

**GIRLS
LEADERSHIP**

Girls Leadership Institute

Financial Statements

For the years ended
August 31, 2017 and 2016
With Independent Auditors' Report Thereon

GIRLS LEADERSHIP

(A California Not-For-Profit Corporation)

August 31, 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Audited Financial Statements:	
Statements of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 10

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Index



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INDEPENDENT AUDITORS' REPORT

The Board of Directors Girls Leadership Institute, Inc. ("Girls Leadership")

We have audited the accompanying financial statements of Girls Leadership (a California nonprofit organization) which comprise the statements of financial position as of August 31, 2017 and 2016 and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girls Leadership as of August 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative financial information has been derived from Girls Leadership's August 31, 2016 financial statements. In our report dated December 21, 2016, we expressed an unmodified opinion on those financial statements.

1st Draft

Danville, California
December 15, 2017

GIRLS LEADERSHIP

Statements of Financial Position August 31, 2017 and 2016

ASSETS

	2017	2016
Assets:		
Cash and cash equivalents	\$ 721,449	\$ 437,656
Accounts, grants and pledges receivable, net of allowance	470,867	49,943
Inventories	2,942	3,404
Prepaid expenses	21,833	19,967
Deposits and other assets	3,234	3,234
Property and equipment, net	87,124	58,821
	<u>\$ 1,307,449</u>	<u>\$ 573,025</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued liabilities	\$ 165,718	\$ 150,936
Accrued payroll liabilities	40,388	43,143
Deferred revenue	86,742	63,450
	<u>292,848</u>	<u>257,529</u>
Net assets:		
Unrestricted	416,778	281,088
Temporarily restricted	597,823	34,408
	<u>1,014,601</u>	<u>315,496</u>
	<u>\$ 1,307,449</u>	<u>\$ 573,025</u>

GIRLS LEADERSHIP

Statement of Activities and Changes in Net Assets For the Year Ended August 31, 2017

(with Summarized Financial Information for the Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
<i>Changes in net assets:</i>				
Revenue and support:				
Program fees	\$ 1,516,454	\$ -	\$ 1,516,454	\$ 1,509,386
Less: scholarships	(86,207)	-	(86,207)	(86,885)
Program fees, net	1,430,247	-	1,430,247	1,422,501
Merchandise sales	11,515	-	11,515	10,258
Investment income (loss)	578	-	578	(190)
Total revenue	1,442,340	-	1,442,340	1,432,569
Contributions	578,775	192,479	771,254	297,845
Foundation grants	-	691,800	691,800	56,911
In-kind contributions	41,240	-	41,240	34,640
Net assets released from restriction	320,864	(320,864)	-	-
Total support	940,879	563,415	1,504,294	389,396
Total revenue and support	2,383,219	563,415	2,946,634	1,821,965
Expenses:				
<i>Programs:</i>				
California	369,291	-	369,291	322,199
Colorado	174,863	-	174,863	152,371
New York	206,324	-	206,324	138,485
New Jersey	180,128	-	180,128	123,771
National	772,855	-	772,855	790,982
Merchandise	16,886	-	16,886	13,105
Total programs	1,720,347	-	1,720,347	1,540,913
<i>Overhead:</i>				
General and administrative	252,816	-	252,816	209,864
Fundraising	274,366	-	274,366	184,595
Total expenses	2,247,529	-	2,247,529	1,935,372
Increase (decrease) in net assets	135,690	563,415	699,105	(113,407)
Net assets at beginning of year	281,088	34,408	315,496	428,903
Net assets-end of year	\$ 416,778	\$ 597,823	\$ 1,014,601	\$ 315,496

GIRLS LEADERSHIP

Statements of Cash Flows For the Years Ended August 31, 2017 and 2016

	2017	2016
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 699,105	\$ (113,407)
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	19,427	18,593
Changes in:		
Accounts, grants and pledges receivable	(420,924)	192,901
Inventories	462	(1,006)
Prepaid expenses	(1,866)	680
Accounts payable and accrued liabilities	14,782	41,236
Accrued payroll liabilities	(2,755)	(882)
Deferred revenue	23,292	(36,083)
Cash provided by operating activities	331,523	102,032
 <i>Investing activities:</i>		
Acquisition of property and equipment	(47,730)	-
Cash used for investing activities	(47,730)	-
Increase in cash and cash equivalents	283,793	102,032
Cash and cash equivalents at beginning of year	437,656	335,624
Cash and cash equivalents at end of year	\$ 721,449	\$ 437,656
 <i>Additional cash flow information:</i>		
State registration fees and taxes paid	\$ 345	\$ 355
Interest paid	\$ -	\$ -

GIRLS LEADERSHIP

Statement of Functional Expenses For the Year Ended August 31, 2017

(with Summarized Financial Information for the Year Ended August 31, 2016)

	California	Colorado	New York	New Jersey	National	Merchandise	Total Programs	General and Administrative	Fund-raising	2017 Total	2016 Total
Salaries and wages	\$ 241,168	\$ 121,822	\$ 143,695	\$ 124,826	\$ 282,768	\$ 8,400	\$ 922,679	\$ 170,955	\$ 115,365	\$ 1,208,999	\$ 988,130
Payroll taxes	21,178	10,617	12,487	10,885	24,169	731	80,067	14,883	9,984	104,934	87,383
Benefits	14,694	6,758	8,057	6,939	18,148	459	55,055	10,762	6,107	71,924	59,647
Total personnel	277,040	139,197	164,239	142,650	325,085	9,590	1,057,801	196,600	131,456	1,385,857	1,135,160
Advertising and promotion	3,782	1,980	3,431	2,004	4,236	106	15,539	7,435	10,216	33,190	26,611
Bad debts	-	-	-	-	2,910	-	2,910	-	-	2,910	4,796
Cost of merchandise sold	-	14	-	121	-	5,489	5,624	-	262	5,886	6,268
Depreciation	1,461	688	803	678	14,141	48	17,819	977	631	19,427	18,593
Dues, licenses, and service fees	12,881	5,127	3,811	5,008	28,418	636	55,881	1,205	6,291	63,377	53,695
Equipment rental and maintenance	2,032	1,111	1,087	1,135	2,404	83	7,852	2,027	1,026	10,905	6,009
Information technology	1,269	649	752	666	1,544	43	4,923	869	2,605	8,397	4,671
Insurance	15,929	3,915	5,077	6,033	3,864	61	34,879	6,215	877	41,971	30,232
Legal and accounting	-	-	-	-	-	-	-	21,568	-	21,568	20,641
Miscellaneous	21	83	8	12	44	5	173	294	756	1,223	382
Occupancy	24,391	8,115	11,955	7,893	274,557	333	327,244	6,984	4,220	338,448	342,802
Outside consulting fees	9,711	5,618	6,639	5,566	36,386	245	64,165	4,997	48,310	117,472	114,107
Postage	1,175	672	1,035	640	1,971	185	5,678	449	1,624	7,751	6,871
Printing	5,482	2,002	1,697	1,746	3,901	11	14,839	258	1,892	16,989	12,677
Special events	-	-	-	-	-	-	-	-	15,928	15,928	9,261
Supplies and office	9,586	3,893	3,470	3,200	21,069	12	41,230	485	41,536	83,251	63,657
Telephone	371	187	226	194	525	13	1,516	269	192	1,977	1,282
Travel and meals	4,160	1,612	2,094	2,582	51,800	26	62,274	2,184	6,544	71,002	77,657
Totals	\$ 369,291	\$ 174,863	\$ 206,324	\$ 180,128	\$ 772,855	\$ 16,886	\$ 1,720,347	\$ 252,816	\$ 274,366	\$ 2,247,529	\$ 1,935,372

**Notes to Financial Statements
August 31, 2017 and 2016**

1. Organization

Girls Leadership is based in Oakland, California and is a national educational nonprofit entity organized in 2008 which is changing the face of leadership. Girls Leadership equips girls with the skills to exercise the power of their voice. Girls Leadership works with girls, parents and caregivers, and educators to ensure lasting impact.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Girls Leadership have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Girls Leadership is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Support and Revenue Recognition

Girls Leadership records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when Girls Leadership has incurred expenditures in compliance with the specific restrictions or when time restrictions have lapsed. Program fees are recognized as income upon completion of the activity for which the fees were collected in accordance with ASC 605.20.25, *Recognition*.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash, savings and deposits that have a maturity of less than three months when acquired.

Accounts, Grants and Pledges Receivable

Accounts, grants and pledges receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received. All receivables are reflected at estimated net realizable value.

Inventories

Inventories are carried at lower of cost or market using the first-in first-out method and consist of various merchandise items. Girls Leadership maintains its inventory in accordance with ASC 330.10.30 *Inventory*.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment purchased by Girls Leadership is stated at cost. Property and equipment donated to Girls Leadership is recorded at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, Girls Leadership is required to report information regarding its exposure to various tax positions taken by Girls Leadership and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that Girls Leadership has adequately evaluated its current tax positions and has concluded that as of August 31, 2017 and 2016, Girls Leadership does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

Girls Leadership has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Girls Leadership continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Girls Leadership may periodically receive unrelated business income requiring Girls Leadership to file separate tax returns under federal and state statutes. Under such conditions, Girls Leadership will calculate, accrue and remit the applicable taxes.

Advertising Expense

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to \$33,190 and \$26,611 for the years ended August 31, 2017 and 2016, respectively, and is reflected on the statement of functional expenses.

Use of 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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing Girls Leadership's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to the presentation used in 2017.

GIRLS LEADERSHIP

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Comparative Financial Information

The financial statements include certain fiscal 2016 summarized comparative information in total but not by net asset class. The prior year summarized comparative information has been derived from Girls Leadership's August 31, 2016 financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents at August 31, 2017 and 2016 include all funds in checking, savings, and money market accounts maintained at local financial institutions. The composition of cash and cash equivalents is as follows at August 31:

	2017		2016
Checking accounts (noninterest-bearing)	\$ 652,388	\$	368,650
Savings and money market accounts (interest-bearing)	69,061		69,006
Total cash and cash equivalents	<u>\$ 721,449</u>	<u>\$</u>	<u>437,656</u>

Funds in savings and money market accounts bear interest at rates ranging from 0.03% per annum to 0.10% per annum.

4. Accounts, Grants and Pledges Receivable

Accounts, grants and pledges receivable consist of the following at August 31:

	2017		2016
Accounts, grants and pledges receivable	\$ 472,432	\$	53,601
Less: allowance for estimated uncollectible balances	(1,565)		(3,658)
Accounts, grants and pledges receivable, net	<u>\$ 470,867</u>	<u>\$</u>	<u>49,943</u>

Girls Leadership uses the direct write-off method with regards to receivables deemed uncollectible. Bad debt expense amounted to \$2,910 and \$4,796 for the years ended August 31, 2017 and 2016, respectively.

5. Property and Equipment

Property and equipment consist of the following at August 31:

	2017		2016
Website	\$ 140,695	\$	92,965
Less: accumulated depreciation	(53,571)		(34,144)
Property and equipment, net	<u>\$ 87,124</u>	<u>\$</u>	<u>58,821</u>

Depreciation expense amounted to \$19,427 and \$18,593 for the years ended August 31, 2017 and 2016, respectively.

Notes to Financial Statements

6. Inventories

Inventories of \$2,942 and \$3,404 at August 31, 2017 and 2016, respectively, consist of DVDs, books, and other general merchandise sold at various geographic locations and through the organization's website. Merchandise sales amounted to \$11,515 and \$10,258 for the years ended August 31, 2017 and 2016, respectively. Cost of merchandise sold amounted to \$5,886 and \$6,268 for the years ended August 31, 2017 and 2016, respectively.

7. Occupancy

Effective September 22, 2014, Girls Leadership is committed to leasing its corporate office space under a three-year operating lease through December 31, 2017. The lease stipulates a payment amount of \$3,234 per month as of August 31, 2017. Girls Leadership is responsible for its own property insurance, maintenance, and utilities. Girls Leadership rents program venues under specific short-term usage agreements and is obligated to pay rent based upon the terms and conditions for which the facilities are utilized. In addition, Girls Leadership leases certain office equipment under an agreement requiring periodic monthly payments.

Rent expense for all facilities amounted to \$331,200 and \$336,103 for the years ended August 31, 2017 and 2016, respectively. At August 31, 2017, minimum future lease payments for operating leases with terms of one year or more are as follows: **Year ending August 31, 2018: \$13,628.**

8. Deferred Revenue

Deferred revenue of \$86,742 and \$63,450 at August 31, 2017 and 2016, respectively, represent program fees received in advance for activities scheduled for the following fiscal year. Such amounts have been recorded as short-term liabilities and will be reflected as program fee revenue on the statement of activities and changes in net assets in the subsequent fiscal period.

9. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, Girls Leadership is required to record a liability for the estimated amounts of compensation for vacation and sick leave. Employees are permitted to accrue a specific number of hours for estimated future absences, and such accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$40,388 and \$43,143 at August 31, 2017 and 2016, respectively.

10. Related Party Transactions

During the years ended August 31, 2017 and 2016, a voting member of the Board of Directors received compensation and reimbursed expenses totaling \$20,016 and \$25,663, respectively. Additionally, Girls Leadership's curriculum is based on books authored by this Board member, which Girls Leadership purchases and re-sells to program participants.

GIRLS LEADERSHIP

Notes to Financial Statements

11. Temporarily Restricted Net Assets

Girls Leadership recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at August 31:

	2017	2016
Foundation restricted	\$ 595,323	\$ 33,055
Individual restricted	2,500	1,353
Total temporarily restricted net assets	<u>\$ 597,823</u>	<u>\$ 34,408</u>

During the years ended August 31, 2017 and 2016, contributions of temporarily restricted net assets amounted to \$884,279 and \$106,687, respectively. During the years ended August 31, 2017 and 2016, Girls Leadership released \$320,864 and \$279,779, respectively, from temporarily restricted net assets to unrestricted net assets.

12. Scholarships

Girls Leadership awarded scholarships in the form of financial aid to low-income participants in its programs totaling \$86,207 and \$86,885 for the years ended August 31, 2017 and 2016, respectively. Such amounts have been reflected as a reduction of program fees on the statement of activities and changes in net assets.

13. Other Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future program activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Girls Leadership to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond Girls Leadership's control, such as generosity of donors and general economic conditions, (c) Employment contracts and service agreements with outside contractors, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting organizations.

14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Girls Leadership has evaluated subsequent events through December 15, 2017, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.