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DONALD F. SCHERER

Independent Auditor's Report

To the Board of Directors of  
Girls Incorporated of New York City

We have audited the accompanying financial statements of Girls Incorporated of New York City (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girls Incorporated of New York City as of June 30, 2019, 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.

## **Emphasis-of-Matter**

As discussed in Note 2 to the financial statements, as of June 30, 2019, Girls Incorporated of New York City adopted Accounting Standards Update (ASU) No. 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.

## **Prior Year Comparative Information**

Girls Incorporated of New York City's June 30, 2018 financial statements were audited by other auditors, and in their report dated November 27, 2018, they expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Aileen J. Flanagan & Co.*

New York, NY

December 5, 2019

## GIRLS INCORPORATED OF NEW YORK CITY

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 580,671	\$ 405,612
Contributions receivable	754,791	1,038,920
Prepaid expenses and other assets	5,407	7,689
Property, equipment and software (net of accumulated depreciation and amortization of \$159,241 and \$111,804 in 2019 and 2018)	<u>182,310</u>	<u>153,980</u>
<u>Total Assets</u>	<u>\$ 1,523,179</u>	<u>\$ 1,606,201</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	<u>\$ 119,962</u>	<u>\$ 80,369</u>
<u>Total Liabilities</u>	<u>119,962</u>	<u>80,369</u>
<u>Net Assets</u>		
Without donor restrictions	1,112,257	852,274
With donor restrictions	<u>290,960</u>	<u>673,558</u>
<u>Total Net Assets</u>	<u>1,403,217</u>	<u>1,525,832</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 1,523,179</u>	<u>\$ 1,606,201</u>

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

## GIRLS INCORPORATED OF NEW YORK CITY

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
<u>Revenue and Support</u>				
Contributions and grants	\$ 1,134,459	\$ 272,522	\$ 1,406,981	\$ 1,481,436
Governmental agencies	1,578,013	-	1,578,013	1,560,925
Program services	64,662	-	64,662	50,805
Spring benefit, net of direct expenses	184,272	-	184,272	214,514
Other events, net of direct expenses	23,707	-	23,707	13,893
Other income	205	-	205	1,187
Net assets released from restrictions	655,120	(655,120)	-	-
<u>Total Revenue and Support</u>	<u>3,640,438</u>	<u>(382,598)</u>	<u>3,257,840</u>	<u>3,322,760</u>
<u>Expenses</u>				
Program services	2,761,784		2,761,784	2,386,090
Management and general	288,554		288,554	286,053
Fundraising	330,117		330,117	260,304
<u>Total Expenses</u>	<u>3,380,455</u>		<u>3,380,455</u>	<u>2,932,447</u>
Change in Net Assets for Year	259,983	(382,598)	(122,615)	390,313
Net Assets, beginning of year	852,274	673,558	1,525,832	1,135,519
Net Assets, End of Year	<u>\$ 1,112,257</u>	<u>\$ 290,960</u>	<u>\$ 1,403,217</u>	<u>\$ 1,525,832</u>

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

GIRLS INCORPORATED OF NEW YORK CITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets for Year	\$ (122,615)	\$ 390,313
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,437	45,774
Change in contribution receivable	284,130	(330,514)
Change in prepaid expenses	2,282	(2,164)
Change in accounts payable and accrued expenses	<u>39,593</u>	<u>(46,534)</u>
<u>Cash Provided by Operating Activities</u>	<u>250,827</u>	<u>56,875</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, equipment and software	<u>(75,768)</u>	<u>(36,254)</u>
<u>Cash Used in Investing Activities</u>	<u>(75,768)</u>	<u>(36,254)</u>
<u>Net Increase in Cash for Year</u>	175,059	20,621
Cash, beginning of year	<u>405,612</u>	<u>384,991</u>
Cash, End of Year	<u>\$ 580,671</u>	<u>\$ 405,612</u>

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

GIRLS INCORPORATED OF NEW YORK CITY  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	Program Services	Management and General	Fundraising	2019	2018
Salaries	\$ 1,932,741	\$ 175,454	\$ 197,592	\$ 2,305,787	\$ 2,075,519
Payroll taxes and employee benefits	406,639	36,915	41,573	485,127	398,226
Professional fees and consultants	115,019	5,737	41,143	161,899	115,582
Audit fees	-	18,395	-	18,395	16,540
Office expenses	11,660	1,058	21,857	34,575	22,002
Occupancy	73,609	4,168	4,694	82,471	66,472
National dues and subscriptions	4,992	90	5,233	10,315	12,907
Meals and meetings	55,278	5,703	9,390	70,371	50,592
Information technology	26,986	2,450	2,759	32,195	13,472
Insurance	17,711	1,608	1,811	21,130	29,251
Program direct expenses	58,387	-	-	58,387	71,075
Event expenses	-	5,235	-	5,235	11,121
Scholarships	19,000	-	-	19,000	3,000
Bank and finance fees	-	7,063	-	7,063	914
Bad debt expense	-	21,068	-	21,068	-
Depreciation and amortization	39,762	3,610	4,065	47,437	45,774
<u>Total</u>	<u>\$ 2,761,784</u>	<u>\$ 288,554</u>	<u>\$ 330,117</u>	<u>\$ 3,380,455</u>	<u>\$ 2,932,447</u>

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

GIRLS INCORPORATED OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 NATURE OF ORGANIZATION**

Girls Incorporated of New York City ("Girls Inc. NYC") is a non-profit organization dedicated to inspiring all New York City girls to be strong, smart and bold. The primary emphasis of Girls Inc. NYC is reaching girls of New York City, ages 6-18, in low-income communities and schools, through partnerships and direct service programs. Girls Inc. NYC advocates for gender equity on behalf of all girls.

Girls Inc. NYC is an independent affiliate of Girls Incorporated®, a national youth organization.

**NOTE 2 ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT**

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which became effective for fiscal years ending after December 15, 2017. As of January 1, 2018, Girls Inc. NYC has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions. Temporarily restricted net assets have been renamed net assets with donor restrictions.
- The financial statements include a new disclosure regarding liquidity and availability of financial assets (Note 11).
- The methodology used in allocating expenses between program, management and general and fundraising activities is disclosed as part of the accounting policies.

Certain prior year numbers have been restated to conform to current year presentation.

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the accrual basis of accounting. Contributions are recorded when unconditional pledges are received. Conditional pledges are recorded upon meeting the conditions set forth by the donor. Expenses are recorded when incurred.

Method of Presentation

Net assets are recorded based on donor restriction or lack thereof.

Net assets without donor restrictions are those assets which have no donor-imposed stipulations. Contributions received with no such stipulations are recorded as net assets without donor restrictions.

Net assets with donor restrictions result from contributions with donor-imposed stipulations that will either expire due to the passage of time or actions of Girls Inc. NYC. When the donor stipulations have been satisfied, they are reclassified from net assets with donor restrictions to net assets without donor restrictions. Contributions received with donor stipulations that are met within the same fiscal year are reported as net assets without donor restriction.

GIRLS INCORPORATED OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As of June 30, 2019, 81% of all unconditional promises to give are from the Girls Incorporated national organization, one corporation, and a New York City government funder.

As of June 30, 2018, 78% of all unconditional promises to give are from the Girls Incorporated national organization, one foundation, and a New York City government funder.

Girls Inc. NYC uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Girls Inc. NYC considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

Donated Securities

Donated securities are sold nearly immediately and considered part of operating cash. Realized gains and losses recorded on the sales of donated securities are considered operating cash.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Estimated useful lives are based on the following: computer equipment - 3-5 years; software - 5 year; furniture - 3 years.

Concentrations of Credit Risk

Financial instruments that potentially expose Girls Inc. NYC to concentrations of credit and market risk consist primarily of cash. Accounts at financial institutions are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 for each bank. This risk is mitigated by maintaining accounts with a large high-quality financial institution.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as the date of the financial statements, and the reported amount of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.



GIRLS INCORPORATED OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Tax Status

Girls Inc. NYC has been determined to be exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. It is further classified as a publicly supported organization and not a private foundation.

Subsequent Events

In connection with the preparation of the financial statements, the Organization evaluated subsequent events after the statement of financial position date of June 30, 2019 through December 5, 2019, which was the date the financial statements were available to be issued.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis on the statement of activities and on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Girls Inc. NYC. Certain categories of expenses are attributable to more than one program or supporting service and are allocated on a reasonable basis which is consistently applied. Girls Inc. of NYC allocates these expenses based on estimates of time and effort per employee and other Girls Inc. NYC resources utilized on programmatic activities as compared to management or fundraising activities of Girls Inc. NYC. Expenses that directly benefit a specific program or management activity are charged accordingly.

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable is discounted to net present value using a risk-free rate of 3%. Contributions receivable are expected to be collected as follows:

2020	\$657,791
2021	<u>100,000</u>
	757,791
Less Discount	<u>(3,000)</u>
	<u>\$754,791</u>

During fiscal year 2018, Girls Inc. NYC executed a funding agreement with a donor for \$300,000 to be paid over a three-year period. The arrangement provides for the donor the right to terminate the agreement at any time. Due to these stipulations, the funding will be recorded in the financial statements as payments are received. As of June 30, 2019, \$100,000 of this commitment was remaining to be received.

GIRLS INCORPORATED OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 5 SPECIAL EVENTS**

During fiscal year 2019 and 2018, Girls Inc. NYC held fundraising and cultivation events and to generate contributions and awareness of the programs offered. The income derived from the fundraising events is reported net on the Statement of Activities. The net income from the Spring Benefit is detailed below.

	2019	2018
Spring Benefit income	\$ 385,294	\$ 295,056
Less: direct expenses	(201,022)	(80,542)
	<u>\$ 184,272</u>	<u>\$ 214,514</u>

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor purpose or time restrictions were \$290,960 at June 30, 2019 and \$673,558 at June 30, 2018.

During the fiscal year ended June 30, 2019 \$655,120 of net assets were released from restriction. During the fiscal year ended June 30, 2018, \$395,120 of net assets were released from donor restriction.

**NOTE 7 PROPERTY, EQUIPMENT AND SOFTWARE**

Property, equipment and software consist of the following at June 30, 2019 and 2018:

	2019	2018
Computer Equipment	\$ 39,141	\$ 39,141
Software	300,000	225,000
Furniture	2,410	1,642
	341,551	265,783
Less: accumulated depreciation	159,241	111,804
	<u>\$ 182,310</u>	<u>\$ 153,979</u>

**NOTE 8 UNCERTAIN TAX POSITIONS**

Girls Inc. NYC has not entered into any uncertain tax positions that would require financial statement recognition.

GIRLS INCORPORATED OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 9 LEASE COMMITMENT**

On December 31, 2017, Girls Inc. NYC renewed an agreement with Girls Incorporated® for office space. Future minimum commitments are as follows:

<u>Year ending June 30,</u>	
2020	\$ 55,775
2021	56,891
2022	58,029
2023	<u>29,301</u>
	<u>\$ 199,996</u>

Total rent expense for this lease for the years ending June 30, 2019 and 2018 total \$54,774 and \$52,656, respectively.

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

Line of Credit

On September 28, 2017, Girls Inc. of NYC entered into a line of credit arrangement with a bank that permits borrowings up to \$100,000. The line of credit is subject to an annual service charge of \$250 and interest at the U.S. prime rate plus 1.74% on borrowings. In August of 2018, \$100,000 was borrowed against the line and subsequently repaid in December 2018. As of June 30, 2019, there was no balance drawn.

Retirement Plan

On September 15, 2016, Girls Inc. NYC established a defined contribution retirement plan, established under Section 403(b) of the Internal Revenue Code. Employees who have completed 90 days of service, may elect to contribute to this plan. Girls Inc. NYC's Board may elect to make discretionary contributions to the plan. No contributions have been made to the plan during fiscal years ended June 30, 2019 and 2018.

**NOTE 11 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects Girls Inc. NYC's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts available include donor-restricted amounts that are available for general expenditure in the following year:

Cash and cash equivalents	\$ 580,671
Contributions receivable	<u>754,791</u>
	1,335,462
Net assets subject to time or purpose restriction	<u>(290,960)</u>
Financial assets available for general expenditure within the next 12 months	<u>\$ 1,044,502</u>

GIRLS INCORPORATED OF NEW YORK CITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

**NOTE 11 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)**

Management prepares a budget annually projecting planned and expected income and expenses. The budget to actual numbers are monitored regularly throughout the year as well as cash flow and timing of receivables. Expenses would be adjusted accordingly as needed. Girls Inc. NYC also has a line of credit of \$100,000 available.