Girls Incorporated of Metropolitan Dallas and Girls, Inc. Foundation

Consolidated Financial Statements

June 30, 2014

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ALBRIGHT, HILL & SUMPTER
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Girls Incorporated of Metropolitan Dallas
Girls, Inc. Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Girls Incorporated of Metropolitan Dallas and Girls, Inc. Foundation (non-profit organizations), which comprise the Consolidated Statement of Financial Position as of June 30, 2014, and the related Consolidated Statements of Activities, Cash Flows and Functional Expenses 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 error or fraud.

Auditors' 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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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

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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 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 Metropolitan Dallas and Girls, Inc. Foundation as of June 30, 2014, and the results of its changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sincerely,

Albright, Hill & Sumpter, PC
Certified Public Accountants
Albright, Hill & Sumpter
September 4, 2014

Girls Incorporated of Metropolitan Dallas
and Girls, Inc. Foundation
Consolidated Statement of Financial Position
June 30, 2014

Assets

Current assets		
Cash and cash equivalents	$	348,163
Investments		1,396,790
Accounts and pledges receivable, net		614,867
Prepaid expenses		25,811
Total current assets		2,385,631
Pledges due in greater than one year		79,000
Property and equipment		
Buildings and improvements		1,959,087
Furniture, fixtures and equipment		636,209
Vehicles		216,785
Accumulated depreciation		(1,731,968)
Net depreciable assets		1,080,113
Land		165,019
Total property and equipment		1,245,132
Total assets	$	3,709,763

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities	$	88,145
Total current liabilities		88,145
Net assets		
Unrestricted net assets		2,870,797
Temporarily restricted net assets		750,821
Total net assets		3,621,618
Total liabilities and net assets	$	3,709,763

The accompanying notes are an integral part of this statement.

Girls Incorporated of Metropolitan Dallas
and Girls, Inc. Foundation
Consolidated Statement of Activities
For the fiscal year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support			
Government grants	$ 240,250	$ -	$ 240,250
Contributions	941,958	103,430	1,045,388
United Way	39,937	435,000	474,937
Membership fees	64,514	-	64,514
Investment income	220,115	-	220,115
Special events	142,017	-	142,017
Miscellaneous	17,368	-	17,368
Net assets released from restrictions	475,975	(475,975)	-
Total revenue, gains and other support	2,142,134	62,455	2,204,589
Expenses			
Program services	1,667,717	-	1,667,717
Management and general	248,140	-	248,140
Fund raising expense	111,023	-	111,023
Total expenses	2,026,880	-	2,026,880
Change in net assets	115,254	62,455	177,709
Net assets at beginning of year	2,755,543	688,366	3,443,909
Net assets at end of year	$ 2,870,797	$ 750,821	$ 3,621,618

The accompanying notes are an integral part of this statement.

Girls Incorporated of Metropolitan Dallas
and Girls, Inc. Foundation
Consolidated Statement of Cash Flows
For the fiscal year ended June 30, 2014

Cash Flows from Operating Activities:		
Change in net assets	$	177,709
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation		106,708
Donated goods		(47,282)
Reinvested dividends		(30,416)
Realized and unrealized (gains)		(188,647)
Increase in accounts and pledges receivable		(90,505)
Increase in prepaid expenses		(25,311)
Increase in accounts payable and accrued liabilities		33,909
Net cash (used in) operating activities		(63,835)
Cash Flows from Investing Activities:		
Purchase of fixed assets		(16,926)
Net cash (used in) investing activities		(16,926)
Decrease in cash and cash equivalents		(80,761)
Cash and cash equivalents at beginning of year		428,924
Cash and cash equivalents at end of year	$	348,163
Supplemental cash flow information:		
Donated goods and services	$	47,282
Interest paid	$	-
Taxes paid	$	-

The accompanying notes are an integral part of this statement.

Girls Incorporated of Metropolitan Dallas
and Girls, Inc. Foundation
Consolidated Statement of Functional Expenses
For the fiscal year ended June 30, 2014

	Program Services	Management and General Services	Fund Raising Expense	Total
Salaries and wages	$ 963,598	$ 110,093	$ 77,965	$ 1,151,656
Payroll taxes and employee benefits	168,441	20,125	12,682	201,248
Total salaries and related expenses	1,132,039	130,218	90,647	1,352,904
Conferences	26,325	4,479	-	30,804
Dues and subscriptions	32,137	13,023	3,316	48,476
Financial assistance/ scholarships	35,545	-	-	35,545
Insurance	16,408	3,781	-	20,189
Miscellaneous	600	-	-	600
Occupancy	107,738	24,358	472	132,568
Postage	7,681	98	1,994	9,773
Printing	22,358	2,621	1,234	26,213
Professional fees	67,200	11,716	11,211	90,127
Supplies	66,936	8,285	2,149	77,370
Telephone	30,510	7,032	-	37,542
Transportation	35,807	22,254	-	58,061
Total expenses before depreciation	1,581,284	227,865	111,023	1,920,172
Depreciation	86,433	20,275	-	106,708
Total expenses	$ 1,667,717	$ 248,140	$ 111,023	$ 2,026,880

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of Girls Incorporated of Metropolitan Dallas and Girls, Inc. Foundation's (collectively the Organizations) consolidated financial statements and disclosures, management selects accounting principles and adopts methods for their application. The application of accounting principles generally accepted in the United States of America requires the estimating, matching and timing of revenue and costs in the determination of income or loss. It is also necessary for management to determine, measure and allocate the Organizations' resources and obligations within the financial process according to those principles. The following is a summary of certain significant accounting policies selected by management.

Background and Basis of Accounting

Girls Incorporated of Metropolitan Dallas is a non-profit organization chartered by the State of Texas. Girls Incorporated of Metropolitan Dallas' primary purpose is to provide positive female focused programs which encourage youth to discover their own identity, develop their potential and grow with a sense of responsibility to self, family and community.

Girls, Inc. Foundation is a non-profit organization chartered by the State of Texas in 2004. Girls, Inc. Foundation received funding from Girls Incorporated of Metropolitan Dallas in 2005. Girls, Inc. Foundation is organized and operated to raise funds to support Girls Incorporated of Metropolitan Dallas, to distribute funds to Girls Incorporated of Metropolitan Dallas and to maintain endowment funds for this purpose.

These consolidated financial statements include the accounts of Girls Incorporated of Metropolitan Dallas and Girls, Inc. Foundation (collectively the Organizations). All interorganization transactions have been eliminated.

The accounts of the Organizations are maintained on the accrual basis of accounting. The Consolidated Statement of Activities is a statement of the various financial activities and changes in net assets during the current reporting period. It does not purport to represent the results of operations, nor of net income or loss for the period, since as non-profit organizations the objective of the Organizations are not to achieve a profit.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows is presented using the indirect method. For the purpose of this consolidated statement, the Organizations consider all cash on hand, cash in checking accounts, certificates of deposit and other similar instruments with original maturities of three months or less as cash and cash equivalents.

Bad Debts

Management periodically reviews accounts/pledges receivable on an account-by-account basis. Management takes into consideration the Organizations' past history with the consumer and the size of the account in evaluating collectibility. Accounts are written off when it appears collection efforts will not be successful. As of June 30, 2014, no allowance for doubtful accounts was deemed necessary.

Investments

The Organizations values investments at estimated fair value as determined by Vanguard.

Property and Equipment

Property and equipment are reported at cost, if purchased, or at estimated fair value at the date of receipt, if acquired by gift. Additions costing greater than $1,000 are capitalized.

Depreciation is computed using the straight–line method over the estimated lives of the assets which range from five to forty-five (5-45) years. The cost of maintenance and repairs is charged to expense as incurred. Depreciation expense was $106,708 for the fiscal year ended June 30, 2014.

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount, or estimated fair value, less costs to sell.

Revenue Recognition

Contributions are recorded at the time donors make unconditional promises to give and classified as unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions. The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions.

Government grants are generally considered as conditional promises to give and are recognized as support when qualifying expenditures are incurred.

Donated professional services are reflected in the Consolidated Statement of Activities at estimated fair value. The Organizations benefit from numerous hours of volunteer services. Such services, which do not require specialized skills or would not have otherwise been purchased, are not reflected in these consolidated financial statements.

Materials, facility use and other assets received as donations are recorded and reflected in these consolidated financial statements at their estimated fair values at the date of receipt. For the year ended June 30, 2014, the value for these goods and services was $47,282.

Allocation of Functional Expenses

The costs of providing programs of the Organizations and other activities have been summarized on the functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among program cost and the cost of supporting services.

Income Taxes

The Organizations are recognized as exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is reflected in these consolidated financial statements.

Accounting Estimates and Assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates and assumptions primarily relate to valuation as of the date of the consolidated financial statements. Accordingly, actual results could differ from these estimates and assumptions. Such estimates and assumptions primarily relate to valuation, funding continuity/continuation and events as of the date of the consolidated financial statements. Significant estimates are used in the valuation of investments and collectibility of accounts/pledges receivable and in-kind donations, lives used to depreciate fixed assets and the allocation of functional expenses. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Net Asset Accounting

As non-profit organizations, records are maintained on a net asset accounting basis in order to ensure observance of limitations and restrictions placed on the use of their resources by donors. Therefore, net assets are classified for accounting and reporting purposes into self-balancing accounts as follows:

Unrestricted net assets – those funds available for support of the Organizations and its programs.

Temporarily restricted net assets – those funds limited by the donor(s) for later periods or specific purposes.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	Non-Interest Bearing	Interest Bearing	Total
Banks	$ 76,557	$ 256,969	$ 333,526
Money market funds	-	14,637	14,637
	$ 76,557	$ 271,606	$ 348,163

NOTE 3 – INVESTMENTS AND INVESTMENT INCOME

As of June 30, 2014, investments consisted of the following:

	Cost	Unrealized Gain	Estimated Fair Value
Vanguard Equity Income Fund	$ 348,535	$ 212,266	$ 560,801
Vanguard Short-Term Investment	114,622	5,423	120,045
Vanguard Wellesley Income Fund	300,197	68,179	368,376
Vanguard PRIMECAP Core Fund	166,356	181,212	347,568
Total	$ 929,710	$ 467,080	$ 1,396,790

Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurement*, establishes a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted fair prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2– Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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.

The assets or liabilities 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 following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds: Valued at the net asset value (NAV) per unit at year end.

Mutual Funds: Valued at the net asset value (NAV) per unit at year end.

Equity Securities: Quoted market prices.

Debt Securities: Valued using quoted prices for investments with similar yields and bond ratings.

The methods described above may produce fair value estimates that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Organizations believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organizations' investments at estimated fair value as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,396,790	$ -	$ -	$ 1,396,790

Investment income for the fiscal year ended June 30, 2014 consisted of the following:

Interest and dividends	$	31,468
Realized and unrealized gains		188,647
	$	220,115

NOTE 4 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable were due to be collected as follows as of June 30, 2014:

Receivable in less than one year	$	614,867
Receivable in one to five years		79,000
Total accounts and pledges receivable	$	693,867

Approximately 77% of the above pledges are due from 4 organizations or individuals.

NOTE 5 – NET ASSETS

Temporarily restricted net assets are available for the following purposes:

United Way - time restricted	$	435,000
Other time restricted		98,000
Scholarships		200,740
Programs		17,081
Total	$	750,821

NOTE 6 – RELATED PARTIES

Related party transactions consist of annual dues paid to the national office. Dues paid during the year ended June 30, 2014 totaled $10,000.

NOTE 7 – EMPLOYEE BENEFIT PLAN

The Organizations established a tax deferred annuity retirement plan 403(b) effective January 1, 1993. Each participant may elect to contribute a percentage of their annual compensation as limited by the Internal Revenue Code. The Organization may make a contribution each year as determined by the Board of

Trustees with adoption of the annual budget. The Organization contributes an employer matching contribution to the plan, equal to 100% of each participant's elective contribution up to 5% of base salary. Employer contributions to the plan for the year ended June 30, 2014 were $18,142.

NOTE 8 – CREDIT CONCENTRATION, RISK AND CONTINGENCIES

The operations of the Organizations are conducted entirely within the Dallas, Texas area. Therefore, financial results and collectibility of receivables are subject to the economic conditions of the area.

In the normal course of business, the Organizations maintain balances in financial institutions in excess of federally insured amounts. As of June 30, 2014, amounts in excess of federally insured amounts approximated $7,000.

The Organizations receive funding which is restricted as to use by the donor. If these funds are not utilized for the donor's restricted purpose, the donor may require that the funds be repaid.

Funding for the Organizations are derived from three main sources: public contributions, special events and United Way.

For the year ended June 30, 2014, approximately 22% of total revenue and support was from one source.

Continuation of such funding, at current levels, in future periods is subject to various factors such as economic conditions, compliance with grant provisions, potential new legislation and continued applicability of mission.

NOTE 9 – SCHOLARSHIPS

The Organizations provide scholarships to individuals who meet certain defined criteria. Scholarships are awarded in amounts up to a maximum of $2,500 per year and may cover many years. To retain their scholarship, the individual must reapply each year and meet certain established requirements such as maintaining a minimum grade point average. A scholarship fund has been established to cover the expense of the scholarships. The balance of this fund at June 30, 2014 was $200,704. No liability has been recorded for future scholarships as the payment is contingent on meeting the required criteria. Commitments for future scholarship payments (should each individual continue to be eligible) approximates $53,500.

NOTE 10 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

The Organizations file annual information returns. With few exceptions, the Organizations are no longer subject to U.S. federal income tax examinations by tax authorities for years before June 2011.

The Organizations have adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes.* There were no unrecognized tax benefits as of June 30, 2014.

The Organizations recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative expense. There were no such interest and penalties for 2014.

NOTE 11 – ASSETS MEASURED AT FAIR VALUE

Pursuant to FASB ASC 820, as issued by the Financial Accounting Standards Board, certain assets are reported at estimated "fair value." As of June 30, 2014, fair value measurements were as follows:

	Quoted Price in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 348,163	$ -	$ -
Investments	1,396,790	-	-
Accounts payable and accrued liabilities	-	(88,145)	-
	$ 1,744,953	$ (88,145)	$ -

NOTE 12 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2014 through the issue date of the financial statements, September 4, 2014. Based on this review, no events have occurred requiring disclosure.