262,191 |
| Program | 262,995 | - | - | - | 262,995 |
| Employee benefits | 89,258 | 4,966 | 3,870 | - | 98,094 |
| Pension | 22,829 | 1,120 | 2,848 | - | 26,797 |
| Payroll taxes | 73,423 | 10,037 | 13,349 | - | 96,809 |
| Office | 18,382 | 5,912 | 4,621 | - | 28,915 |
| Equipment | 42,439 | 8,143 | 5,019 | - | 55,601 |
| Postage | 2,741 | 829 | 395 | - | 3,965 |
| Printing | 4,671 | 830 | 2,127 | - | 7,628 |
| Events | 6,410 | - | 29,505 | 193,419 | 229,334 |
| Insurance | 9,954 | 10,588 | 205 | - | 20,747 |
| Professional services | 12,572 | 67,896 | 61,100 | - | 141,568 |
| Repair and maintenance | 19,273 | 3,341 | 2,489 | - | 25,103 |
| Depreciation | 14,207 | 6,088 | - | - | 20,295 |
| Communication and marketing | 21,040 | 2,269 | 46,785 | - | 70,094 |
| Vehicle | 1,728 | 590 | 1,159 | - | 3,477 |
| Utilities and telephone | 8,149 | 1,807 | 1,094 | - | 11,050 |
| Dues and subscriptions | 1,925 | 92 | 583 | - | 2,600 |
| Other taxes | 1,722 | 218 | 1,305 | - | 3,245 |
| Travel and meetings | 9,033 | 1,767 | 4,434 | - | 15,234 |
| Bank and credit card charges | 2,714 | 263 | 14,708 | - | 17,685 |
| Miscellaneous | 17 | 945 | 279 | - | 1,241 |
| In-Kind | 21,897 | - | 8,715 | - | 30,612 |
| | <u>1,745,302</u> | <u>174,776</u> | <u>321,783</u> | <u>193,419</u> | <u>2,435,280</u> |
| Less expenses included with revenue, support and gains on the statement of activities and changes in net assets: | | | | | |
| Cost of direct benefit to donors | - | - | - | (193,419) | (193,419) |
| TOTAL EXPENSES | <u>\$1,745,302</u> | <u>\$ 174,776</u> | <u>\$ 321,783</u> | <u>\$ -</u> | <u>\$ 2,241,861</u> |
| | 77.85% | 7.80% | 14.35% | | 100% |

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

GIRLS INCORPORATED OF ORANGE COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,937,342 | \$ 234,787 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 21,955 | 20,295 |
| Gain on sale of office facilities | (2,234,902) | - |
| In-kind contributions - jewelry/property and equipment | (120,006) | (5,500) |
| Unrealized gain on investments | (19,847) | (2,742) |
| (Increase) decrease in: | | |
| Pledges and grants receivable | (175,679) | 86,207 |
| Prepaid expenses | 4,304 | (35,033) |
| Security deposit | (2,520) | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (62) | 39,951 |
| Accrued payroll and payroll taxes | (12,235) | 13,715 |
| Accrued vacation | 24,296 | 14,065 |
| Deferred revenue | 60,486 | (16,993) |
| Net Cash Provided by Operating Activities | 483,132 | 348,752 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividend reinvestments | (9,718) | (1,655) |
| Purchases of investments and money market shares | (2,388,588) | - |
| Purchase of property and equipment | (65,830) | (5,006) |
| Net proceeds from sale of office facilities | 2,384,872 | - |
| Net Cash Used for Investing Activities | (79,264) | (6,661) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 403,868 | 342,091 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,144,688 | 802,597 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 1,548,556 | \$ 1,144,688 |
| <u>SUPPLEMENTAL DISCLOSURES</u> | | |
| INTEREST PAID | NONE | NONE |
| TAXES PAID | NONE | NONE |

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

GIRLS INCORPORATED OF ORANGECOUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1 - ORGANIZATION

Established in 1954, Girls Inc. of Orange County (GIOC) is the local affiliate of Girls Inc. national organization that comes alongside families and schools to provide girls, ages 5 to 18 years old, the instruction, mentoring and support they need to be successful throughout their lives. Each year, GIOC powerfully and permanently impacts the lives of 4,000 girls in the county, leading them through specially-designed educational programming in the areas of STEM (Science, Technology, Engineering, and Mathematics), financial literacy, positive body image, healthy relationships and college/career readiness.

GIOC prioritizes providing services to girls who live in areas where the need is greatest. Seventy eight percent of the girls served live in households that are low to moderately low income. The organization offers programs virtually and in-person, year round, hosting programs on school campuses (elementary, middle and high school), juvenile detention centers, community centers, and through other educational partners including Chapman University, Orange Coast College, California State University, Fullerton and others. Through studies at the local and national levels, the programs have been proven to change girls' lives, resulting in significant increases in self-esteem, grades, preparation for higher education, community activism, interest in STEM subjects, and financial independence. Girls Inc. is committed to helping girls in Orange County grow up to be strong, smart, and bold.

In March of 2020, GIOC shifted to online programming in response to the COVID-19 pandemic. When schools closed, the organization quickly invested in online learning platforms that would reach girls throughout Orange County. GIOC provided synchronous and asynchronous programs in a variety of topics, serving girls through weekly programming, workshops and 1-2 week summer camps. The organization also held a variety of key events online through the Zoom platform, giving the opportunity to reach girls, volunteers, donors, foundations, and corporate partners. GIOC also created a YouTube channel that provided Girls Inc. content to currently enrolled girls, and a broader community. In 2020, GIOC created more than 100 videos, with 379 subscribers and over 14,000 views.

Girls Inc. National is made up of 83 affiliates across the United States and Canada. These affiliates operate in more than 1,500 centers and 300 cities offering core programs to fulfill the vision of empowered girls in an equitable society. The cost of GIOC annual membership dues is \$12,000.

GIOC funds its operation through fundraising, events, individuals, foundations, and corporate donors with a small percentage of fee-based program revenue.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements of GIOC are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor imposed restrictions that will be satisfied by action of GIOC or by the passage of time.

GIOC has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

Pledges and Grants

Pledges and grants are recorded in the financial statements when the donor makes a written promise to give that is in substance unconditional even though these pledges and grants may be paid over subsequent years. Donor-restricted pledges and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor restricted pledges and grants whose restrictions are met in the same reporting period, are reported as net assets without donor restriction. Net assets that are legally without restriction, including any cash internally designated by GIOC's Board of Directors, are reported as part of the without restriction class. An allowance for uncollectible pledges and grants receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

GIOC may be named as a beneficiary in various wills and trusts from time to time or may be negotiating receipt of pledges, but due to the contingent nature of the receipt and amount of such funds, no amounts are recorded until they become unconditional.

In Kind Contributed Materials and Services

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate.

Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of business and unpaid volunteers have made significant contributions of time and equipment use to GIOC project development, fundraising, and operations.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

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

Cash and Cash Equivalents

GIOC considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents. Certificates of deposit are recorded at fair value. Certificates of deposit with maturities greater than three months as of December 31, 2020 and 2019 totaled \$81,858 and \$80,149, respectively.

Inventory

Inventory consists of donated jewelry which was recorded at retail value discounted at forty percent of markup. Inventory totaled \$120,006 at December 31, 2020. There was no inventory at December 31, 2019.

Property and Equipment

GIOC capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, GIOC reports expirations of donor restrictions when the donated or acquired assets are placed in service. GIOC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from three to ten years. As fully described in Note 10, GIOC sold its office facilities during the year ended December 31, 2020.

Deferred Revenue

Certain revenues are received during the year for activities to be held in the next fiscal year. These revenues are deferred into the next years' operations. Deferred revenue at December 31, 2020 and 2019 were \$136,500 and \$76,014, respectively.

Fair Value of Financial Instruments

Generally accepted accounting principles (GAAP) define fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation which is allocated on a square footage basis, as well as salaries, payroll taxes, employee benefits, professional services, office expenses, and other which are allocated on the basis of estimates of time and effort.

Income Taxes

GIOC is a qualified nonprofit organization that is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue Code. This exemption is for all income taxes except for those assessed on unrelated business income, if any. The Internal Revenue Service has classified GIOC as other than a private foundation.

GIOC evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more than likely than not to be sustained upon examination. As of December 31, 2020, management does not believe GIOC has any uncertain tax positions requiring accrual or disclosure. GIOC is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

New Accounting Pronouncements Implemented

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*. The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of 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 using a five-step approach. GIOC's adoption of this new guidance does not have a material impact on GIOC's financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) (ASU 2016-02)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022. GIOC is currently evaluating the impact of the adoption of the new standard on the financial statements.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation. Prior year's dividend reinvestments were reclassified from operating activities to investing activities in the statements of cash flows. Also, prior year's interest income was changed to investment return, net in the statement of activities and changes to net assets. The net effect of these changes was zero.

NOTE 3 – PLEDGES AND GRANTS RECEIVABLE

During the year, the pledges and grants receivable consists of single year promises from individuals, corporations, and foundations and two multi-year promises from individual donors. The pledge receivables to be received in more than one year are discounted at 3%.

The future collections of pledges and grants receivables at December 31, 2020 are as follows:

| <u>Year Ending December 31,</u> | | |
|---------------------------------|----|-----------|
| 2021 | \$ | 228,914 |
| 2022 | | 2,000 |
| | | 230,914 |
| Less present value discount | | - |
| Pledges to receive, net | | 230,914 |
| Less current portion, net | | (228,914) |
| Noncurrent portion, net | \$ | 2,000 |

There is no present value discount since the discount is deemed to be immaterial at December 31, 2020. There is no allowance for doubtful accounts at December 31, 2020 as management deemed all pledges and grants receivable to be collectable.

The future collections of pledges and grants receivable at December 31, 2019 are as follows:

| <u>Year Ending December 31,</u> | | |
|---------------------------------|----|----------|
| 2020 | \$ | 44,778 |
| 2021 | | 11,000 |
| 2022 | | 1,000 |
| 2023 | | 1,000 |
| | | 57,778 |
| Less present value discount | | (2,543) |
| Pledges to receive, net | | 55,235 |
| Less current portion, net | | (44,778) |
| Noncurrent portion, net | \$ | 10,457 |

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS

US GAAP establishes a framework for measuring fair value, and expands disclosures about fair value measurements and provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. US GAAP also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 include listed equities held in the name of GIOC and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

The following table presents assets measured at fair value on a recurring basis at December 31, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------|---------------------|-------------|-------------|---------------------|
| Cash and bank sweep | \$ 8,065 | \$ - | \$ - | \$ 8,065 |
| Money market funds | 200,001 | - | - | 200,001 |
| Exchange traded funds | 2,208,378 | - | - | 2,208,378 |
| | <u>\$ 2,416,444</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,416,444</u> |

Cash, bank sweep, and money market funds are measured at their net asset value and are classified within Level 1. Exchange traded funds are classified within Level 1 because of their readily determinable fair values based on daily redemption values.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 5 – INVESTMENTS

Investments consist of the following at December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-----------------------|---------------------|-------------|
| Cash and bank sweep | \$ 8,065 | \$ - |
| Money market funds | 200,001 | - |
| Exchange traded funds | <u>2,208,378</u> | <u>-</u> |
| Total investments | <u>\$ 2,416,444</u> | <u>\$ -</u> |

Net investment return consists of the following for the years ended December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|------------------------|------------------|-----------------|
| Dividends and interest | \$ 10,344 | \$ 1,992 |
| Unrealized gain | <u>19,847</u> | <u>2,742</u> |
| | <u>\$ 30,191</u> | <u>\$ 4,734</u> |

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|------------------|-------------------|
| Land | \$ - | \$ 22,000 |
| Building | - | 446,917 |
| Furniture and equipment | 81,210 | 320,846 |
| Vehicles | 44,000 | 44,000 |
| Website upgrade | <u>10,000</u> | <u>10,000</u> |
| | 135,210 | 843,763 |
| Less: Accumulated depreciation | <u>(52,345)</u> | <u>(654,803)</u> |
| Property and equipment, net | <u>\$ 82,865</u> | <u>\$ 188,960</u> |

Depreciation for the years ended December 31, 2020 and 2019 totaled \$21,955 and \$20,295, respectively.

As fully described in Note 10, GIOC sold its office facilities during the year ended December 31, 2020.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 7 – ANNUAL FUNDRAISING EVENTS

GIOC conducts an annual fundraising event to assist in funding program operations. All revenue received in excess of expenses from this event is used for the current program operations. The costs that are direct benefits to the donors are included in the “Cost of direct benefit to donors” in the accompanying statements of activities and changes in net assets.

The revenues and expenses of annual fundraising events are as follows for the years ended December 31, 2020 and 2019:

| | 2020 | 2019 |
|--|------------|------------|
| Gross revenue | \$ 532,480 | \$ 689,756 |
| Direct donor benefits | (68,418) | (193,419) |
| Revenue, net of cost of direct benefit to donors | \$ 464,062 | \$ 496,337 |

NOTE 8 – PAYCHECK PROTECTION PROGRAM

In May 2020, GIOC received loan proceeds in the amount of \$326,487 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. GIOC has used all of the proceeds for purposes consistent with the PPP agreement during the year ended December 31, 2020. Because GIOC believes that its use of the loan proceeds meets the conditions for forgiveness of the loan, the total PPP amount of \$326,467 is reported as revenue in the statement of activities and changes in net assets.

GIOC applied for loan forgiveness which was approved by the U.S. Small Business Administration in April 2021.

NOTE 9 – IN-KIND INCOME

GIOC received donated professional services and materials and supplies during the years ended December 31, 2020 and 2019 as follows:

| | 2020 | 2019 |
|--|------------|-----------|
| Creative services related to marketing materials | \$ 75,000 | \$ - |
| Jewelry | 120,006 | - |
| Other materials and supplies | 75,232 | 36,112 |
| | \$ 270,238 | \$ 36,112 |

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 10 – INFREQUENTLY OCCURRING ITEM

In March 2020, GIOC sold its office facilities to a limited liability company resulting in a gain from sale totaling \$2,234,902, which is reported as an infrequently occurring item in the statement of activities and changes in net assets. The net proceeds received from the sale totaling \$2,384,872 are included in investing activities in the statements of cash flows.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with restriction activity at December 31, 2020 consists of the following:

| | Assets with Donor Imposed Time Restrictions | Assets with Donor Imposed Purpose Restrictions | Total Net Assets with Donor Retractions |
|-----------------------------|--|---|---|
| Beginning balance | \$ 23,702 | \$ 171,362 | \$ 195,064 |
| Contributions | - | 289,000 | 289,000 |
| Releases | (11,702) | (181,166) | (192,868) |
| Ending balance | <u>\$ 12,000</u> | <u>\$ 279,196</u> | <u>\$ 291,196</u> |
| Purpose restrictions: | | | |
| SupHervision | | \$ 97,000 | |
| Construction and Renovation | | 64,696 | |
| College Bound | | 35,000 | |
| STEM | | 62,500 | |
| G3 | | 15,000 | |
| Chromebooks | | 5,000 | |
| | | <u>\$ 279,196</u> | |

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with restriction activity at December 31, 2019 consists of the following:

| | Assets with Donor Imposed Time Restrictions | Assets with Donor Imposed Purpose Restrictions | Total Net Assets with Donor Retractions |
|-----------------------------|--|---|---|
| Beginning balance | \$ 40,770 | \$ 196,360 | \$ 237,130 |
| Contributions | - | 160,000 | 160,000 |
| Releases | (17,068) | (184,998) | (202,066) |
| Ending balance | <u>\$ 23,702</u> | <u>\$ 171,362</u> | <u>\$ 195,064</u> |
| Purpose restrictions: | | | |
| STEM | | \$ 106,666 | |
| Construction and Renovation | | 64,696 | |
| | | <u>\$ 171,362</u> | |

NOTE 12 – LEASES

EQUIPMENT LEASE

In July 2020, GIOC entered into a non-cancelable equipment lease agreement which expires in 2025. The lease agreement requires a monthly lease payment of approximately \$419.

The future minimum rental payments under the equipment lease agreement are as follows:

| <u>Year Ending December 31,</u> | <u>Equipment</u> |
|---------------------------------|------------------|
| 2021 | \$ 5,024 |
| 2022 | 5,024 |
| 2023 | 5,024 |
| 2024 | 5,024 |
| 2025 | 2,512 |
| | <u>\$ 22,608</u> |

Equipment lease expense for the years ended December 31, 2020 and 2019 totaled \$2,942 and \$6,671, respectively. Equipment lease expense is included under "Office" in the accompanying statements of activities and changes in net assets.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 12 – LEASES (CONTINUED)

OFFICE BUILDING LEASE

In July 2020, GIOC also entered into a non-cancelable lease agreement for its office building located in Santa Ana, California. The lease requires a monthly lease payment of \$2,520 and expires on June 30, 2021. However, as fully described in Note 17, the office building agreement was amended extending the expiration date of the lease to June 2023.

The future minimum rental payments under the office building lease agreement as of December 31, 2020 are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|------------------|
| 2021 | \$ 29,820 |
| 2022 | 29,844 |
| 2023 | <u>15,144</u> |
| | <u>\$ 74,808</u> |

Office rent expense related to the lease agreement described above for the year ended December 31, 2020 totaled \$15,120. In addition, GIOC incurred an additional three months of rent totaling \$18,000 for occupying the office building that was sold. Office rent expenses are included under "Occupancy" in the accompanying statement of activities and changes in net assets. There was no office rent expense for the year ended December 31, 2019.

NOTE 13 - CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES

GIOC maintains cash in a financial institution which may, at times, exceed FDIC insured maximum deposit insurance amount of \$250,000. Uninsured balances were \$1,259,493 and \$626,903 at December 31, 2020 and 2019, respectively. Even though management believes that GIOC was not exposed to any significant credit risk, GIOC has plans to open bank accounts at other federally-insured financial institutions to reduce credit risk from cash balances exceeding \$250,000.

Cash and cash equivalents and certificate of deposit balances deposited and maintained by financial institutions and brokerage firms differ from cash and cash equivalents and investments presented in the statement of financial position due to timing differences of financial institution bank account balances and classification of money market account balances held at brokerage firms.

GIOC operates in Southern California and is subject to fluctuations in the local economy which could impact contributions, specifically grants and donations.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 13 - CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES (CONTINUED)

Uncertainties

Toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID19") emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The impact of COVID19 to GIOC's 2020 results was minimal due to GIOC pivoting quickly in working remotely, holding virtual events, and delivering programming online. However, the extent to which COVID19 may impact GIOC's 2021 results will depend on future developments, which are highly uncertain and cannot be predicted at this time.

NOTE 14 – PENSION PLAN

GIOC adopted a SIMPLE IRA plan in 1998. Eligible employees who are below age 50 may contribute a percentage of their salary, up to \$12,000. Employees who are age 50 and over, may contribute up to \$15,500. GIOC may match their contribution up to the lesser of 3% of their annual salary or \$6,000. Matching contributions for the years ended December 31, 2020 and 2019 were \$32,382 and \$26,797, respectively.

NOTE 15 – LIQUIDITY AND AVAILABILITY

GIOC maintains and manages adequate operating funds per policies set by the board of directors.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020, comprise the following:

| | |
|--|---------------------|
| Total financial assets: | |
| Cash and cash equivalents | \$ 1,548,556 |
| Certificates of deposit | 81,858 |
| Pledges and grants receivable | 230,914 |
| Investments | 2,416,444 |
| | <u>4,277,772</u> |
| Less: | |
| Investments - equities | \$ (2,208,378) |
| Deferred revenue | (136,500) |
| Donor-imposed restrictions | <u>(291,196)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,641,698</u> |

GIOC also maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

GIRLS INCORPORATED OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 15 – LIQUIDITY AND AVAILABILITY (CONTINUED)

In addition to financial assets available to meet general expenditures over the next 12 months, GIOC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 16 – SUBSEQUENT EVENTS

GIOC has evaluated events and transactions for potential recognition or disclosure through April 6, 2021, which represents the date the financial statements were available to be issued.

In February 2021, Union Bank approved GIOC's application for a second Paycheck Protection Program (PPP) loan which was for \$289,274. The loan is currently under review for approval by the U.S. Small Business Administration.

In March 2021, GIOC amended its office building lease agreement extending the expiration date of the lease to June 2023. The amendments to the base rent are as follows:

| | <u>Monthly Payment</u> |
|--------------------------------|----------------------------|
| March 1, 2021 to June 30, 2021 | \$ 2,520 |
| July 1, 2021 to June 30, 2022 | \$ 2,450 |
| July 1, 2022 to June 30, 2023 | \$ 2,524 |