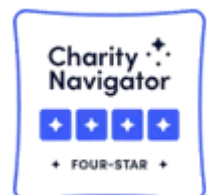


girls inc.

of Greater Santa Barbara

FINANCIAL STATEMENTS

DECEMBER 31, 2022



GIRLS INC. OF GREATER SANTA BARBARA

December 31, 2022

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Girls Inc. of Greater Santa Barbara
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Girls Inc. of Greater Santa Barbara (a non-profit organization), which comprise the statement of financial position as of December 31, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girls Inc. of Greater Santa Barbara as of December 31, 2022, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Girls Inc. of Greater Santa Barbara and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Girls Inc. of Greater Santa Barbara's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Girls Inc. of Greater Santa Barbara's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Girls Inc. of Greater Santa Barbara's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Girls Inc. of Greater Santa Barbara's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated August 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California

May 7, 2024

GIRLS INC. OF GREATER SANTA BARBARA

STATEMENT OF FINANCIAL POSITION

December 31, 2022

(With Comparative Totals for December 31, 2021)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 647,823	\$ 73,613	\$ 721,436	\$ 627,788
Accounts receivable	2,890	-	2,890	61,760
Pledges, bequests and grants receivable	-	225,561	225,561	338,888
Prepaid expenses and other current assets	20,724	-	20,724	43,932
Total Current Assets	<u>671,437</u>	<u>299,174</u>	<u>970,611</u>	<u>1,072,368</u>
INVESTMENTS	<u>6,193,201</u>	<u>2,813,446</u>	<u>9,006,647</u>	<u>3,409,870</u>
PROPERTY AND EQUIPMENT				
Land	1,650,654	-	1,650,654	1,736,295
Building and improvements	7,841,911	-	7,841,911	9,742,545
Furniture and equipment	414,832	-	414,832	601,165
Vehicles	223,398	-	223,398	321,973
	<u>10,130,795</u>	<u>-</u>	<u>10,130,795</u>	<u>12,401,978</u>
Less: Accumulated depreciation	<u>(3,652,547)</u>	<u>-</u>	<u>(3,652,547)</u>	<u>(5,459,745)</u>
Net Property and Equipment	<u>6,478,248</u>	<u>-</u>	<u>6,478,248</u>	<u>6,942,233</u>
OTHER ASSETS				
Pledges, bequests and grants receivable, net of current portion	<u>-</u>	<u>328,541</u>	<u>328,541</u>	<u>474,227</u>
Total Other Assets	<u>-</u>	<u>328,541</u>	<u>328,541</u>	<u>474,227</u>
TOTAL ASSETS	<u>\$ 13,342,886</u>	<u>\$ 3,441,161</u>	<u>\$ 16,784,047</u>	<u>\$ 11,898,698</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 227,706	\$ -	\$ 227,706	\$ 161,893
Deferred revenue	-	-	-	4,593
Current portion of long-term debt	43,356	-	43,356	71,418
Total Current Liabilities	<u>271,062</u>	<u>-</u>	<u>271,062</u>	<u>237,904</u>
LONG-TERM LIABILITIES				
Economic Injury Disaster Loan	145,443	-	145,443	149,081
Notes payable, net current portion	1,717,582	-	1,717,582	1,768,002
Total Long-Term Liabilities	<u>1,863,025</u>	<u>-</u>	<u>1,863,025</u>	<u>1,917,083</u>
Total Liabilities	<u>2,134,087</u>	<u>-</u>	<u>2,134,087</u>	<u>2,154,987</u>
NET ASSETS				
Without Donor Restrictions				
Undesignated	5,015,598	-	5,015,598	5,421,307
Designated by the Board	6,193,201	-	6,193,201	-
Total Without Donor Restrictions	<u>11,208,799</u>	<u>-</u>	<u>11,208,799</u>	<u>5,421,307</u>
With Donor Restrictions	<u>-</u>	<u>3,441,161</u>	<u>3,441,161</u>	<u>4,322,404</u>
Total Net Assets	<u>11,208,799</u>	<u>3,441,161</u>	<u>14,649,960</u>	<u>9,743,711</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,342,886</u>	<u>\$ 3,441,161</u>	<u>\$ 16,784,047</u>	<u>\$ 11,898,698</u>

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

GIRLS INC. OF GREATER SANTA BARBARA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	(Memo) 2021 Total
PUBLIC SUPPORT				
Special events, gross	\$ 24,340	\$ -	\$ 24,340	\$ 137,179
Less direct costs	<u>(10,081)</u>	<u>-</u>	<u>(10,081)</u>	<u>(20,240)</u>
Special events, net	14,259	-	14,259	116,939
Contributions and bequests	<u>879,777</u>	<u>74,500</u>	<u>954,277</u>	<u>1,250,704</u>
Total Public Support	<u>894,036</u>	<u>74,500</u>	<u>968,536</u>	<u>1,367,643</u>
REVENUE				
Government grants	-	-	-	830,036
Contracts	38,390	-	38,390	38,341
Program fees	571,028	-	571,028	803,565
Rental and other	<u>7,460</u>	<u>-</u>	<u>7,460</u>	<u>8,805</u>
Total Revenue	<u>616,878</u>	<u>-</u>	<u>616,878</u>	<u>1,680,747</u>
TOTAL PUBLIC SUPPORT AND REVENUE	1,510,914	74,500	1,585,414	3,048,390
NET ASSETS RELEASED FROM RESTRICTION	484,320	(484,320)	-	-
OPERATING EXPENSES				
Program services	2,321,574	-	2,321,574	1,865,639
Management and general	540,478	-	540,478	438,367
Fundraising	<u>494,322</u>	<u>-</u>	<u>494,322</u>	<u>443,059</u>
TOTAL OPERATING EXPENSES	<u>3,356,374</u>	<u>-</u>	<u>3,356,374</u>	<u>2,747,065</u>
CHANGE IN NET ASSETS, OPERATING	<u>(1,361,140)</u>	<u>(409,820)</u>	<u>(1,770,960)</u>	<u>301,325</u>
NONOPERATING INCOME				
Investment income (loss), net of fees	81,497	(471,423)	(389,926)	444,677
Gain on sale of property and equipment	<u>7,067,135</u>	<u>-</u>	<u>7,067,135</u>	<u>-</u>
CHANGE IN NET ASSETS, NONOPERATING	7,148,632	(471,423)	6,677,209	444,677
TOTAL CHANGE IN NET ASSETS	5,787,492	(881,243)	4,906,249	746,002
NET ASSETS, BEGINNING OF YEAR	<u>5,421,307</u>	<u>4,322,404</u>	<u>9,743,711</u>	<u>8,997,709</u>
NET ASSETS, END OF YEAR	<u>\$ 11,208,799</u>	<u>\$ 3,441,161</u>	<u>\$ 14,649,960</u>	<u>\$ 9,743,711</u>

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

GIRLS INC. OF GREATER SANTA BARBARA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	Program Services	Management and General	Fundraising	2022	(Memo) 2021
Salaries and wages	\$ 1,017,213	\$ 177,718	\$ 281,394	\$ 1,476,325	\$ 1,318,458
Employee benefits	91,013	8,661	22,545	122,219	172,565
Payroll taxes	86,076	13,253	21,541	120,870	104,458
Total Salaries and related	<u>1,194,302</u>	<u>199,632</u>	<u>325,480</u>	<u>1,719,414</u>	<u>1,595,481</u>
Occupancy and related	216,485	11,567	8,242	236,294	212,780
Interest	67,773	8,472	8,472	84,717	81,194
Supplies	128,049	18,384	27,693	174,126	138,211
Professional fees	172,552	242,234	45,507	460,293	304,990
Auto, conferences, and travel	15,564	7,954	14,777	38,295	17,163
Advertising and promotion	882	2,960	27,955	31,797	14,965
Insurance	57,371	7,172	7,172	71,715	76,003
Equipment rental and maintenance	6,206	1,223	2,936	10,365	16,165
Printing and postage	3,255	833	8,724	12,812	9,863
Bank fees	2,327	12,602	-	14,929	15,975
In-kind	237,252	-	-	237,252	15,451
Depreciation	219,556	27,445	27,445	274,446	269,064
Total Other Operating Expenses	<u>1,127,272</u>	<u>340,846</u>	<u>178,923</u>	<u>1,647,041</u>	<u>1,171,824</u>
2022 Total Expenses by Function	2,321,574	540,478	504,403	3,366,455	2,767,305
Less expenses included with revenues on the statement of activities					
Special event direct expenses	<u>-</u>	<u>-</u>	<u>(10,081)</u>	<u>(10,081)</u>	<u>(20,240)</u>
2022 Total Expenses	<u>\$ 2,321,574</u>	<u>\$ 540,478</u>	<u>\$ 494,322</u>	<u>\$ 3,356,374</u>	
2021 Total Expenses (Memo)	<u>\$ 1,865,639</u>	<u>\$ 438,367</u>	<u>\$ 443,059</u>		<u>\$ 2,747,065</u>

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

GIRLS INC. OF GREATER SANTA BARBARA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>(Memo)</u> <u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,906,249	\$ 746,002
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	274,446	269,064
Unrealized loss (gain) on value of securities	536,199	(374,707)
Realized gain on sale of securities	(3,864)	(16,808)
Gain on sale of property and equipment	(7,067,135)	(300)
(Increase) decrease in:		
Accounts receivable	58,870	45,994
Pledges, bequests and grants receivable	259,013	(160,032)
Prepaid expenses and other current assets	23,208	(8,626)
Increase (decrease) in:		
Accounts payable and accrued expenses	65,813	(28,562)
Deferred revenue	<u>(4,593)</u>	<u>4,071</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(951,794)</u>	<u>476,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(85,754)	(36,078)
Purchase of securities	(6,532,144)	(29,016)
Proceeds from sale of securities	403,032	89,202
Proceeds from sale of property and equipment	<u>7,342,428</u>	<u>300</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,127,562</u>	<u>24,408</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) on Economic Injury Disaster Loan	(3,540)	(1,153)
Principal payments on notes payable	<u>(78,580)</u>	<u>(65,620)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(82,120)</u>	<u>(66,773)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,648	433,731
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>627,788</u>	<u>194,057</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 721,436</u>	<u>\$ 627,788</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 84,716	\$ 79,756
In-kind contributions of goods and services	\$ 237,252	\$ 20,451

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

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 1 – ORGANIZATION

Girls Inc. 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.

In 2022, the organization sold its center on the East Side of Santa Barbara as it sought to modernize its approach to serving girls and liberate the exorbitant costs to maintain the aging facility. The sale of the facility provides the organization with the resources and the flexibility to adopt a new strategic approach to service-delivery and make more significant investments in our programming for girls.

TK-6 programs: We envision a world where every girl feels valued, safe, and prepared to achieve her dreams. We focus on the whole girl from age 5-18: her health, education and development as a leader. Our continuum of academic, social, and community enrichment programs is offered to all girls in our community, regardless of their family's ability to pay. In the early school years, girls begin to develop confidence as learners, and build the foundation for academic success. They also form attitudes about themselves in relation to school and their peers. We offer a subsidized program fee for 100% of our participants and provide additional scholarships and financial aid to ensure that every girl can participate and thrive.

Teen programs: As teens, girls develop their self-confidence and begin to define their own morals and values. They gain more independence, navigate increased social pressures, and hone their sense of what they want to contribute as they move into their future. Girls Inc. Supports teen girls' success by providing a wide range of healthy living and life-skills development activities, including providing them with exposure to the many career options available to them. Academic enrichment assists teens in graduating high-school on time and promotes post-secondary education. We offer a subsidized program fee for 100% of our participants and provide additional scholarships and financial aid to ensure that every girl can participate and thrive.

Gymnastics: At Girls Inc., our gymnastics program stands as a beacon of empowerment and athleticism for young girls aged 5-18. Gymnastics offers a unique avenue for girls to discover their physical capabilities, build confidence, and foster leadership and teamwork. We focus on enhancing motor skills, agility, and flexibility while instilling values of discipline and perseverance. Gymnastics teaches girls to push past their limits, embrace challenges, and celebrate their achievements. Beyond the gym mat, these lessons resonate in every aspect of their lives, shaping them into strong, capable young women ready to face the world with grace and grit.

For the year ended December 31, 2022, the Organization provided approximately \$56,000 in financial assistance in the form of discounted program related fees.

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

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”. 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).

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.

GIRLS INC. 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, 2022, totaled \$274,446.

Leases

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Organization has adopted FASB ASC 842, Leases, effective in these financial statements. As of January 1, 2022, and for the year ended December 31, 2022, the Organization had no material noncancellable finance leases.

Further, the Organization elected a short-term lease extension policy, permitting the Organization to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of net assets.

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021, from which the summarized information was derived.

Contributions and Grants

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 Goods and Services

Donated goods and services are recognized as in-kind contributions in accordance with generally accepted accounting principles for not-for-profit organization, if the goods and services (a) create or enhance non-financial assets or (b) the services require specialized skills and are performed by people with those skills, and would otherwise be purchased by the Organization. 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 because they do not meet the recognition criteria prescribed by generally accepted accounting principles. The amount of in-kind contributions of goods and services received for December 31, 2022, totaled \$237,252.

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.

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).

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exempt Status (continued)

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, 2022, 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 2019 and 2018, respectively.

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.

Note 3 – RECEIVABLES

Receivables consist of program fees receivable and unconditional pledges and bequests to be collected in future years. At December 31, 2022, these amounts are considered fully collectible and therefore no allowances for doubtful accounts, pledges, and bequests receivable have been recorded.

Bequest receivables 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:

2023	\$ 228,451
2024	-
Thereafter	<u>345,767</u>
	574,218
Less discount	<u>(17,226)</u>
Total receivables	<u>\$ 556,992</u>

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

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, 2022, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash held for investment	\$ 6,262,436	\$ 6,262,436	\$ -
Equities	1,132,631	1,601,514	468,883
Fixed income	999,618	899,883	(99,735)
Commodities	92,837	122,629	29,792
Real estate	99,987	120,185	20,198
Total	<u>\$ 8,587,509</u>	<u>\$ 9,006,647</u>	<u>\$ 419,138</u>

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

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Balance at end of the year	\$ 8,587,509	\$ 9,006,647	\$ 419,138
Balance at beginning of the year	2,454,533	3,409,870	<u>955,337</u>
Net decrease in unrealized gains			<u>\$ (536,199)</u>

The following summarizes the investment return included as restricted and unrestricted revenue in the statement of activities for the year ended December 31, 2022:

Investment and dividend income	\$ 166,420
Realized gain on value of securities	3,864
Unrealized loss on value of securities	(536,199)
Investment fees	<u>(24,011)</u>
Net Investment Income	<u>\$ (389,926)</u>

Note 5 – 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.

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 5 – ENDOWMENT FUNDS (continued)

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.

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 \$1,750,432, consisting of total original gift endowment contributions and accumulated earnings. Accumulated earnings totaled \$22,572 as of December 31, 2022.

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 6 – 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.

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.

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 6 – FAIR VALUE MEASUREMENT (continued)

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, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held for investment	\$ 6,262,436	\$ -	-	\$ 6,262,436
Equities				
Large Cap	1,013,534	-	-	1,013,534
Small Cap	150,873	-	-	150,873
International Developed	337,739	-	-	337,739
International Emerging	<u>99,368</u>	<u>-</u>	<u>-</u>	<u>99,368</u>
Total Equities	1,601,514	-	-	1,601,514
Fixed income				
Corporate or Government	618,442	-	-	618,442
Other	<u>281,441</u>	<u>-</u>	<u>-</u>	<u>281,441</u>
Total Fixed income	899,883	-	-	899,883
Commodities				
Commodities	122,629	-	-	122,629
Real estate	<u>120,185</u>	<u>-</u>	<u>-</u>	<u>120,185</u>
Total assets measured at fair value	<u>\$ 9,006,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,006,647</u>

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, 2022, the Organization had no outstanding balance due.

Note 8 – NOTES PAYABLE

Notes payable as of December 31, 2022, consist of the following:

The Montecito Bank & Trust note was revised in 2022 to defer three months of payments, setting a new due date and amount for the balloon payment. The note has a principal balance of \$1,757,300 as of December 31, 2022, 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. Subsequent to year end, effective August 5, 2023, the note was refinanced with monthly payments of principal and interest of \$14,001. The new interest rate is 6.75% per annum, with a balloon payment of \$1,703,339 due August 5, 2024.

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 8 – 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, 2022, is \$149,081.

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

2023	\$ 43,356
2024	1,721,311
2025	3,844
2026	3,951
2027	4,061
Thereafter	<u>129,858</u>
Total	<u>\$ 1,906,381</u>

Note 9 – DEFERRED REVENUE

Deferred revenue represents amounts received by the Organization for program services to be performed subsequent to year end. No deferred revenue was reported as of December 31, 2022.

Note 10 – CONCENTRATIONS AND RISK

Credit Risk

The Organization maintains cash balances at a single financial institution. The standard Federal Deposit Insurance Corporation (FDIC) insurance coverage amount is \$250,000 per depositor and per bank institution for interest-bearing accounts. At times throughout the year the Organization maintains balances in excess of the FDIC insured amount. As of December 31, 2022, the Organization's uninsured cash balance was approximately \$267,000.

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 INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 11 – RECLASSIFICATION

Certain amounts from the December 31, 2021, financial statements have been reclassified to conform with the December 31, 2022, financial statement presentation.

Note 12 – 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. For the year ended December 31, 2022, the Organization made contributions to the plan totaling \$26,430.

Note 13 – 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, 2022, the passage of restrictions resulted in net assets released from restrictions of \$484,320.

Note 14 – NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2022, net assets without donor restrictions consist of the following:

Designated by the Board	\$ 6,193,201
Without donor restriction	294,650
Property and equipment, net of depreciation and related debt	4,720,948
Total Net Assets Without Donor Restrictions	<u>\$ 11,208,799</u>

Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions consist of the following:

Endowment and accumulated earnings	\$ 1,750,432
Donations restricted for Goleta Center Library	1,063,014
Pledges, bequests and grants receivable	554,102
Donations restricted for other uses	73,613
Total Net Assets With Donor Restrictions	<u>\$ 3,441,161</u>

Note 15 – 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.

GIRLS INC. OF GREATER SANTA BARBARA

NOTES TO FINANCIAL STATEMENTS

Note 15 – LIQUIDITY (continued)

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2022:

Current assets	
Cash and cash equivalents available within one year	\$ 721,436
Accounts receivable	2,890
Pledges and grants receivable, current portion	<u>225,561</u>
Total Current Assets	<u>949,887</u>
Investments	9,006,647
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>(2,813,446)</u>
Total Investments	<u>6,193,201</u>
Current liabilities	<u>(1,988,644)</u>
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2022	<u>\$ 5,154,444</u>

Note 16 – SUBSEQUENT EVENTS

Subsequent to year end, effective August 5, 2023, the note was refinanced with monthly payments of principal and interest of \$14,001. The new interest rate is 6.75% per annum, with a balloon payment of \$1,703,339 due August 5, 2024.

The Organization has evaluated subsequent events through May 7, 2024, the date which the financial statements were available to be issued. Management has determined no other subsequent events requiring disclosure or significantly impacting disclosure have occurred.