

**GIRLS INCORPORATED OF
GREATER SANTA BARBARA
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

GIRLS INCORPORATED OF GREATER SANTA BARBARA

December 31, 2020

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Girls Incorporated of Greater Santa Barbara
Santa Barbara, California

We have audited the accompanying financial statements of Girls Incorporated of Greater Santa Barbara (a non-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 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 Incorporated of Greater Santa Barbara as of December 31, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Girls Incorporated of Greater Santa Barbara 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California

June 17, 2021

GIRLS INCORPORATED OF GREATER SANTA BARBARA

STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With Comparative Totals for December 31, 2019)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 157,547	\$ 36,510	\$ 194,057	\$ 104,245
Accounts receivable	107,754	-	107,754	54,392
Pledges, bequests and grants receivable	-	155,508	155,508	202,556
Prepaid expenses and other current assets	35,306	-	35,306	95,538
Total Current Assets	<u>300,607</u>	<u>192,018</u>	<u>492,625</u>	<u>456,731</u>
INVESTMENTS	<u>211,652</u>	<u>2,866,889</u>	<u>3,078,541</u>	<u>2,985,486</u>
PROPERTY AND EQUIPMENT				
Land	1,736,295	-	1,736,295	1,736,295
Building and improvements	9,726,266	-	9,726,266	9,710,871
Furniture and equipment	581,367	-	581,367	573,117
Vehicles	321,973	-	321,973	407,020
Construction in process	-	-	-	-
	<u>12,365,901</u>	<u>-</u>	<u>12,365,901</u>	<u>12,427,303</u>
Less: Accumulated depreciation	<u>(5,190,682)</u>	<u>-</u>	<u>(5,190,682)</u>	<u>(4,945,112)</u>
Net Property and Equipment	<u>7,175,219</u>	<u>-</u>	<u>7,175,219</u>	<u>7,482,191</u>
OTHER ASSETS				
Pledges bequests and grants receivable, net of current portion	<u>-</u>	<u>497,575</u>	<u>497,575</u>	<u>591,522</u>
Total Other Assets	<u>-</u>	<u>497,575</u>	<u>497,575</u>	<u>591,522</u>
TOTAL ASSETS	<u>\$ 7,687,478</u>	<u>\$ 3,556,482</u>	<u>\$ 11,243,960</u>	<u>\$ 11,515,930</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 190,455	\$ -	\$ 190,455	\$ 207,044
Deferred revenue	-	522	522	38,239
Line of credit	-	-	-	225,000
Current portion of long-term debt	75,744	-	75,744	70,234
Total Current Liabilities	<u>266,199</u>	<u>522</u>	<u>266,721</u>	<u>540,517</u>
LONG-TERM LIABILITIES				
EIDL Loan	150,234	-	150,234	-
Notes payable	1,829,296	-	1,829,296	1,883,648
Total Long-Term Liabilities	<u>1,979,530</u>	<u>-</u>	<u>1,979,530</u>	<u>1,883,648</u>
Total Liabilities	<u>2,245,729</u>	<u>522</u>	<u>2,246,251</u>	<u>2,424,165</u>
NET ASSETS				
Without Donor Restrictions	5,441,749	-	5,441,749	5,426,127
With Donor Restrictions	<u>-</u>	<u>3,555,960</u>	<u>3,555,960</u>	<u>3,665,638</u>
Total Net Assets	<u>5,441,749</u>	<u>3,555,960</u>	<u>8,997,709</u>	<u>9,091,765</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,687,478</u>	<u>\$ 3,556,482</u>	<u>\$ 11,243,960</u>	<u>\$ 11,515,930</u>

The accompanying notes are an integral part of these financial statements.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	(Memo) 2019 Total
REVENUE, GAINS, AND OTHER SUPPORT				
Program fees	\$ 650,992	\$ -	\$ 650,992	\$ 1,726,598
Contributions and bequests	1,207,924	17,166	1,225,090	1,604,205
Government grants	454,321	-	454,321	3,996
Special events (net of expenses of \$50,343 and \$143,311)	227,835	-	227,835	200,012
Investment income (net of fees of \$24,396 and \$22,338)	110,680	96,396	207,076	446,633
Rental income	24,099	-	24,099	69,223
Other income	69	-	69	2,036
Net assets released from restrictions	223,240	(223,240)	-	-
Total Revenue, Gains, and Other Support	<u>2,899,160</u>	<u>(109,678)</u>	<u>2,789,482</u>	<u>4,052,703</u>
EXPENSES				
Program services	1,890,807	-	1,890,807	2,712,693
Management and general	442,155	-	442,155	487,264
Fundraising	550,576	-	550,576	539,134
Total Expenses	<u>2,883,538</u>	<u>-</u>	<u>2,883,538</u>	<u>3,739,091</u>
CHANGE IN NET ASSETS	15,622	(109,678)	(94,056)	313,612
NET ASSETS, BEGINNING OF YEAR	<u>5,426,127</u>	<u>3,665,638</u>	<u>9,091,765</u>	<u>8,778,153</u>
NET ASSETS, END OF YEAR	<u>\$ 5,441,749</u>	<u>\$ 3,555,960</u>	<u>\$ 8,997,709</u>	<u>\$ 9,091,765</u>

The accompanying notes are an integral part of these financial statements.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Program Services	Management and General	Fundraising	2020	(Memo) 2019
Salaries and wages	\$ 858,245	\$ 262,434	\$ 280,585	\$ 1,401,264	\$ 1,927,793
Employee benefits	138,098	32,837	32,949	203,884	197,222
Occupancy and related	215,191	16,488	5,747	237,426	235,199
Payroll taxes	42,860	21,120	18,588	82,568	141,249
Interest	72,622	19,221	-	91,843	98,655
Supplies	71,514	8,186	49,736	129,436	237,363
Professional fees	95,138	33,161	120,082	248,381	253,304
Auto, conferences, and travel	4,109	2,012	2,067	8,188	55,777
Advertising and promotion	726	75	31,507	32,308	166,021
Insurance	48,159	13,195	14,541	75,895	74,075
Equipment rental and maintenance	24,584	2,615	1,846	29,045	114,993
Printing and postage	2,138	869	14,089	17,096	21,505
Investment and bank fees	-	16,745	-	16,745	35,128
In-kind	-	-	29,182	29,182	27,957
Subtotal	<u>1,573,384</u>	<u>428,958</u>	<u>600,919</u>	<u>2,603,261</u>	<u>3,586,241</u>
Depreciation	<u>317,423</u>	<u>13,197</u>	<u>-</u>	<u>330,620</u>	<u>296,161</u>
2020 Total Expenses by Function	<u>\$ 1,890,807</u>	<u>\$ 442,155</u>	<u>\$ 600,919</u>	<u>\$ 2,933,881</u>	<u>\$ 3,882,402</u>
Less expenses included with revenues on the statement of activities					
Special event direct expenses	<u>-</u>	<u>-</u>	<u>(50,343)</u>	<u>(50,343)</u>	<u>(143,311)</u>
2020 Total Expenses	<u>\$ 1,890,807</u>	<u>\$ 442,155</u>	<u>\$ 550,576</u>	<u>\$ 2,883,538</u>	
2019 Total Expenses (Memo)	<u>\$ 2,712,693</u>	<u>\$ 487,264</u>	<u>\$ 539,134</u>		<u>\$ 3,739,091</u>

The accompanying notes are an integral part of these financial statements.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	2020	(Memo) 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (94,056)	\$ 313,612
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	330,620	296,161
Contributions restricted for endowment	(3,000)	(500)
Unrealized gain on value of securities	(109,255)	(395,421)
Realized loss (gain) on sale of securities	(55,471)	3,308
Gain on sale of assets	(2,400)	(1,100)
(Increase) decrease in:		
Accounts receivable	(53,362)	(11,661)
Pledges, bequests and grants receivable	140,995	(393,847)
Prepaid expenses and other current assets	60,232	(11,266)
Increase (decrease) in:		
Accounts payable and accrued expenses	(16,589)	8,018
Deferred revenue	(37,717)	6,773
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>159,997</u>	<u>(185,923)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(23,648)	(91,368)
Purchase of securities	(599,303)	(317,659)
Proceeds from sale of securities	670,974	351,083
Proceeds from sale of assets	2,400	1,100
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>50,423</u>	<u>(56,844)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments) from line of credit	(225,000)	225,000
Proceeds from EIDL loan	150,000	-
Principal payments on notes payable	(48,608)	(67,358)
Contributions restricted for endowment	3,000	500
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(120,608)</u>	<u>158,142</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,812	(84,625)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>104,245</u>	<u>188,870</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 194,057</u>	<u>\$ 104,245</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 87,819	\$ 98,655
In-kind contributions of goods and services	\$ 29,182	\$ 27,957

The accompanying notes are an integral part of these financial statements.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 1 – ORGANIZATION

Girls Incorporated of Greater Santa Barbara (the Organization) is a non-profit organization providing summer and after school care, education, and recreation for girls in the Santa Barbara community. The Organization's mission is to inspire all girls to be strong, smart, and bold, through research-based, innovative and educational programs and activities. For the year ended December 31, 2020, the Organization provided approximately \$140,480 in financial assistance in the form of discounted program related fees.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Organization reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions". Net assets with donor restrictions include perpetual income trusts for which the related income is reported as contributions without donor restrictions when received on the Statement of Activities. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the Statement of Activities. Net assets with donor restrictions also consist of those donor-restricted endowments held by the Organization as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year.

Significant estimates used in the preparation of these financial statements include: the allocation of certain expenses by function, the collectability of accounts, pledges, and bequests receivable, and the depreciable lives of property and equipment.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts in checking, savings, money market accounts, and certificates of deposit with maturities of 90 days or less.

Investments

Investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

Contributions

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions until the restriction is satisfied. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as contributions, bequests and grants without donor restrictions.

Donated Services

Numerous individuals and organizations have donated time to the Organization to further its programs and objectives. These contributions, despite their considerable value to the mission of the Organization, are not reflected in the financial statements.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly, according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and Equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$1,000.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Buildings and improvements	10-30 years
Furniture	10-12 years
Equipment	5 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2020, totaled \$330,620.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Tax Exempt Status

The Organization is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701d; therefore, no provision for income taxes is required. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2020, the Organization had no uncertain tax positions requiring accrual.

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2017 and 2016, respectively.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 3 – RECEIVABLES

Receivables consist of program fees receivable and unconditional pledges and bequests to be collected in future years. At December 31, 2020, these amounts are considered fully collectible and therefore no allowances for doubtful accounts, pledges, and bequests receivable have been recorded.

Bequest receivable are recorded at the present value of estimated future cash flows using a discount rate of 3.00%. The present value discount is amortized to contribution revenue over the term of the bequest receivable.

Recognition of all receivables for the next five years ending December 31 and after is expected to be as follows:

	2021	\$ 155,508
	2022	100,000
	2023	100,000
	Thereafter	<u>346,203</u>
		701,711
Less discount		<u>(48,628)</u>
Total pledges, bequests and grants receivable		<u>\$ 653,083</u>

Note 4 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At December 31, 2020, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash held for investment	\$ 95,077	\$ 95,077	\$ -
Equities	1,289,890	1,805,777	515,887
Fixed income	902,704	942,277	39,573
Commodities	132,366	153,604	21,238
Real estate	<u>77,874</u>	<u>81,806</u>	<u>3,932</u>
Total	<u>\$ 2,497,911</u>	<u>\$ 3,078,541</u>	<u>\$ 580,630</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 2,497,911	\$ 3,078,541	\$ 580,630
Balance at beginning of the year	2,514,111	2,985,486	<u>471,375</u>
Net increase in unrealized gains			<u>\$ 109,255</u>

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 4 – INVESTMENTS (continued)

The following summarizes the investment return included as restricted and unrestricted revenue in the statement of activities for the year ended December 31, 2020:

Investment and dividend income	\$ 66,746
Realized gain on value of securities	55,471
Unrealized gain on value of securities	109,255
Investment fees	<u>(24,396)</u>
Net Investment Income	<u>\$ 207,076</u>

Note 5 – FAIR VALUE MEASUREMENT

The Organization has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity;

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models quoted prices of securities with similar characteristics or discounted cash flows. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair market valuation of Level 3 investments are determined by management in good faith with the assistance of an independent third-party appraiser using methods they consider appropriate. Because of the inherent uncertainty of valuations, however, those estimated values may differ from the values that would have been used had a ready market existed, and the differences could be material.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 5 – FAIR VALUE MEASUREMENT (continued)

The following is a description of the general classification of investments pursuant to the valuation hierarchy:

Cash held for investment – Cash held for investment purposes includes money market funds and cash equivalent assets, and is valued at face value.

Equities, commodities, and real estate – include fixed income mutual funds as well as a variety of publically traded stocks from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

Fixed income – provide a hedge against deflation, provide a stable return, and minimize the overall volatility of the account. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

The following table presents assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at December 31, 2020:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held for investment	\$ 95,077	\$ -	\$ -	\$ 95,077
Equities				
Large Cap	1,034,584	-	-	1,034,584
Small Cap	162,617	-	-	162,617
International Developed	481,036	-	-	481,036
International Emerging	<u>127,540</u>	<u>-</u>	<u>-</u>	<u>127,540</u>
Total Equities	1,805,777	-	-	1,805,777
Fixed income				
Corporate or Government	932,180	-	-	932,180
Other	<u>10,097</u>	<u>-</u>	<u>-</u>	<u>10,097</u>
Total Fixed income	942,277	-	-	942,277
Commodities	81,806	-	-	81,806
Real estate	<u>153,604</u>	<u>-</u>	<u>-</u>	<u>153,604</u>
Total assets measured at fair value	<u>\$ 3,078,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,078,541</u>

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 6 – ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the California-adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified, at the explicit direction of the donor, as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the donor at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

Interpretation of Relevant Law (continued)

In accordance with California UPMIFA, the Organization considers the following factors in making a determination to appropriate or invest donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for donor-specified periods and purposes. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

The Organization's endowment is invested in a diversified portfolio of cash, equities, and fixed income. Long-term investment strategies are used to manage risk and ensure that charitable dollars grow and are available forever.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 6 – ENDOWMENT FUNDS (continued)

The Organization uses a total investment return methodology for determining its spending rate each year. The portfolio's total returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending rate is determined annually and will not exceed 5% of the fund's 3-year rolling average. The spending rate is reviewed annually in light of changing market assumptions, investment returns and the rate of inflation. Accordingly, over the long-term, the Organization expects the current spending rate to allow its endowment assets to grow.

Endowment net assets with donor restrictions totaled \$1,727,860, consisting of total original gift endowment contributions. Accumulated earnings totaled \$211,651 as of December 31, 2020.

Note 7 – LINE OF CREDIT

The Organization has a \$300,000 line of credit, secured with real property, expiring August 2024 with a variable interest rate of approximately 5.50%. As of December 31, 2020, the Organization had no outstanding balance due.

Note 8 – LEASES

The Organization leases office equipment under non-cancelable agreements with monthly payments totaling \$630, expiring at various times through September 2023. The future minimum lease payments are as follows for the years ending December 31:

2021	\$ 7,580
2022	2,685
2023	<u>1,781</u>
Total	<u>\$ 12,046</u>

Office equipment rent expense for the year ended December 31, 2020, totaled \$9,198.

Note 9 – NOTES PAYABLE

Notes payable as of December 31, 2020, consist of the following:

Due to the pandemic, the Montecito Bank & Trust note was revised to defer three months of payments, setting a new due date and amount for the balloon payment. The note has a principal balance of \$1,880,735 secured by first deed of trust on property on Hollister Avenue; monthly payments of principal and interest of \$11,332. Interest is calculated at a fixed rate of 4.15% per annum, with an estimated balloon payment of \$1,731,857 due August 5, 2023.

Hutton Parker Foundation principal balance of \$22,286 secured by first deed of trust on property on Ortega Street; monthly principal payments of \$1,286. Interest is calculated at a fixed rate of 0.0% per annum, due June 2022.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 9 – NOTES PAYABLE (continued)

On June 12, 2020, the Organization received an Economic Injury Disaster Loan (EIDL) from U.S. Small Business Administration in the amount of \$150,000. The loan is secured by tangible and intangible personal property and calls for monthly payments of principal and interest of \$641. Interest is calculated at a fixed rate of 2.75% per annum. Monthly payments are deferred for twelve months from date of the note and matures thirty years from the date of the note. The outstanding balance of the note and accrued interest as of December 31, 2020, is \$152,252.

The Organization is committed to the following maturity of notes payable:

2021	\$ 75,744
2022	71,435
2023	1,765,982
2024	3,748
2025	3,863
Thereafter	<u>134,502</u>
Total	<u>\$ 2,055,274</u>

Note 10 – DEFERRED REVENUE

Deferred revenue represents amounts received by the Organization for program services to be performed subsequent to December 31, 2020.

Note 11 – RECLASSIFICATION

Certain amounts from the December 31, 2019 financial statements have been reclassified to conform with the December 31, 2020, financial statement presentation.

Note 12 – CONCENTRATIONS AND RISK

Market Risk

The Organization holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Concentrations of Revenue

The Organization's donor base is largely drawn from Santa Barbara County.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 13 – CONTINGENCIES

Through the year ended December 31, 2020, the Organization elected to utilize the services of a third party to administer its unemployment deposits and potential claims. The Organization contributes an amount estimated for potential claims to a trust; should total claims exceed the amount on deposit, the Organization could be liable for the deficit. Subsequent to year end, the Organization dissolved the trust and move to a State funded program for 2021 and subsequent years.

Note 14 – RETIREMENT PLANS

The Organization provides an optional 403(b) retirement plan to full-time employees who are at least twenty-one years of age and have completed one year and 1,000 hours of service with the organization. Employer contributions are made at a rate of 3.0% of the employee's contribution through five years of service and increases with additional years of service. Participants are fully vested in the employer contribution upon three years of service. In addition, there is a 457(b) Deferred Compensation plan for executive incentive compensation. For the year ended December 31, 2020, the Organization made contributions to the plans totaling \$33,106.

Note 15 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions due to time, appropriation by the Board, or by satisfying the restricted purposes specified by donors. For the year ended December 31, 2020, the passage of restrictions resulted in net assets released from restrictions of \$223,240.

Note 16 – NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2020, net assets without donor restrictions consist of the following:

Without donor restriction	\$ 321,804
Property and equipment, net of depreciation and related debt	<u>5,119,945</u>
Total Net Assets Without Donor Restrictions	<u>\$ 5,441,749</u>

Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions consist of the following:

Endowment	\$ 1,727,860
Donations restricted for Goleta Center Library	1,137,466
Pledges, bequests and grants receivable	653,083
Donations restricted for other uses	<u>37,551</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,555,960</u>

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 17 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2020:

Current assets	
Cash and cash equivalents available within one year	\$ 194,057
Pledges and grants receivable, current portion	155,508
Other current assets	<u>143,060</u>
Total Current Assets	<u>492,625</u>
Investments	3,078,541
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	
With donor restrictions	<u>(2,993,393)</u>
Total Investments	<u>85,148</u>
Current liabilities	<u>(266,721)</u>
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2020	<u>\$ 311,052</u>

Note 18 – UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization's financial position, changes in net assets and cash flows in 2021 and the future.

Note 19 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM

On April 17, 2020, the Organization received loan funding of \$438,250 under the Paycheck Protection Program as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Organization. On May 17, 2021, the loan was forgiven in full. The Organization has recorded the loan as grant revenue for the year ended December 31, 2020.

GIRLS INCORPORATED OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 19 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM (continued)

On February 2, 2021, the Organization received a second loan funding of \$412,500 under the Paycheck Protection Program as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Organization.

The loan will be fully forgiven if the funds are used for payroll costs, rent and utilities and at least 60% of the forgiven amount must be used for payroll. Loan payments will begin after ten months of loan date if the Organization does not file an application for loan forgiveness within that ten month period. No collateral or personal guarantees were required.

Forgiveness will be based on maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. The loan has a maturity of five years and an interest rate of 1%. The Organization intends to comply with all regulations to allow for the loan to be fully forgiven.

Note 20 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 17, 2021, the date which the financial statements were available to be issued. Management has determined no subsequent events requiring disclosure or significantly impacting disclosure have occurred, except as described in footnote 19.

Note 21 – RESTATEMENT OF NET ASSETS

The Organization has determined they are a beneficiary of a bequest and has restated their net assets as of December 31, 2018. The increase in net assets as of December 31, 2018, is \$266,457 and represents the Organization's twelve percent interest in the bequest's assets. Change in Net Assets for the year ended December 31, 2019, increased by \$25,065 due to the change in bequest receivable balance as of December 31, 2019.