

**GIRLS INCORPORATED
OF CENTRAL ALABAMA AND GIRLS CLUB
INCORPORATED OF BIRMINGHAM TRUST**

**Consolidated Financial Statements
For the Year Ended March 31, 2017
With Summarized Financial Information
For the Year Ended March 31, 2016**

**GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB INCORPORATED OF
BIRMINGHAM TRUST**

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For the Year Ended March 31, 2017**

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**GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB INCORPORATED OF
BIRMINGHAM TRUST**

**Nature of Operations
For the Year Ended March 31, 2017**

Girls Inc. of Central Alabama (formerly Girls Club) has provided programs for thousands of school-age girls of diverse racial and economic backgrounds since our organization was founded in 1938. The agency is a local affiliate of Girls Inc. National and became a local United Way partner in 1954. The mission of Girls Inc. is "to inspire all girls to be strong, smart, and bold." In 2017, we provided services to over 9,500 youth in the five-county area through our Crestwood Center, Teen Leadership Program and Outreach Department.

Girls Inc. of Central Alabama offers in-school, after-school and summer programs. Outreach Programs are provided in Jefferson, Shelby, Walker, Blount and St. Clair Counties. Summer Programs operate in Jefferson and Walker County. The agency offers an after-school program at our Crestwood Center in Birmingham.

Whether a girl participates in one program or several, she will receive academic support, learn about health and wellness and develop her life skills. Through all of our programs, the goal for Girls Inc. is to help girls achieve at their highest level.

At Girls Inc. we believe that girls excel in a gender-specific and age-appropriate environment with programs developed for their specific style of learning and behavior. Nationally researched and tested curricula are the core of Girls Inc. programming. Structured to augment what a girl should know socially and academically at a specific age, each program offers innovative, experiential approaches to new information about familiar and unfamiliar areas. These programs are delivered by trained staff and volunteers who provide mentoring and support for the girls in our programs.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girls Incorporated of Central Alabama

We have audited the accompanying consolidated financial statements of Girls Incorporated of Central Alabama and Girls Club Incorporated of Birmingham Trust (the Organization), which comprise the consolidated statement of financial position as of March 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Girls Incorporated of Central Alabama and Girls Club Incorporated of Birmingham Trust as of March 31, 2017 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.

Report on Summarized Comparative Information

We have previously audited the Girls Incorporated of Central Alabama and Affiliate's 2016 consolidated financial statements, and our report dated September 7, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Borland Benefield, P.C.
Birmingham, Alabama
REPORT DATE

**GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB
INCORPORATED OF BIRMINGHAM TRUST**

**Consolidated Statements of Financial Position
At March 31, 2017
With Summarized Financial Information
At March 31, 2016**

	March 31, <u>2017</u>	March 31, <u>2016</u>
Assets		
Current Assets		
Cash	\$ 256,368	\$ 319,849
Investments, fair value	741,003	674,393
Program receivables, net	-	1,482
Note receivable	1,695	1,695
Prepaid expenses	<u>434</u>	<u>-</u>
Total Current Assets	<u>999,500</u>	<u>997,419</u>
Noncurrent Assets		
Notes receivable	102,511	104,328
Property and equipment, net	<u>747,614</u>	<u>758,794</u>
Total Noncurrent Assets	<u>850,125</u>	<u>863,122</u>
Total Assets	<u>\$ 1,849,625</u>	<u>\$ 1,860,541</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 26,859	\$ 25,501
Accrued payroll and payroll taxes	<u>3,194</u>	<u>2,531</u>
Total Liabilities	<u>30,053</u>	<u>28,032</u>
Net Assets		
Unrestricted	1,677,653	1,601,741
Temporarily restricted	91,919	180,768
Permanently restricted	<u>50,000</u>	<u>50,000</u>
Total Net Assets	<u>1,819,572</u>	<u>1,832,509</u>
Total Liabilities and Net Assets	<u>\$ 1,849,625</u>	<u>\$ 1,860,541</u>

See accompanying notes to financial statements.

**GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB
INCORPORATED OF BIRMINGHAM TRUST**

**Consolidated Statements of Activities
For the Year Ended March 31, 2017
With Summarized Financial Information
For the Year Ended March 31, 2016**

	March 31, 2017			March 31,
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
Support and Revenue				
United Way allocation	\$ 835,040	\$ -	\$ -	\$ 835,040
Foundations/trusts	-	128,062	-	128,062
Program fees	107,418	-	-	107,418
Contributions	64,034	60,329	-	124,363
Investment income	24,019	3,989	-	28,008
Miscellaneous income	8,122	-	-	8,122
Government grants	-	105,365	-	105,365
Special events	111,019	-	-	111,019
Membership dues	10,939	-	-	10,939
Unrealized gain on investments	48,559	14,062	-	62,621
Net assets released from restrictions	400,656	(400,656)	-	-
Total Support and Revenue	1,609,806	(88,849)	-	1,520,957
Expenses				
Program Services				
Center based programs	777,066	-	-	777,066
Outreach	350,115	-	-	350,115
Teen programming & Eureka	113,653	-	-	113,653
Total Program Services	1,240,834	-	-	1,240,834
Support Services				
Administrative	206,783	-	-	206,783
Fund development	86,277	-	-	86,277
Total Support Services	293,060	-	-	293,060
Total Expenses	1,533,894	-	-	1,533,894
Change in Net Assets	75,912	(88,849)	-	(12,937)
Net Assets, Beginning of Year	1,601,741	180,768	50,000	1,832,509
Net Assets, End of Year	\$ 1,677,653	\$ 91,919	\$ 50,000	\$ 1,819,572

See accompanying notes to financial statements.

**GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB
INCORPORATED OF BIRMINGHAM TRUST**

**Consolidated Statements of Functional Expenses
For the Year Ended March 31, 2017
With Summarized Financial Information
For the Year Ended March 31, 2016**

	March 31, 2017						March 31, 2016
	Center Based Programs	Outreach	Eureka & Teen Programming	Administrative	Fund Development	Total	
Salaried staff	\$ 383,115	\$ 211,936	\$ 48,908	\$ 122,272	\$ 48,908	\$ 815,139	\$ 727,982
Employee benefits	41,781	53,875	4,398	8,796	1,099	109,949	105,443
Contract transportation	74,376	-	6,467	-	-	80,843	71,062
Occupancy	52,741	7,735	3,516	5,626	703	70,321	62,555
Payroll taxes	29,446	16,289	3,759	9,398	3,759	62,651	56,926
Depreciation	46,197	188	-	7,393	-	53,778	52,375
Insurance	31,727	4,653	2,115	3,384	423	42,302	42,162
Program supplies	19,686	5,349	15,573	-	-	40,608	47,376
Professional fees	9,844	3,938	1,575	18,507	5,513	39,377	58,425
Building repairs/maintenance	25,082	3,583	977	2,606	326	32,574	30,643
Travel/meals/lodging	4,110	15,808	1,897	5,060	4,742	31,617	22,280
Telephone	12,115	2,931	1,172	2,151	1,172	19,541	18,804
Field trip	4,621	-	10,784	-	-	15,405	11,263
Equipment repairs/maintenance	11,724	1,675	457	1,218	153	15,227	18,016
Contract workers	1,187	12,610	1,038	-	-	14,835	27,412
Dues/subscriptions	3,402	1,633	1,769	3,402	3,781	13,987	12,970
Van expense	13,294	-	-	-	-	13,294	7,534
Food	2,284	571	3,997	1,142	3,426	11,420	9,064
Development supplies	-	-	-	-	8,716	8,716	11,438
Equipment/technology expense	1,294	863	259	6,212	-	8,628	21,075
Office supplies	1,133	850	340	3,229	113	5,665	5,720
Conferences/conventions	1,820	2,868	276	276	276	5,516	8,568
Scholarships	1,178	-	4,177	-	-	5,355	10,250
Miscellaneous	-	1,347	-	3,152	-	4,499	1,225
Bank fees	1,930	-	-	1,544	386	3,860	3,636
Postage/shipping	606	953	116	491	722	2,888	3,419
Printing/publications	828	248	83	769	690	2,618	1,980
Household/janitorial supplies	1,545	212	-	155	19	1,931	1,116
Advertising	-	-	-	-	1,350	1,350	352
	<u>\$ 777,066</u>	<u>\$ 350,115</u>	<u>\$ 113,653</u>	<u>\$ 206,783</u>	<u>\$ 86,277</u>	<u>\$ 1,533,894</u>	<u>\$ 1,451,071</u>

See accompanying notes to financial statements.

**GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB
INCORPORATED OF BIRMINGHAM TRUST**

**Consolidated Statements of Cash Flows
For the Year Ended March 31, 2017
With Summarized Financial Information
For the Year Ended March 31, 2016**

	March 31, <u>2017</u>	March 31, <u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (12,937)	\$ (115,473)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	53,778	52,375
Unrealized gain on investments	(62,621)	59,459
Change in operating assets and operating liabilities:		
Note receivable	1,817	1,556
Program receivables	1,482	(1,482)
Prepaid expenses	(434)	-
Accounts payable	2,020	(148)
Net Cash (Used) by Operating Activities	<u>(16,895)</u>	<u>(3,713)</u>
Cash Flows From Investing Activities		
Purchase of investments	(216,409)	(247,107)
Proceeds from sale of investments	212,422	245,493
Purchase of property and equipment	(42,599)	(2,850)
Net Cash (Used) by Investing Activities	<u>(46,586)</u>	<u>(4,464)</u>
Net Decrease in Cash and Cash Equivalents	(63,481)	(8,177)
Cash and Cash Equivalents, Beginning of Year	<u>319,849</u>	<u>328,026</u>
Cash and Cash Equivalents, End of Year	<u>\$ 256,368</u>	<u>\$ 319,849</u>

See accompanying notes to financial statements.

**GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB INCORPORATED OF
BIRMINGHAM TRUST**

**Notes to Consolidated Financial Statements
For the Year Ended March 31, 2017**

Note 1 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Girls Incorporated of Central Alabama and Girls Club Incorporated of Birmingham Trust (the Organization) have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Consolidation of Related Entities

A not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

The related entity is Girls Club Incorporated of Birmingham Trust (the Trust), which operates primarily for the benefit of the Organization. All material intercompany transactions have been eliminated.

Financial Statement Presentation

The Organization has adopted Financial Accounting Standards Board in its Accounting Standards Codification 958-205, *Presentation of Financial Statements for Not-for-Profit Organizations*. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with *Generally Accepted Accounting Principles*. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2016, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of March 31, 2017, the cash balances for the Organization and the Trust were \$256,368 and \$0, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

See independent auditor's report.

GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB INCORPORATED OF BIRMINGHAM TRUST

Notes to Consolidated Financial Statements (continued)
For the Year Ended March 31, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at the unpaid balances, less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Management estimates allowance for doubtful accounts to be \$0 and expects to collect all program receivables at March 31, 2017.

Notes Receivable

Notes receivable are reported at their outstanding principal adjusted for the discounts. Discounts on notes receivable are amortized to income using the interest method over the remaining period to contractual maturity. Notes receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions, unless the donor has restricted the donated asset for a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful life of each asset.

Contributions

The Organization has also adopted FASB ACS 958-605-15-2, *Revenue Recognition – Contributions Received*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Donated Items Services

Donated items services are recognized as contributions; if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, performed by people with those skills and would otherwise be purchased by the Organization. There were no donated items received as of March 31, 2017.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

As of March 31, 2017, the Organization had no uncertain tax positions that qualify for disclosure in the financial statements. Girls Incorporated of Central Alabama files an annual Form 990 while the Girls Incorporated of Central Alabama Trust files an annual Form 990-EZ with the Internal Revenue Service and its tax returns for the year 2013 and subsequent years remain subject to examination by tax authorities.

GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB INCORPORATED OF BIRMINGHAM TRUST

Notes to Consolidated Financial Statements (continued)
For the Year Ended March 31, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Estimates

The preparation of financial statements in conformity with *Generally Accepted Accounting Principles* in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

The Organization made changes to their allocation percentages and combined some previously separated expense groups in the Statement of Functional Expenses in the current year. The prior year summarized expenses have been reclassified accordingly. Management felt the changes in allocation percentages were needed to more accurately spread expenses amongst the programs.

Recent Pronouncements

On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. The provisions of the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

Note 2 – Fair Value Measurements

FASB ASC 820-10-50 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB INCORPORATED OF BIRMINGHAM TRUST

Notes to Consolidated Financial Statements (continued)
For the Year Ended March 31, 2017

Note 2 – Fair Value Measurements (continued)

The fair values of assets, measured on a reoccurring basis, were as follows at March 31, 2017:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	540,506	\$ 540,506		
Equity securities	200,497	200,497	-	-
Total	<u>\$ 741,003</u>	<u>\$ 741,003</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3 – Investments

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted market prices in active markets (all Level 1 measurements). Market risks could occur and are dependent upon the future changes in market prices of the various investments held. There have been no changes in valuation techniques and related inputs. Investments were comprised of the following at March 31, 2017:

	Fair Value	Cost
Girls, Inc. Trust		
SEI Investments, domestic equities	\$ 200,497	\$ 179,055
Girls, Inc.		
BHK Securities, open end mutual funds	540,506	479,181
Total Investments	<u>\$ 741,003</u>	<u>\$ 658,236</u>

The investment income is summarized as follows for the year ending March 31, 2017:

Net unrealized gains	\$ 62,621
Interest and dividends	20,644
	<u>\$ 83,265</u>

Interest and dividend income on the investments is included in operating activities in the statement of activities as those investment types are used for the Organization's daily cash management activities. All other investment return is considered non-operating. The Organization also earned \$7,364 in interest income on their note receivable for the Bessemer building. See Note 4 for details on the Note Receivable.

GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB INCORPORATED OF BIRMINGHAM TRUST

Notes to Consolidated Financial Statements (continued)
For the Year Ended March 31, 2017

Note 4 – Notes Receivable

Notes receivable consisted of an interest bearing note receivable due from the purchaser of the Organization's Bessemer building. The purchaser made a down payment to the Organization on the settlement date in the amount of \$14,624. The remaining balance of \$115,000 is due to the Organization by monthly payments of \$765, beginning November 1, 2009, which includes interest payment computed with a 7% APR. On October 1, 2014, a balloon payment for the remaining outstanding note balance came due on the note. The purchaser requested and was approved a one year extension to the note through October 1, 2015 while the Church secured other financing. The Board approved an additional one year extension in their September 2015 and September 2016 Board meetings, and again at their September 2017 Meeting (See Note 11). As of March 31, 2017, the outstanding note balance was \$104,206.

Note 5 – Property and Equipment

Property and equipment consisted of the following at March 31, 2017:

Land and Improvements	\$ 184,593
Building	1,366,108
Furniture and Equipment	311,478
Vehicles	<u>94,527</u>
Total Property and Equipment	1,956,706
Less: Accumulated Depreciation	<u>(1,209,092)</u>
Property and Equipment, net	<u>\$ 747,614</u>

Depreciation expense for the year ended March 31, 2017 was \$53,778.

Note 6 – Operating Leases

The Organization leases office equipment under noncancelable operating leases with varying expiration dates. The total lease expense for office equipment was \$10,188 in 2017.

The future minimum lease payments required under the noncancelable operating leases for the year ended March 31, 2017 are as follows:

2018	\$ 10,122
2019	9,396
2020	<u>3,132</u>
Total:	<u>\$ 22,650</u>

Note 7 – Line-of-Credit

The Organization has a revolving line-of-credit available with Wells Fargo Bank of \$200,000, of which \$200,000 was available at March 31, 2017. Bank advances on the line-of-credit are payable on demand and carry an interest rate of the bank's prime rate. At year-end, the bank's prime rate was 3.25%. The line-of-credit is secured by all of the Organization's property and equipment.

GIRLS INCORPORATED OF CENTRAL ALABAMA AND GIRLS CLUB INCORPORATED OF BIRMINGHAM TRUST

Notes to Consolidated Financial Statements (continued)
For the Year Ended March 31, 2017

Note 8 – Retirement Plan

The Organization has a defined contribution retirement plan. All employees at least 21 years of age having at least one year of service are eligible to participate in the plan. The Organization makes contributions at 6.5% of the employees' compensation. Participants become fully vested in contributions after five years of service. The Organization's contributions amounted to \$25,525 at March 31, 2017.

Note 9 – Restrictions on Net Assets

Temporarily restricted net assets consist of cash received and are available for the Organization's Center-based, Outreach, and SMART programs at March 31, 2017.

Permanently restricted net assets consist of a cash contribution received from one donor, a board member, who restricted the use for Center-based program scholarships from investment income only.

Note 10 – Current Vulnerability Due to Concentrations

Cash and cash equivalent accounts and investment accounts are potentially subject to credit risk; however, the balances are in financial institutions which, from time to time, exceed the federally insured limits. As of March 31, 2017, the amount of cash and investment accounts that exceeded federally insured limits was \$12,249.

Market risk could occur and is dependent on future changes in market prices of the various investments held.

Note 11 – Subsequent Events

The Board approved an additional one year extension of the Note Receivable in the September 2017 meeting. The tenant will continue to make their same monthly payment while they try to secure replacement financing.

The Organization has evaluated subsequent events through **REPORT DATE**, the date the financial statements were available to be issued.