

THE GIRL FRIENDS FUND, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2017

THE GIRL FRIENDS FUND, INC.

JUNE 30, 2017

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LORI K. ORTA, P.C.
Certified Public Accountant

Independent Auditor's Report

To the GFF Board of Directors
The Girl Friends Fund, Inc.

We have audited the accompanying financial statements of The Girl Friends Fund, Inc. (“the Fund”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities and changes in net assets, 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 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 the Fund as of June 30, 2017, and the change 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.

Lori K. Orta, P.C.

Dallas, Texas
March 13, 2018

The Girl Friends Fund, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 115,063
Cash and cash equivalents - temporarily restricted	109,761
Investments	<u>266,261</u>
Total current assets	<u>491,085</u>

TOTAL ASSETS	<u><u>\$ 491,085</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued scholarships	\$ 18,000
Accrued expenses	<u>4,870</u>
Total current liabilities	<u>22,870</u>

NET ASSETS

Unrestricted net assets	
GFF Board designated	277,283
Undesignated	<u>81,171</u>
Total unrestricted net assets	358,454
Temporarily restricted net assets	<u>109,761</u>
Total net assets	<u>468,215</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 491,085</u></u>
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The accompanying notes are an integral part of these financial statements.

The Girl Friends Fund, Inc.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 42,467	\$ 39,935	\$ 82,402
Investment income net of fees	28,578	-	28,578
Special events	29,874	-	29,874
Less: direct expenses	(19,135)	-	(19,135)
Net special events	10,739	-	10,739
Other income	382	-	382
Net assets released from restriction	55,500	(55,500)	-
Total support and revenues	137,666	(15,565)	122,101
EXPENSES			
Program services	55,500	-	55,500
Supporting services			
Management and general	19,932	-	19,932
Fundraising	475	-	475
Total expenses	75,907	-	75,907
Changes in net assets	61,759	(15,565)	46,194
NET ASSETS at beginning of year	296,695	125,326	422,021
NET ASSETS at end of year	\$ 358,454	\$ 109,761	\$ 468,215

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

The Girl Friends Fund, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Cash flows from operating activities	
Changes in net assets	\$ 46,194
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	-
Unrealized gains on investments	(27,684)
Change in operating assets and liabilities, net	
Accounts receivable	760
Accrued expenses	4,870
Net cash provided by operating activities	<u>24,140</u>
 Cash flows from investing activities	
Net acquisition of investments	(14)
Net change in temporarily restricted cash and cash equivalents	<u>15,565</u>
Net cash provided by investing activities	<u>15,551</u>
 Increase in cash and cash equivalents	39,691
 Cash and cash equivalents at beginning of year	<u>75,372</u>
 Cash and cash equivalents at end of year	<u>\$ 115,063</u>

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

The Girl Friends Fund, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Scholarship expense	\$ 55,500	\$ -	\$ -	\$ -	\$ 55,500
Professional fees	-	5,605	-	5,605	5,605
Printing & postage	-	2,925	325	3,250	3,250
Board expenses	-	1,403	-	1,403	1,403
Website expense	-	751	-	751	751
Gifts	-	502	-	502	502
Other expenses	-	252	-	252	252
Insurance expense	-	250	-	250	250
Bank service fees	-	244	-	244	244
Advertising	-	-	150	150	150
Loss from fraudulent checks	-	8,000	-	8,000	8,000
	\$ 55,500	\$ 19,932	\$ 475	\$ 20,407	\$ 75,907

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

THE GIRL FRIENDS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Girl Friends Fund, Inc. (the “Fund”), is a nonprofit organization incorporated under the laws of the state of Texas. The Fund was established in 1988 to support deserving African American students with financial assistance through scholarships. The Fund’s primary mission is to assist graduating high school seniors with the opportunity to attend and remain in a college or university to further their educational goals. The Fund also assists seniors and juniors in college with the financial assistance to apply for medical school, prepare for admissions testing, and attend the requisite school interviews. The Fund is an organization of like-minded professional women whose members volunteer their time, expertise, talents and resources to help shape our communities leaders of tomorrow, believing in “Bringing Dreams to Life”...one scholar at a time. The Fund was designated as a 501(c)(3) entity in 1989.

Membership of the Fund consists of all active members in good standing of The Girl Friends, Inc. (“The GF, Inc.”), one of the oldest social/civic organizations of African-Women women in the United States, established in 1927 and incorporated in 1938, with approximately 47 chapters to date across the country. Although the Annual Meeting of the Fund and its fundraising luncheon are held during the Conclave of the GF, Inc., the Fund is a separate entity and operates independently from The GF, Inc. as a public charity. Accordingly, the activities of The GF, Inc. are not included in the accompanying financial statements.

The Fund is supported mainly by donations, fundraising events, and the volunteer service of the GFF Board and members.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) in the United States of America.

For reporting purposes, resources are classified into three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Fund and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the GFF Board of Directors. See Note 5.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Fund. There were no permanently restricted net assets at June 30, 2017.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The FDIC deposit insurance insures deposits, money markets accounts and certificates of deposit accounts up to \$250,000 per deposit, per insured bank for each ownership category. The Fund also holds cash and cash equivalents at Ameriprise Financial Services Company that is covered by FDIC insurance. There were no uninsured balances at June 30, 2017.

THE GIRL FRIENDS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Fund carries investments in marketable securities with readily determinable fair values at their fair value in the accompanying statement of financial position. Fair values are based on quoted market prices. Income earned from investments, including unrealized gains and losses, is recorded in unrestricted net assets. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the financial statements. Investments at June 30, 2017 are held and managed by Ameriprise Financial Services Company. See Note 2.

Financial Instruments

The carrying value of cash and cash equivalents and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities.

Scholarships

Scholarships are recognized when the student recipients have been approved by the Fund and when scholarship terms have been met. See Note 3.

Contributions

Contributions, including unconditional promises to give, are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

Contributed Goods and Services

Contributed services are reflected in the financial statements at the estimated fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require, and are provided by, individuals with specialized skills, and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that help The Fund. Volunteer hours valued at approximately \$92,000 were not reflected in the financial statements for the year ended June 30, 2017. However, these volunteer services are necessary to meet the Fund's mission.

Functional Allocation of Expenses

The costs of providing the various scholarships and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets for the year ended June 30, 2017. Accordingly, certain costs have been allocated among the scholarships and supporting services benefited.

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 and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

THE GIRL FRIENDS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Fund is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Fund has concluded that it does not have any unrecognized tax benefits resulting from the current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding ASC 740, *Income Taxes*. The Fund does not have any outstanding interest or penalties, and none have been recorded in the statement of activities and change in net assets for the year ended June 30, 2017. The Fund's informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Fund is no longer subject to income tax examinations by tax authorities for years prior to 2014.

2. INVESTMENTS

The Fund adopted ASC 820, *Fair Value Measurements*, ("ASC 820"), which requires enhanced disclosures about investments that are measured and reported at fair value. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Guild's investments and liabilities. Level 1 hierarchy uses quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 1 assets include publicly traded securities and mutual funds. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available. Level 2 hierarchy uses other quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly. Level 3 hierarchy uses inputs that are unobservable and significant to the overall fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at June 30, 2017.

Mutual funds – valued at quoted market, which for commingled funds represent the net asset value of shares held by the Fund at year end.

Equities – valued at quoted market, which for commingled funds represent the net asset value of shares held by the Fund at year end.

Investments consist of the following at June 30, 2017:

	<u>Fair Value</u> <u>(Level 1)</u>
Mutual funds	\$ 258,144
Equities	8,117
	<u>\$ 266,261</u>

Investment income consist of the following at June 30, 2017:

Interest and dividends	\$ 4,863
Unrealized gain	27,684
Realized loss	(1,555)
Investment management fees	<u>(2,414)</u>
	<u>\$ 28,578</u>

THE GIRL FRIENDS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

3. SCHOLARSHIPS

The Fund annually awards scholarships to graduating high school seniors, nominated by local chapters of the Fund, who maintain an established grade point average and plan to attend an accredited four-year institution. Scholarships will be awarded for up to four years, providing the award recipient satisfies the renewal requirements, which include continued enrollment at an accredited four-year institution, class registration, maintenance of the required grade point average, and are dependent on availability of funds.

Expenses for the future renewal scholarship awards will be recognized over the next four years, following the verification that the scholarship conditions have been met by the selected recipients. A portion of the Fund's fiscal year 2018 scholarships of \$18,000 have met the conditions to be recognized have been recorded as a liability at June 30, 2017.

Expected future payments of renewal scholarship awards for selected recipients for the remaining term of the commitment is as follows at the year ended June 30, 2017:

Fiscal year 2018	\$ 43,500
Fiscal year 2019	52,500
Fiscal year 2020	36,000
Fiscal year 2021	18,000
	\$ 150,000

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor restricted for the following purposes at June 30, 2017:

Scholarships	\$ <u>109,761</u>
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Release from restrictions consisted of the following for the year ended June 30, 2017:

Scholarships	\$ <u>55,500</u>
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5. GFF BOARD DESIGNATED ENDOWMENT

In 2002, the Fund established an endowment fund, which is to be used for scholarships. The scholarship endowment funds are held in a brokerage account and a bank savings account styled "scholarship endowment fund" and are reported as investments and cash and cash equivalents in the accompanying financial statements. The Fund had the following GFF board designated endowment related activities for the year ended June 30, 2017:

GFF Board designated endowment beginning of year	\$ 248,703
Investment return	28,580
GFF Board designated endowment end of year	\$ 277,283

6. RELATED PARTIES

During the year ended June 30, 2017, the Fund was a national project recipient and received a donation of \$16,680 from The GF Inc., which is reported as contributions revenue and support in the accompanying financial statements.

THE GIRL FRIENDS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

7. CONCENTRATION

At June 30, 2017, one donor made a contribution which totaled approximately 13% of the total revenue.

8. LOSS FROM FRAUDULENT CHECKS

During the year ended June 30, 2017, two fraudulent checks were cashed totaling \$8,000. The Fund is pursuing all avenues in an attempt to recover the funds.

9. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, subsequent events have been evaluated by The Fund through March 13, 2018, which was the date the financial statements were available for issuance, and concluded that no additional disclosures are required.