



Inspiring all girls
to be strong,
smart, and bold

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

March 31, 2019 and 2018

GIRLS INCORPORATED

CONTENTS

Page

FINANCIAL STATEMENTS

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-23

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Schedule of Expenditures of Federal Awards	26-27
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	28-29
Schedule of Findings and Questioned Costs	30
Summary Schedule of Prior Audit Findings and Questioned Costs	31

Independent Auditors' Report

Board of Directors
Girls Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Girls Incorporated, which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 as of March 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, Girls Incorporated adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2019, on our consideration of Girls Incorporated's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Girls Incorporated's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
August 12, 2019

GIRLS INCORPORATED
STATEMENTS OF FINANCIAL POSITION
March 31, 2019 and 2018

ASSETS

	2019	Adjusted 2018
ASSETS		
Cash	\$ 3,739,356	\$ 3,999,333
Accrued investment income	6,416	8,072
Dues receivable	253,133	33,457
Promises to give and grants receivable, net	4,923,385	9,781,566
Investments - current	12,273,817	9,698,618
Prepaid expenses and other	290,415	241,676
Notes receivable from affiliates	59,843	22,222
Investments - endowment	5,736,871	5,610,523
Property and equipment, net	1,398,241	1,392,816
Beneficial interest in perpetual trusts	<u>10,632,694</u>	<u>9,854,207</u>
TOTAL ASSETS	<u><u>\$ 39,314,171</u></u>	<u><u>\$ 40,642,490</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 1,735,883	\$ 1,942,628
Scholarships payable	1,123,350	1,073,108
Deferred revenue	258,041	239,925
Accrued pension cost	967,010	801,350
Deferred rent obligation	<u>102,451</u>	<u>101,721</u>
Total Liabilities	<u>4,186,735</u>	<u>4,158,732</u>
NET ASSETS		
Without donor restrictions:		
Designated by the Board for endowment	659,983	660,136
Undesignated	<u>7,881,284</u>	<u>7,119,212</u>
	<u>8,541,267</u>	<u>7,779,348</u>
With donor restrictions:		
Purpose and time restrictions	12,319,977	15,216,702
Perpetual in nature	<u>14,266,192</u>	<u>13,487,708</u>
	<u>26,586,169</u>	<u>28,704,410</u>
Total Net Assets	<u>35,127,436</u>	<u>36,483,758</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 39,314,171</u></u>	<u><u>\$ 40,642,490</u></u>

See accompanying notes.

GIRLS INCORPORATED
STATEMENTS OF ACTIVITIES
Years Ended March 31, 2019 and 2018

	Without Donor Restrictions	2019 With Donor Restrictions	Total
REVENUES AND SUPPORT			
Special events revenue	\$ 1,483,872		\$ 1,483,872
Less: Direct costs of special events	(149,633)		(149,633)
Special events, net	1,334,239		1,334,239
Contributions and private grants	4,473,695	\$ 7,423,038	11,896,733
In-kind contributions	326,074		326,074
Government grants and contracts		1,072,602	1,072,602
Program revenue	747,437		747,437
Other income	82,913		82,913
	6,964,358	8,495,640	15,459,998
Net assets released from restrictions	12,197,302	(12,197,302)	
	19,161,660	(3,701,662)	15,459,998
EXPENSES			
Program Services:			
Affiliate services/growth	9,055,280		9,055,280
Program, research and training	5,048,790		5,048,790
Public education and advocacy	1,954,953		1,954,953
Total Program Services	16,059,023		16,059,023
Supporting Services:			
Management and general	323,457		323,457
Fundraising	2,119,896		2,119,896
Total Supporting Services	2,443,353		2,443,353
	18,502,376		18,502,376
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN			
	659,284	(3,701,662)	(3,042,378)
INVESTMENT RETURN			
Net appreciation on investments and funds held by trustees	80,321	1,001,176	1,081,497
Investment income, net	228,090	582,245	810,335
	308,411	1,583,421	1,891,832
CHANGE IN NET ASSETS BEFORE PENSION CHANGES OTHER THAN NET PERIODIC COSTS			
	967,695	(2,118,241)	(1,150,546)
Pension changes other than net periodic costs	(205,776)		(205,776)
CHANGE IN NET ASSETS			
	761,919	(2,118,241)	(1,356,322)
NET ASSETS			
Beginning of Year	7,779,348	28,704,410	36,483,758
End of Year	\$ 8,541,267	\$ 26,586,169	\$ 35,127,436

See accompanying notes.

<u>Without Donor Restrictions</u>	<u>Adjusted 2018 With Donor Restrictions</u>	<u>Total</u>
\$ 1,197,755		\$ 1,197,755
<u>(157,727)</u>		<u>(157,727)</u>
1,040,028		1,040,028
3,340,426	\$ 5,169,221	8,509,647
451,060		451,060
	1,031,287	1,031,287
711,072		711,072
<u>78,229</u>		<u>78,229</u>
5,620,815	6,200,508	11,821,323
<u>10,558,236</u>	<u>(10,558,236)</u>	
<u>16,179,051</u>	<u>(4,357,728)</u>	<u>11,821,323</u>
5,949,013		5,949,013
6,110,943		6,110,943
<u>1,456,993</u>		<u>1,456,993</u>
<u>13,516,949</u>		<u>13,516,949</u>
305,092		305,092
<u>1,804,559</u>		<u>1,804,559</u>
<u>2,109,651</u>		<u>2,109,651</u>
<u>15,626,600</u>		<u>15,626,600</u>
<u>552,451</u>	<u>(4,357,728)</u>	<u>(3,805,277)</u>
195,223	1,135,369	1,330,592
<u>21,706</u>	<u>554,870</u>	<u>576,576</u>
<u>216,929</u>	<u>1,690,239</u>	<u>1,907,168</u>
769,380	(2,667,489)	(1,898,109)
<u>147,305</u>		<u>147,305</u>
916,685	(2,667,489)	(1,750,804)
<u>6,862,663</u>	<u>31,371,899</u>	<u>38,234,562</u>
<u>\$ 7,779,348</u>	<u>\$28,704,410</u>	<u>\$ 36,483,758</u>

GIRLS INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended March 31, 2019 and 2018

	<u>Affiliate Services/Growth</u>		<u>Program, Research and Training</u>		<u>Public Education and Advocacy</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Salaries	\$ 1,112,006	\$ 1,212,882	\$ 1,566,936	\$ 1,415,625	\$ 783,304	\$ 569,531
Payroll taxes and employee benefits	349,539	367,275	492,538	461,456	246,217	172,463
Consultants and professional fees	264,184	65,423	853,104	1,086,492	383,809	236,444
Supplies	5,686	6,635	10,745	19,457	3,404	3,344
Telephone and computer expense	6,427	17,121	97,992	128,774	2,891	5,204
Postage and shipping expense	3,180	6,468	3,263	8,059	1,684	1,189
Occupancy	45,198	58,135	80,588	78,313	94,029	69,571
Insurance	10,513	15,720	18,403	17,077	8,128	5,839
Equipment rental and maintenance	3,488	8,643	24,709	34,784	2,697	2,159
Travel and meetings expense	357,617	314,540	121,773	184,007	52,438	51,177
Printing and publications expense	28,531	33,382	38,161	43,560	309,160	303,791
Subscriptions	1,120	1,638	2,098	10,227	9,376	13,265
Membership dues	8,390	9,036	8,434	18,802	5,071	2,149
Awards	316,919	290,340		(52)		
Pass-through grants to affiliates	6,521,676	3,524,183	1,692,287	2,579,747	35,640	11,565
Depreciation	14,788	16,688	25,886	23,571	11,434	8,060
Miscellaneous	6,018	904	11,873	1,044	5,671	1,242
TOTAL EXPENSES BY FUNCTION	9,055,280	5,949,013	5,048,790	6,110,943	1,954,953	1,456,993
Less: Expenses included with revenues on the statements of activities: Cost of direct benefits to donors						
TOTAL EXPENSES ON THE STATEMENTS OF ACTIVITIES	<u>\$ 9,055,280</u>	<u>\$ 5,949,013</u>	<u>\$ 5,048,790</u>	<u>\$ 6,110,943</u>	<u>\$ 1,954,953</u>	<u>\$ 1,456,993</u>

See accompanying notes.

Management and General		Fundraising		Cost of Direct Benefits to Donors		Total	
2019	2018	2019	2018	2019	2018	2019	2018
\$ 155,389	\$ 149,444	\$ 1,059,741	\$ 947,050			\$ 4,677,376	\$ 4,294,532
48,844	46,342	333,110	286,790			1,470,248	1,334,326
33,958	25,608	134,013	187,176			1,669,068	1,601,143
1,920	1,560	5,553	4,725			27,308	35,721
108	757	20,651	25,415			128,069	177,271
679	939	8,672	10,619			17,478	27,274
37,117	36,422	45,498	44,070			302,430	286,511
8,633	8,557	10,582	10,353			56,259	57,546
2,864	2,834	3,570	3,429			37,328	51,849
13,257	9,230	65,356	46,079	\$ 149,333	153,635	759,774	758,668
	6,856	93,877	90,341	300	4,092	470,029	482,022
920	1,102	21,038	5,614			34,552	31,846
2,784	2,857	5,495	6,956			30,174	39,800
	238	286,547	120,583			316,919	290,288
						8,536,150	6,236,316
12,144	11,811	14,886	14,290			79,138	74,420
4,840	535	11,307	1,069			39,709	4,794
323,457	305,092	2,119,896	1,804,559	149,633	157,727	18,652,009	15,784,327
				(149,633)	(157,727)	(149,633)	(157,727)
<u>\$ 323,457</u>	<u>\$ 305,092</u>	<u>\$ 2,119,896</u>	<u>\$ 1,804,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,502,376</u>	<u>\$ 15,626,600</u>

GIRLS INCORPORATED
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Decrease in net assets	\$ (1,356,322)	\$ (1,750,804)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	79,138	74,420
Net appreciation of investments	(274,111)	(542,676)
Net appreciation of funds held by trustees	(778,487)	(787,916)
(Increase) decrease in certain assets:		
Accrued investment income	1,656	(2,336)
Dues receivable	(219,676)	(31,756)
Promises to give and grants	4,858,181	4,896,297
Prepaid expenses and other	(48,739)	119,901
Notes receivable from affiliates	(37,621)	26,667
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(206,745)	1,045,698
Scholarships payable	50,242	66,283
Deferred revenue	18,116	30,716
Accrued pension cost	165,660	(163,470)
Deferred rent obligation	730	11,260
Net Cash Provided by Operating Activities	<u>2,252,022</u>	<u>2,992,284</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(84,563)	
Purchases of investments	(18,881,770)	(8,844,375)
Proceeds from sales of investments	16,274,269	2,039,334
(Increase) decrease in cash and equivalents - endowment	180,065	50,359
Net Cash Used by Investing Activities	<u>(2,511,999)</u>	<u>(6,754,682)</u>
NET DECREASE IN CASH	(259,977)	(3,762,398)
CASH		
Beginning of Year	<u>3,999,333</u>	<u>7,761,731</u>
End of Year	<u>\$ 3,739,356</u>	<u>\$ 3,999,333</u>

See accompanying notes.

GIRLS INCORPORATED

NOTES TO FINANCIAL STATEMENTS March 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Girls Incorporated, which is incorporated in the Commonwealth of Massachusetts, inspires all girls to be strong, smart, and bold through life-changing programs and experiences that help girls navigate gender, economic, and social barriers. Research-based curricula, delivered by trained, mentoring professionals in a positive all-girl environment equip girls to achieve academically; lead healthy and physically active lives; manage money; navigate media messages; and discover an interest in science, technology, engineering, and math. The network of local Girls Inc. nonprofit organizations serves 132,000 girls ages 6 to 18 annually across the United States and Canada. The accompanying financial statements of Girls Incorporated do not include the financial position and operating results of affiliates, each of which has its own independent board of directors and maintains separate accounts.

The program services of Girls Incorporated are as follows:

- **Affiliate Services/Growth** reflects delivery of program and management services and technical assistance to affiliates, replication of programs at affiliates, national scholarships and awards, development of delivery systems in major urban areas and the convening of regional meetings.
- **Program, Research and Training** reflects program development, field testing, evaluation, research, training, and technical assistance for Girls Incorporated programs. Programs focus on science, math and technology, health and sexuality, economic and financial literacy, sports skills, leadership and advocacy and media literacy.
- **Public Education and Advocacy** reflects public education, advocacy, representation in Washington, D.C., communications with internal and external audiences and strategic alliances entered into for visibility purposes.

New Accounting Pronouncement: During 2019, Girls Incorporated adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU enhances the understandability of net asset classification, requires information about liquidity and availability of resources, and increases the consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been applied retrospectively to all years presented.

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require Girls Incorporated to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of Girls Incorporated's management and Board of Directors. This net asset category includes funds functioning as an endowment through designation by the Board of Directors.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Girls Incorporated or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts associated with the acquisition of long-lived assets are released from restriction when the assets are placed in service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash consist of cash on hand or in demand deposit accounts. Girls Incorporated maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. Girls Incorporated has not experienced any losses from its bank accounts.

Promises to Give and Grants Receivable: Unconditional promises to give and grants receivable expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions and grants in the statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Promises to give and grants receivable are reviewed for collectability and a provision for doubtful accounts is recorded based on management’s judgment and analysis of the creditworthiness of the donors and grantors, historical experience, economic conditions, and other relevant factors.

Investment Valuation and Income Recognition: Investments are initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 2 for discussion of fair value measurements.

Investment return reported in the statements of activities consists of distributions from perpetual trusts, interest and dividends and realized and unrealized capital gains and losses, net of external and direct internal investment expenses. Distributions from perpetual trusts are recognized upon receipt. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

Property and Equipment: Expenditures for property and equipment are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Depreciation of property and equipment is provided on a straight-line basis over the lesser of the estimated useful lives or the lease term as follows:

Building	10-40 years
Furnishings and equipment	3-10 years
Leasehold and building improvements	7-15 years

Girls Incorporated’s property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of property and equipment were required in 2019 and 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Perpetual Trusts: Girls Incorporated is the beneficiary of certain perpetual trusts. Perpetual trusts are recognized as revenue when Girls Incorporated is notified that it has been named as an irrevocable beneficiary of a trust.

Perpetual trusts are created by donors and are neither in the possession nor under the control of the Girls Incorporated. The trusts are administered by third party trustees as designated by the donors. Girls Incorporated is entitled to receive all or a portion of the annual net income earned from the assets of the trusts. Girls Incorporated's beneficial interest in perpetual trusts is presented at fair value. See Note 3. Perpetual trusts are included in net assets with donor restrictions, and changes in value of perpetual trusts are recognized within net assets with donor restrictions in the statements of activities. Distributions are recognized within net assets with or without donor restrictions in the statements of activities based on any donor restrictions specified in the trust agreement.

Contributions, Grants and Contracts: Contributions and grants are recognized as support when they are received or unconditionally pledged. Conditional contributions are not recorded as support and revenues until the conditions are met. Cash received prior to when conditions are substantially met are recognized as refundable advances. Government contracts are classified as exchange transactions, which are reciprocal transfers between two entities in which goods and services of equal value are exchanged, and are not recognized until services are performed or allowable expenditures are incurred as specified in the contracts.

Government contracts and certain other grants are subject to audit by the government or granting agency, and as a result of such audit, adjustments to revenue and support could be required.

In-kind Contributions: Contributions of services, which consisted primarily of professional services and advertising are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Volunteers contribute significant amounts of time to Girls Incorporated activities that do not meet recognition criteria, and the value of these contributed services is not reflected in the financial statements. Contributions of food, equipment, and other goods are recorded at estimated fair value when received.

For the years ended March 31, 2019 and 2018, donated advertising services of \$302,074 and \$292,000, respectively, are included in in-kind contributions and in public education and advocacy expenses. The fair value of donated public service announcements is estimated on the basis of economic benefits received by Girls Incorporated. In addition to providing economic benefits to Girls Incorporated, donated public service announcements provide benefits to all of the member affiliates. In addition, for the years ended March 31, 2019 and 2018, donated legal, consulting and IT services of \$24,000 and \$159,000, respectively, are included in in-kind contributions and in management and general expenses.

Program Service Revenue is recognized when earned at the time the service is performed.

Membership Dues, which are based on a percentage of the member affiliates' annual expenditures, are recognized as revenue when earned and are included in program revenue. Deferred revenue includes membership dues received in advance of the period to which they relate. If necessary, the carrying amount of dues receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management determined that no allowance was necessary as of March 31, 2019 and 2018.

Special Events Revenue, including related sponsorship revenue, is recognized upon occurrence of the event. Revenue and support received for events occurring subsequent to the statement of financial position date is reflected as deferred revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. All remaining indirect costs have been allocated to program and supporting services benefited. The expenses that are allocated include the following:

Expense	Method of Allocation
Personnel related expenses	Time and effort
Office expenses	Time and effort
Information technology	Full time equivalent
Occupancy	Square footage
Travel	Time and effort
Conferences and meetings	Time and effort
Depreciation	Full time equivalent
Other	Time and effort

Grants and Other Assistance are recognized as expense when the grant is made or other assistance is provided. Promises to give to others are recognized as grants payable and expense when the promise has been communicated to the grantees and becomes unconditional.

Advertising Costs are expensed as incurred and totaled \$469,846 in 2019 and \$482,024 in 2018.

Income Taxes: Girls Incorporated is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. In addition, Girls Incorporated has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended March 31, 2019 and 2018.

Girls Incorporated files U.S. federal and states of New York and Indiana information tax returns. Girls Incorporated is no longer subject to U.S. federal and state income tax examinations by tax authorities for the fiscal years before March 31, 2016.

Reclassifications: Certain amounts in the 2018 financial statements have been reclassified to conform to the presentation of the 2019 financial statements.

Subsequent Events: Management has evaluated the financial statements for potential recognition and disclosure of subsequent events occurring through August 12, 2019, the date the financial statements were available to be issued.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

Girls Incorporated's financial assets available for general expenditure within one year of March 31, 2019 and 2018 were as follows:

	2019	2018
Cash and equivalents	\$ 3,739,356	\$ 3,999,333
Accrued investment income	6,416	8,072
Investments - current	12,273,817	9,698,618
Investments - endowment	5,736,871	5,610,523
Beneficial interest in perpetual trust	10,632,694	9,854,207
Dues receivable	253,133	33,457
Notes receivable from affiliates	59,843	22,222
Promises to give and grants receivable, net	<u>4,923,385</u>	<u>9,781,566</u>
Total Financial Assets	37,625,515	39,007,998
Donor-imposed Restrictions:		
Funds subject to purpose restrictions	(10,876,587)	(13,899,418)
Endowments	(15,709,582)	(14,804,992)
Board-designated endowment	<u>(659,983)</u>	<u>(660,136)</u>
Total Financial Assets Available Within One Year	<u>\$ 10,379,363</u>	<u>\$ 9,643,452</u>

Girls Incorporated's endowment funds consist of donor-restricted endowments and funds designated by the Board of Directors as endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. Although Girls Incorporated does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Girls Incorporated has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, Girls Incorporated invests cash in excess of daily requirements in short-term investments, including certificate of deposits and money market fund shares. As described in Note 9, Girls Incorporated also has a committed line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 - FAIR VALUE MEASUREMENTS

Girls Incorporated has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Girls Incorporated has the ability to access.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, Girls Incorporated makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by Girls Incorporated for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at March 31, 2019 and 2018.

Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and transact at that price.

Common Stocks, Exchange Traded Funds, and Government Agency Bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Beneficial Interest in Perpetual Trusts: Valued using Girls Incorporated's proportionate share of the fair value of the assets in the trust, as provided by the trustee, unless there are facts and circumstances that indicate that the fair value of the beneficial interest differs from the fair value of Girls Incorporated's proportionate share of the assets held by the trust, in which case the present value of the estimated future cash flows would be used. When Girls Incorporated's proportionate share of the fair value of the assets in the trust is used to estimate fair value, these assets are not classified in the fair value hierarchy.

Accrued Pension Cost: Valued based on the difference between the fair value of the plan assets and the projected benefit obligation. The methodology used to measure the fair value of the plan assets is described in Note 12. The benefit obligation is projected using the unit credit actuarial valuation method.

For those assets and liabilities measured at fair value, management determines the fair value measurement policies and procedures in consultation with Girls Incorporated's Fiscal Oversight Committee. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Girls Incorporated's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different fair value measurement at the reporting date.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of Girls Incorporated's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2019 and 2018:

2019	Level 1	Level 2	Level 3	Total	NAV
Assets					
Investments:					
Money market fund shares	\$ 9,747,302			\$ 9,747,302	
Common Stocks:					
Financials	770,602			770,602	
Healthcare	1,189,066			1,189,066	
Technology	1,386,604			1,386,604	
Energy	401,603			401,603	
Consumer goods	441,460			441,460	
Consumer discretionary	911,754			911,754	
Industrials	1,012,157			1,012,157	
Other	421,825			421,825	
Exchange traded funds	790,586			790,586	
Corporate bonds		\$333,718		333,718	
Government agency bonds	604,011			604,011	
Funds Held by Trustees:					
Beneficial interest in perpetual trusts					\$10,632,694
Total Assets at Fair Value	<u>\$17,676,970</u>	<u>\$333,718</u>		<u>\$18,010,688</u>	<u>\$10,632,694</u>
Liabilities					
Accrued pension cost			\$967,010	\$967,010	
Total Liabilities at Fair Value			<u>\$967,010</u>	<u>\$967,010</u>	
2018					
Assets					
Investments:					
Money market fund shares	\$ 330,248			\$ 330,248	
Common Stocks:					
Financials	644,186			644,186	
Healthcare	1,101,871			1,101,871	
Technology	1,159,083			1,159,083	
Consumer goods	567,243			567,243	
Consumer discretionary	688,208			688,208	
Industrial goods	883,648			883,648	
Other	1,638,221			1,638,221	
Corporate bonds		\$585,096		585,096	
Government agency bonds	7,711,337			7,711,337	
Funds Held by Trustees:					
Beneficial interest in perpetual trusts					\$ 9,854,207
Total Assets at Fair Value	<u>\$14,724,045</u>	<u>\$585,096</u>		<u>\$15,309,141</u>	<u>\$ 9,854,207</u>

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

2018 (Continued)	Level 1	Level 2	Level 3	Total	NAV
Liabilities					
Accrued pension cost			\$801,350	\$ 801,350	
Total Liabilities at Fair Value			<u>\$801,350</u>	<u>\$ 801,350</u>	

At March 31, 2019 and 2018, Girls Incorporated had no other assets or liabilities that are measured at fair value on a recurring basis.

Changes in the fair value of the Level 3 accrued pension cost for the years ended March 31, 2019 and 2018 and additional information about the valuation techniques and inputs are included in the details of the change in pension benefit obligation and the change in plan assets in Note 12.

Assets Measured Using Net Asset Value per Share (or Equivalent) Practical Expedient

The following table summarizes assets measured at fair value based on the NAV per share (or equivalent) as of March 31, 2019 and 2018:

	Fair Value		Unfunded	Redemption	Redemption
	2019	2018	Commitments	Frequency	Notice Period
Beneficial interest in perpetual trusts (a)	<u>\$10,632,694</u>	<u>\$9,854,207</u>	N/A	Illiquid	Illiquid

(a) Underlying investments are managed by trustees using diversified portfolios.

NOTE 4 - INVESTMENTS

Girls Incorporated's investments consisted of the following as of March 31, 2019 and 2018:

	2019	2018
Money market fund shares	\$9,747,302	\$ 330,248
Common stocks	6,535,071	6,682,460
Exchange traded funds	790,586	
Corporate bonds	333,718	585,096
Government agency bonds	<u>604,011</u>	<u>7,711,337</u>
	<u>\$18,010,688</u>	<u>\$15,309,141</u>

Investments are included in the statements of financial position as of March 31, 2019 and 2018 as follows:

	2019	2018
Investments - current	\$12,273,817	\$ 9,698,618
Investments - endowment	<u>5,736,871</u>	<u>5,610,523</u>
	<u>\$18,010,688</u>	<u>\$15,309,141</u>

NOTE 4 - INVESTMENTS (CONTINUED)

Girls Incorporated's investment return consisted of the following for the years ended March 31, 2019 and 2018:

	2019	2018
Distributions from perpetual trusts	\$ 457,504	\$ 444,481
Interest and dividends	900,928	653,708
Realized and unrealized gains	623,993	886,111
Broker expenses	<u>(90,593)</u>	<u>(77,132)</u>
Total Investment Return	<u>\$1,891,832</u>	<u>\$1,907,168</u>

Girls Incorporated's investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

NOTE 5 - PROMISES TO GIVE AND GRANTS RECEIVABLE

Promises to give and grants receivable were as follows at March 31, 2019 and 2018:

	2019	2018
Without donor restriction	<u>\$1,353,562</u>	<u>\$1,046,445</u>
With donor restriction:		
Restricted for specific purposes	1,575,000	1,712,652
Restricted for Growth Capital Campaign	<u>1,994,823</u>	<u>7,022,469</u>
Total with donor restriction	<u>3,569,823</u>	<u>8,735,121</u>
Total Promises to Give and Grants Receivable, net	<u>\$4,923,385</u>	<u>\$9,781,566</u>
Expected to be collected in:		
Less than one year	\$4,428,590	\$7,811,497
One to five years	<u>577,639</u>	<u>2,175,474</u>
	5,006,229	9,986,971
Allowance for uncollectible accounts	(69,983)	
Unamortized discounts	<u>(12,861)</u>	<u>(205,405)</u>
Total Promises to Give and Grants Receivable, net	<u>\$4,923,385</u>	<u>\$9,781,566</u>

Promises to give and grants receivable are discounted at a rate of 2.22% and 2.48% at March 31, 2019 and 2018, respectively.

Girls Incorporated is conducting a Growth Capital Campaign (GCC) to significantly grow the number of girls served. Uses of the GCC will include one-time targeted seed grants to local affiliates; investment in a learning management system to enable the national organization to bring more resources to their affiliate staff, leaders and volunteers; and, a third party evaluation to measure the difference Girls Incorporated makes in the lives of girls.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31, 2019 and 2018:

	2019	2018
Land	\$ 209,205	\$ 209,205
Building	2,499,387	2,431,807
Furnishings and equipment	522,394	507,010
Leasehold and building improvements	<u>233,631</u>	<u>233,631</u>
	3,464,617	3,381,653
Less: Accumulated depreciation	<u>(2,066,376)</u>	<u>(1,988,837)</u>
Total Property and Equipment, net	<u>\$ 1,398,241</u>	<u>\$ 1,392,816</u>

NOTE 7 - ENDOWMENT

Girls Incorporated's endowment consists of ten individual funds established by donors for various purposes. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Interpretation of Relevant Law

Girls Incorporated is subject to the Massachusetts-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Donor-restricted funds include perpetual trusts in which Girls Incorporated is named a beneficiary. Most of those assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. Girls Incorporated considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Girls Incorporated has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, Girls Incorporated considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the various funds
- The purposes of the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Girls Incorporated
- Girls Incorporated's investment policies

NOTE 7 - ENDOWMENT (CONTINUED)

The endowment net asset composition by type of fund as of March 31, 2019 and 2018, was as follows:

	Without Donor Restriction	With Donor Restriction	Total
2019			
Board-designated funds	\$659,983		\$ 659,983
Donor-restricted endowment funds:			
Original gifts and amounts required to be maintained in perpetuity by donors including beneficial interest in perpetual trusts		\$14,266,192	14,266,192
Accumulated investment gains		<u>1,443,390</u>	<u>1,443,390</u>
Total Endowment Funds	<u>\$659,983</u>	<u>\$15,709,582</u>	<u>\$16,369,565</u>
2018			
Board-designated funds	\$660,136		\$ 660,136
Donor-restricted endowment funds:			
Original gifts and amounts required to be maintained in perpetuity by donors including beneficial interest in perpetual trusts		\$13,487,708	13,487,708
Accumulated investment gains		<u>1,316,886</u>	<u>1,316,886</u>
Total Endowment Funds	<u>\$660,136</u>	<u>\$14,804,594</u>	<u>\$15,464,730</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of gifts donated to the donor-restricted endowment or the level that the donors otherwise require Girls Incorporated to retain as a fund of perpetual duration. There were no underwater endowment funds at March 31, 2019 and 2018.

Investment and Spending Policies

Girls Incorporated has adopted investment and spending policies, approved by its Board of Directors, for endowment assets managed by Girls Incorporated that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets managed by Girls Incorporated are invested in a well-diversified asset mix, with a target asset allocation of 70% to 90% into equity and 10% to 30% into fixed income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions according to the spending policy. Other alternative investment classes may not exceed 15% of the asset mix. The remainder of the assets not invested as noted above shall be cash reserves, which are not to exceed 10% of the assets market value, unless approved by the Investment Subcommittee. Investment risk is measured in terms of the total endowment fund and managed to not expose the endowment to unacceptable levels of risk. Girls Incorporated expects its endowment assets, over time, to produce a total return in excess of that generated by relevant benchmarks. Actual returns in any given year may vary from this amount.

Girls Incorporated has a policy of appropriating for distribution each year any earnings on the endowment fund in the amount of not more than 4% before fees of the three-year moving average market value of the endowment fund with a maximum increase of 6% per year over the prior year's spending amount. This approach serves to protect against volatility in the amount of gifts received and assists in maintaining intergenerational equity. In establishing this policy, Girls Incorporated considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with Girls Incorporated objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

NOTE 7 - ENDOWMENT FUNDS (CONTINUED)

Girls Incorporated's endowment also includes the beneficial interest in perpetual trusts, which are managed by third party trustees under the investment and distribution policies of the trustees.

Activity in the endowment by net asset class for 2019 and 2018 is summarized as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment at March 31, 2017	\$645,145	\$13,786,555	\$14,431,700
Investment return	42,713	1,648,541	1,691,254
Appropriations for expenditure	<u>(27,722)</u>	<u>(630,502)</u>	<u>(658,224)</u>
Endowment at March 31, 2018	660,136	14,804,594	15,464,730
Investment return	22,025	1,534,326	1,556,351
Appropriations for expenditure	<u>(22,178)</u>	<u>(629,338)</u>	<u>(651,516)</u>
Endowment at March 31, 2019	<u>\$659,983</u>	<u>\$15,709,582</u>	<u>\$16,369,565</u>

NOTE 8 - PERPETUAL TRUSTS

Girls Incorporated is a beneficiary of certain irrevocable perpetual trusts, which are managed by third party trustees. The fair value of Girls Incorporated's beneficial interest in the perpetual trusts at March 31, 2019 and 2018, was \$10,632,694 and \$9,854,207, respectively. The funds appreciated by \$778,487 in 2019 and \$787,916 in 2018. Income distributions from such trusts amounted to \$457,504 in 2019 and \$444,481 in 2018 and are reflected as investment income in the accompanying statements of activities.

NOTE 9 - BANK LINE OF CREDIT

Girls Incorporated has a \$500,000 line of credit with a bank that expires on August 25, 2020. As of March 31, 2019 and 2018, there were no borrowings outstanding on the line of credit. The interest rate on any borrowings is equal to 0.5% less than the Bank's prime lending rate (5.00% at March 31, 2019). The line of credit is collateralized with Girls Incorporated's current investment accounts.

NOTE 10 - NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following as of March 31, 2019 and 2018:

	2019	2018
Designated by the Board for endowment	\$ 659,983	\$ 660,136
Undesignated	<u>7,881,284</u>	<u>7,119,212</u>
Net Assets Without Donor Restrictions	<u>\$8,541,267</u>	<u>\$7,779,348</u>

NOTE 10 - NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of March 31, 2019 and 2018:

	2019	2018
Subject to Expenditures for Specific Purpose:		
Affiliate Growth Investments	\$ 6,850,499	\$11,581,482
STEM Programming (science, technology, engineering, math)	735,934	453,967
Economic Literacy Programming	462,663	320,347
Health & Self Esteem Programming	879,426	428,664
Reaching More Girls Through Mentoring and Affiliates	92,069	
College Scholarships for Girls	970,512	530,875
Outcomes Measurement and Management Information System	233,543	292,243
Other	651,944	292,238
Subject to the Passage of Time:		
Endowment appreciation	1,443,390	1,316,886
Subject to Endowment Spending Policy and Appropriation:		
Original endowment gift	3,633,498	3,633,501
Beneficial interest in perpetual trust	<u>10,632,694</u>	<u>9,854,207</u>
Total Net Assets With Donor Restrictions	<u>\$26,586,169</u>	<u>\$28,704,410</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended March 31, 2019 and 2018:

	2019	2018
Satisfaction of Purpose Restrictions:		
Affiliate Growth Investments	\$ 8,505,021	\$ 4,708,175
STEM Programming (science, technology, engineering, math)	808,033	1,828,185
Economic Literacy Programming	357,684	349,579
Health & Self Esteem Programming	479,493	986,796
Reading Literacy Programming	25,000	231,171
Reaching More Girls Through Mentoring and Affiliates	1,130,533	1,399,594
College Scholarships for Girls	368,884	330,874
Outcomes Measurement and Management Information System	183,701	223,921
Other	144,394	292,813
Tribute Funds	<u>194,559</u>	<u>207,128</u>
Total Net Assets Released from Restrictions	<u>\$12,197,302</u>	<u>\$10,558,236</u>

NOTE 11 - LEASES

Girls Incorporated leases office space at two locations, New York, New York and Washington, D.C. under long-term operating leases through June 30, 2021. Girls Incorporated also leases certain equipment under long-term operating leases through September 30, 2019. Rental expense each year under the leases is based on the total lease commitment, recognized on a straight-line basis over the term of the lease. A deferred rent obligation has been established for the cumulative difference between rent expense recognized to date and the amounts paid under the leases. Total rent expense was \$235,020 in 2019 and \$219,027 in 2018.

NOTE 11 - LEASES (CONTINUED)

At March 31, 2019, the future minimum rental payments required by all long-term noncancellable operating leases are as follows:

Payable in Fiscal Year	Rental Payments
2020	\$ 60,199
2021	62,416
2022	<u>14,793</u>
	<u>\$137,409</u>

Girls Incorporated subleases office space at the New York, New York location to an affiliate under an agreement that may be canceled by either party at any time. Total sublease income was \$48,252 for the years ended March 31, 2019 and 2018.

Girls Incorporated is leasing office space within the National Resource Center in Indianapolis, Indiana to an unrelated party through June 2019. Total lease income was \$10,236 for the years ended March 31, 2019 and 2018, respectively. Future minimum lease payments to be received total \$10,236 and \$2,559 in the fiscal years ending March 31, 2019 and 2020, respectively.

NOTE 12 - EMPLOYEE BENEFITS

Defined Benefit Pension Plan

Girls Incorporated maintains a qualified noncontributory defined benefit pension plan, which was frozen effective August 31, 2006. Since that date, Plan participants no longer accrue additional benefits, and no new employees may enter the Plan. Girls Incorporated's funding policy is to contribute annual amounts to meet minimum requirements of the Employee Retirement Income Security Act of 1974, although it may make additional contributions beyond these requirements.

The following table sets forth the amounts recognized in the statements of financial position, change in the benefit obligation, change in plan assets, funded status, and weighted-average assumptions for the Plan as of and for the years ended March 31, 2019 and 2018:

	2019	2018
Change in Projected and Accumulated Benefit Obligation:		
Benefit obligation at beginning of year	\$4,462,386	\$4,457,613
Interest cost	187,223	214,333
Actuarial net loss	394,048	128,375
Benefits paid	<u>(170,472)</u>	<u>(337,935)</u>
Benefit obligation at end of year	<u>4,873,185</u>	<u>4,462,386</u>
Change in Plan Assets:		
Fair value of Plan assets at beginning of year	3,661,036	3,492,793
Actual return on Plan assets	315,611	409,528
Employer contributions	100,000	96,650
Benefits paid	<u>(170,472)</u>	<u>(337,935)</u>
Fair value of Plan assets at end of year	<u>3,906,175</u>	<u>3,661,036</u>
Funded Status at End of Year	<u>\$ (967,010)</u>	<u>\$ (801,350)</u>
Amount recognized in the statements of financial position	<u>\$ (967,010)</u>	<u>\$ (801,350)</u>

NOTE 12 - EMPLOYEE BENEFITS (CONTINUED)

	2019	2018
Components of Net Periodic Pension Cost:		
Interest cost	\$ 187,223	\$ 214,333
Actual return on assets	(315,611)	(409,528)
Amortization of accumulated loss	69,624	62,930
Difference between expected and actual return on plan assets	<u>118,648</u>	<u>212,750</u>
Net Periodic Pension Cost	<u>\$ 59,884</u>	<u>\$ 80,485</u>

Other changes in the Plan's assets and benefit obligation previously recognized in changes in unrestricted net assets, not yet recognized as periodic pension cost were a net loss of \$1,142,605 and \$952,994 at March 31, 2019 and 2018, respectively. The net loss that will be amortized from other changes in net assets without donor restrictions into net periodic benefit cost in fiscal year 2020 is \$69,624.

The following assumptions were used in accounting for the Plan:

	2019	2018
Weighted-average assumptions used to determine pension benefit obligation at March 31, 2019 and 2018:		
Discount rate	4.94%	4.92%
Mortality rates	RP/MP-2014	RP/MP-2014
Weighted-average assumptions used to determine net periodic pension cost for 2019 and 2018:		
Discount rate	4.29%	4.94%
Expected return on Plan assets	5.75%	5.75%
Mortality rates	RP/MP-2014	RP/MP-2014

In selecting the expected return on Plan assets, Girls Incorporated considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of the Plan. This included considering the Plan's asset allocation and the expected returns likely to be earned over the life of the Plan.

The Plan's investment policy is to seek primarily capital appreciation and, to a lesser extent, income for reinvestment or cash flow purposes, with the preservation of capital also being an important investment objective. Equity securities consist of investments in common stock shares and have a target asset allocation of 40-80% of total Plan assets. Debt securities (U.S. Government securities and corporate bonds) have a target asset allocation of 20-60%. Investments are purchased with the intent to hold the asset for the long-term. The Plan does not participate in hedging transactions.

The valuation methodologies used by the Plan for money market funds shares, corporate bonds, and common stocks, which are valued on a recurring basis, are consistent with the methodologies described in Note 3. In addition, the Plan also utilizes the valuation methodology described below for investment assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at March 31, 2019 and 2018.

Pooled Separate Accounts: Valued at the unit price reported by the sponsoring insurance company. Generally, the unit price is based on quoted market prices of the underlying assets owned, less any accrual of fees and expenses borne by the account, and divided by the number of outstanding units.

NOTE 12 - EMPLOYEE BENEFITS (CONTINUED)

Following, is a summary, by major nature and risks class within each level of the fair value hierarchy (see Note 3), of the Plan's investment assets that are measured at fair value on a recurring basis as of March 31, 2019 and 2018:

2019	Level 1	Level 2	Total
Money market fund shares	\$ 23,869		\$ 23,869
Government agency bonds	643,781		643,781
Corporate bonds		\$51,563	51,563
Common stocks	<u>3,161,962</u>	<u> </u>	<u>3,161,961</u>
Total Plan Investments at Fair Value	<u>\$3,829,612</u>	<u>\$51,563</u>	<u>\$3,881,175</u>
2018			
Pooled Separate Accounts:			
Equities of socially aware companies		<u>\$3,661,036</u>	<u>\$3,661,036</u>
Total Plan Investments at Fair Value		<u>\$3,661,036</u>	<u>\$3,661,036</u>

The fair value of Plan assets includes a contribution in transit of \$25,000 as of March 31, 2019, that is not included in the above table.

Girls Incorporated expects to make contributions to the Plan of approximately \$100,000 in fiscal year 2020. No Plan assets are expected to be returned to Girls Incorporated during fiscal year 2020.

The following benefits are expected to be paid by the Plan:

Year Ended March 31,	Amount
2020	\$ 161,894
2021	272,612
2022	273,672
2023	298,788
2024	298,232
2025-2029	1,507,413

Defined Contribution 401(k) Plan

Girls Incorporated also sponsors a defined contribution 401(k) retirement savings plan for all of its qualified employees. All plan participants are permitted to make salary reduction contributions to the Plan. Girls Incorporated may make a discretionary contribution to the Plan, determined annually based on eligible earnings of participants. Participants become fully vested immediately upon entry into the Plan. Girls Incorporated made contributions of \$157,450 and \$143,238 to the 401(k) Plan during the years ended March 31, 2019 and 2018, respectively.

NOTE 13 - RELATED PARTY TRANSACTIONS

Girls Incorporated has affiliates that serve as local chapters of Girls Incorporated. Girls Incorporated has no ownership or voting interests in these local chapters. However, affiliation agreements between the local chapters and Girls Incorporated give Girls Incorporated control over how the chapters carry out certain activities and require the payment of affiliate dues to Girls Incorporated. Girls Incorporated recognized dues revenue from affiliates of \$586,818 and \$570,752 for the years ended March 31, 2019 and 2018, respectively, which is included in program revenue. Girls Incorporated had dues receivable from affiliates of \$253,133 and \$33,457 at March 31, 2019 and 2018, respectively. Girls Incorporated provided funding to affiliates of \$8,536,150 and \$6,236,316 for the years ended March 31, 2019 and 2018, respectively. Girls Incorporated had accounts payable to affiliates of \$1,260,046 and \$1,200,497 at March 31, 2019 and 2018, respectively. Girls Incorporated also subleases office space to an affiliate. See Note 11.

Girls Incorporated has several notes receivable with affiliates. The notes receivable had a balances of \$59,843 and \$22,222 at March 31, 2019 and 2018, respectively.

Girls Incorporated recognized contributions from members of its Board of Directors of \$414,533 and \$711,032 for the years ended March 31, 2019 and 2018, respectively. Girls Incorporated had promises to give, including promises to give related to the Growth Capital Campaign, from members of its Board of Directors of \$1,035,607 and \$1,270,000 for the years ended March 31, 2019 and 2018, respectively.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

*Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

Board of Directors
Girls Incorporated

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Girls Incorporated which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Girls Incorporated's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Girls Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of the Girls Incorporated's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Girls Incorporated's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
August 12, 2019

GIRLS INCORPORATED

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2019**

	Federal CFDA Number	Federal Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Juvenile Mentoring Program	16.726	2016-JU-FX-0016	\$ 333,624	\$ 468,848
		2017-JU-FX-0013	447,892	603,754
			<u>781,516</u>	<u>1,072,602</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 781,516</u>	<u>\$ 1,072,602</u>

See accompanying notes to schedule of expenditures of federal awards.

GIRLS INCORPORATED

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended March 31, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Girls Incorporated for the year ended March 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Girls Incorporated, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Girls Incorporated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through Subrecipients: The amount passed-through to subrecipients represents the actual expenditures incurred by subrecipients and reimbursable for the year ended March 31, 2019.

NOTE 3 - INDIRECT COST RATE

Girls Incorporated has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

*Independent Auditors' Report on
Compliance for Each Major Federal Program and
on Internal Control over Compliance
Required by Uniform Guidance*

Board of Directors
Girls Incorporated

Report on Compliance for Each Major Federal Program

We have audited Girls Incorporated's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Girls Incorporated's major federal programs for the year ended March 31, 2019. Girls Incorporated's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Girls Incorporated's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Girls Incorporated's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Girls Incorporated's compliance.

Opinion on Each Major Federal Program

In our opinion, Girls Incorporated complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

Report on Internal Control over Compliance

Management of Girls Incorporated is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Girls Incorporated's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Girls Incorporated's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
August 12, 2019

GIRLS INCORPORATED

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2019**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified? _____ yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes no

Identification of major programs:

CFDA Number	Agency	Title
16.726	Department of Justice	Juvenile Mentoring Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes no

FINANCIAL STATEMENT AUDIT FINDINGS

None

FEDERAL AWARDS PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS

None

GIRLS INCORPORATED

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS Year Ended March 31, 2019

DEPARTMENT OF JUSTICE

FINDING 2018-001: Juvenile Mentoring Program – CFDA #16.726

Condition: This finding was a significant deficiency in internal control over compliance and noncompliance stating that all of the grant agreements requested did not include the DUNS number as required by 2 CFR 200.331. Furthermore, the federal awarding agency was misidentified as Girls Incorporated. The federal awarding agency should have been identified as the Department of Justice. Additionally, a formal risk process had not been established for the purposes of determining the appropriate subrecipient monitoring.

Recommendation: The auditor recommended that Girls Incorporated review 2 CFR 200.331 to ensure that all requirements for subrecipient monitoring are implemented. This included:

- a. Updating the award agreements to adhere to the requirements as outlined at 200.331 (a).
- b. Creating and documenting a formal risk assessment process that adheres to the requirements at 2 CFR 200.331 (b) and determines the Girls Incorporated's monitoring activities.

Current Status: The recommendations were adopted in April 2018. No similar findings were noted in the fiscal year 2019 audit.

FINDING 2018-002: Juvenile Mentoring Program – CFDA #16.726

Condition: This finding was a significant deficiency in internal control over compliance and noncompliance stating that two expenses selected for testing did not have adequate documentation to be considered allowable. The expenses related to travel totaling \$32.

Recommendation: The auditor recommended that Girls Incorporated review all documentation on a monthly basis to ensure all costs applied to the federal award are adequately documented.

Current Status: The recommendation was adopted in April 2018. No similar findings were noted in the fiscal year 2019 audit.