GIRLS INCORPORATED OF MEMPHIS

FINANCIAL STATEMENTS

July 31, 2015 and 2014

Watkins Uiberall
Certified Public Accountants
Independent Member of BKR International

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girls Incorporated of Memphis
Memphis, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Girls Incorporated of Memphis (a nonprofit organization), which comprise the statements of financial position as of July 31, 2015 and 2014, 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.

Auditor's 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 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 Memphis as of July 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental 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 Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, 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 February 2, 2016, on our consideration of Girls Incorporated of Memphis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 of Memphis' internal control over financial reporting and compliance.

Watkins Uiberall, PLLC

Memphis, Tennessee
February 2, 2016

GIRLS INCORPORATED OF MEMPHIS

STATEMENTS OF FINANCIAL POSITION

July 31, 2015 and 2014

Assets

	2015	2014
Cash and cash equivalents	$ 112,032	$ 67,041
Certificates of deposit	-	10,000
Investments (Note 2)	655,612	882,832
Contributions receivable, net of allowance for doubtful accounts of $1,000 and $0	5,676	11,837
Prepaid expenses	7,945	10,509
Property and equipment, net (Note 3)	689,178	716,834
Total assets	$ 1,470,443	$ 1,699,053

Liabilities and Net Assets

	2015	2014
Liabilities		
Accounts payable	$ 134,308	$ 145,226
Advances payable	32,864	29,313
Accrued vacation	46,805	29,594
Other accrued expenses	12,348	1,161
Line of credit (Note 7)	150,000	150,000
Total liabilities	376,325	355,294
Net Assets		
Unrestricted		
Undesignated	386,390	455,927
Board-designated - endowment	624,772	851,992
Total unrestricted net assets	1,011,162	1,307,919
Temporarily restricted	52,116	5,000
Permanently restricted	30,840	30,840
Total net assets (Note 4)	1,094,118	1,343,759
Total liabilities and net assets	$ 1,470,443	$ 1,699,053

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

GIRLS INCORPORATED OF MEMPHIS

STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Federal grants	$ 725,391	$ -	$ -	$ 725,391
United Way of the Mid-South	337,308	-	-	337,308
Contributions	478,338	52,116	-	530,454
Investment income	16,896	-	-	16,896
Change in market value of investments	(2,940)	-	-	(2,940)
Special events revenue	76,398	-	-	76,398
Donated supplies and services	43,334	-	-	43,334
Program service fees	95,344	-	-	95,344
Other income	5,489	-	-	5,489
Net assets released from restrictions	5,000	(5,000)	-	-
Total revenues and other support	1,780,558	47,116	-	1,827,674
Expenses				
Program Services				
TRiO	622,897	-	-	622,897
Community programs	558,315	-	-	558,315
Center-based programs	559,998	-	-	559,998
Total program services	1,741,210	-	-	1,741,210
Supporting Services				
General and administrative	189,306	-	-	189,306
Fundraising	146,799	-	-	146,799
Total expenses	2,077,315	-	-	2,077,315
Change in net assets	(296,757)	47,116	-	(249,641)
Net assets at beginning of the year	1,307,919	5,000	30,840	1,343,759
Net assets at end of the year	$ 1,011,162	$ 52,116	$ 30,840	$ 1,094,118

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

GIRLS INCORPORATED OF MEMPHIS

STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Federal grants	$ 692,603	$ -	$ -	$ 692,603
United Way of the Mid-South	391,082	-	-	391,082
Contributions	415,757	5,000	-	420,757
Investment income	28,135	-	-	28,135
Change in market value of investments	63,206	-	-	63,206
Special events revenue	68,879	-	-	68,879
Donated supplies and services	30,525	-	-	30,525
Program service fees	131,058	-	-	131,058
Other income	1,376	-	-	1,376
Net assets released from restrictions	262,730	(262,730)	-	-
Total revenues and other support	2,085,351	(257,730)	-	1,827,621
Expenses				
Program Services				
TRiO	562,785	-	-	562,785
Community programs	619,116	-	-	619,116
Center-based programs	555,255	-	-	555,255
Total program services	1,737,156	-	-	1,737,156
Supporting Services				
General and administrative	304,009	-	-	304,009
Fundraising	185,790	-	-	185,790
Total expenses	2,226,955	-	-	2,226,955
Change in net assets	(141,604)	(257,730)	-	(399,334)
Net assets at beginning of the year	1,449,523	262,730	30,840	1,743,093
Net assets at end of the year	$ 1,307,919	$ 5,000	$ 30,840	$ 1,343,759

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

GIRLS INCORPORATED OF MEMPHIS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2015

	Program Services				Supporting Services			
	TRiO	Community Programs	Center-Based Programs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 365,390	$ 330,131	$ 328,776	$ 1,024,297	$ 72,260	$ 36,555	$ 108,815	$ 1,133,112
Taxes and benefits	72,065	54,741	53,774	180,580	10,583	5,777	16,360	196,940
Conferences, meetings and training	52,665	8,804	3,838	65,307	3,821	595	4,416	69,723
Dues and subscriptions	2,422	1,000	-	3,422	12,897	-	12,897	16,319
Equipment	16,837	8,631	8,909	34,377	5,502	2,647	8,149	42,526
Fees and charges	635	1,124	437	2,196	5,510	294	5,804	8,000
Insurance	11,665	10,710	12,173	34,548	2,793	1,824	4,617	39,165
Transportation	32,710	23,043	22,786	78,539	1,154	118	1,272	79,811
Postage	956	1,440	597	2,993	408	590	998	3,991
Printing	-	131	206	337	-	1,660	1,660	1,997
Professional fees	10,681	17,606	153	28,440	33,041	59,285	92,326	120,766
Rent and occupancy	25,574	41,015	52,448	119,037	10,128	5,020	15,148	134,185
Special events	-	2,162	1,004	3,166	-	22,747	22,747	25,913
Supplies	18,482	48,734	42,660	109,876	8,905	4,710	13,615	123,491
Telephone	4,919	6,110	13,664	24,693	1,444	961	2,405	27,098
Interest	-	-	-	-	8,813	-	8,813	8,813
Total functional expenses before depreciation	615,001	555,382	541,425	1,711,808	177,259	142,783	320,042	2,031,850
Depreciation	7,896	2,933	18,573	29,402	12,047	4,016	16,063	45,465
	$ 622,897	$ 558,315	$ 559,998	$ 1,741,210	$ 189,306	$ 146,799	$ 336,105	$ 2,077,315

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

GIRLS INCORPORATED OF MEMPHIS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2014

	Program Services				Supporting Services			
	TRiO	Community Programs	Center-Based Programs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 350,061	$ 389,629	$ 308,429	$ 1,048,119	$ 134,658	$ 82,366	$ 217,024	$ 1,265,143
Taxes and benefits	70,804	56,219	48,513	175,536	26,354	8,187	34,541	210,077
Conferences, meetings and training	45,322	4,724	953	50,999	3,893	3,879	7,772	58,771
Dues and subscriptions	4,187	-	-	4,187	12,470	250	12,720	16,907
Equipment	9,474	4,348	4,321	18,143	2,355	3,837	6,192	24,335
Fees and charges	443	78	842	1,363	3,968	60	4,028	5,391
Insurance	7,727	13,359	14,438	35,524	3,894	1,462	5,356	40,880
Transportation	17,796	32,258	48,241	98,295	413	20	433	98,728
Postage	3,217	738	857	4,812	412	553	965	5,777
Printing	1,465	82	53	1,600	-	2,686	2,686	4,286
Professional fees	453	7,992	1,720	10,165	58,891	31,627	90,518	100,683
Rent and occupancy	22,606	35,778	68,894	127,278	16,641	6,349	22,990	150,268
Special events	-	2,922	1,412	4,334	-	23,633	23,633	27,967
Supplies	25,629	43,753	31,348	100,730	15,996	19,022	35,018	135,748
Telephone	3,500	9,101	12,378	24,979	1,477	1,607	3,084	28,063
Interest	-	-	-	-	7,887	-	7,887	7,887
Total functional expenses before depreciation	562,684	600,981	542,399	1,706,064	289,309	185,538	474,847	2,180,911
Depreciation	101	18,135	12,856	31,092	14,700	252	14,952	46,044
	$ 562,785	$ 619,116	$ 555,255	$ 1,737,156	$ 304,009	$ 185,790	$ 489,799	$ 2,226,955

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

GIRLS INCORPORATED OF MEMPHIS

STATEMENTS OF CASH FLOWS

For the Years Ended July 31, 2015 and 2014

	2015	2014
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	$ (249,641)	$ (399,334)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	45,465	46,044
Change in market value of investments	2,940	(63,206)
Gain on sale of property and equipment	(1,800)	-
Changes in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Contributions receivable	6,161	189,313
Grants receivable	-	17,881
Prepaid expenses	2,564	(2,844)
Accounts payable	(10,918)	43,476
Advances payable	3,551	29,313
Accrued vacation	17,211	(8,505)
Other accrued expenses	11,187	(7,070)
Total adjustments	76,361	244,402
Net cash used for operating activities	(173,280)	(154,932)
Cash Flows From (Used For) Investing Activities:		
Purchases of property and equipment	(17,809)	(14,501)
Proceeds from redemption of certificates of deposit	10,000	12,000
Purchases of investments	(10,720)	(19,590)
Proceeds from sale of investments	235,000	25,010
Proceeds from sale of property and equipment	1,800	-
Net cash from investing activities	218,271	2,919
Cash Flows From (Used For) Financing Activities:		
Principal payments on line of credit	(50,000)	(100,000)
Advances on line of credit	50,000	150,000
Net cash from financing activities	-	50,000
Increase (decrease) in cash and cash equivalents	44,991	(102,013)
Cash and cash equivalents, beginning of the year	67,041	169,054
Cash and cash equivalents, end of the year	$ 112,032	$ 67,041
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 8,813	$ 7,887

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Girls Incorporated of Memphis (the "Organization") is a Tennessee nonprofit organization. The Organization's purpose is to provide programs designed to build girls' capacity for responsible and confident adulthood, economic independence and personal fulfillment. Primary sources of funding include United Way of the Mid-South, federal, state and local grants, and charitable contributions from corporations and individuals.

Basis of Accounting and Financial Statement Presentation

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

The Organization reports its financial position and activities in three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Temporarily Restricted Net Assets – Net assets subject to 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 statement of activities as net assets released from restrictions.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. This includes voluntary board-approved designations of unrestricted net assets for specific purposes, projects, or investments. Because designations are voluntary and may be reversed at any time by the board, designated portions of net assets are not considered temporarily or permanently restricted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. In addition, unconditional promises to give are recorded in the year made. Conditional promises to give are recognized when the conditions upon which they were given are substantially met.

Gifts In-Kind

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market value in the period received. Additionally, the Organization receives certain in-kind contributions for supplies, which have been recorded at their fair market value in the period received. Donated services and supplies were received as follows for the years ended July 31:

	2015	2014
Services		
Printing brochures	$ 629	$ -
Bookkeeping	-	2,500
Photography and video production	-	2,100
Maintenance	-	240
Supplies	42,705	25,685
	$ 43,334	$ 30,525

Functional Expense Allocation

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates made by management.

Concentrations and Credit Risks

The Organization's credit risks primarily relate to cash and cash equivalents. The Organization maintains cash balances at a bank. Those accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000.

For the years ended July 31, 2015 and 2014, 40% and 38%, respectively, of the Organization’s total revenue was from federal grants. In addition, for the years ended July 31, 2015 and 2014, 18% and 21%, respectively, of the Organization’s total revenue was from United Way of the Mid-South. For the year ended July 31, 2015, 16% of the Organization’s total revenue was from one donor.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Money market funds held in investment accounts are excluded from cash and cash equivalents.

Restricted Cash

The Organization is required to hold cash received for the TRiO program in a separate bank account. At July 31, 2015 and 2014, the balance in this account was $78,648 and $60,190, respectively.

Contributions Receivable

Contributions receivable consists of amounts due from foundations, corporations, and individuals. At July 31, 2015, all contributions receivable were due within one year. Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off to expense all balances that are considered uncollectible.

Investments

Investments consist of assets held in brokerage accounts and beneficial interests in assets held by the Community Foundation of Greater Memphis, Inc. ("CFGM") and are stated at fair market value. Realized and unrealized gains and losses are reflected in the statements of activities as change in market value of investments.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value as of the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to thirty years. Repairs and renovations that do not add value or extend the life of the assets are expensed as incurred. The Organization capitalizes all expenditures over $2,500 that relate to property, plant, and equipment.

Fair Value Measurement

The Organization applies generally accepted accounting principles for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for additional disclosures.

Advertising Costs

Advertising costs are expensed as incurred and totaled $36,114 and $20,812 for the years ended July 31, 2015 and 2014, respectively.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization which is not a private foundation. The Organization files an exempt return with the U.S. federal jurisdiction.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform with the presentation in the current year financial statements. These changes had no effect on previously reported total net assets.

Date of Management Review

The Organization evaluated its July 31, 2015 financial statements for subsequent events through February 2, 2016, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that 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 three levels of the fair value hierarchy under generally accepted accounting principles are described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.

- Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.

- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for level 3 assets measured at fair value. There have been no changes in the methodologies used at July 31, 2015.

CFGM funds: There is limited or no observable market data for the prices of the pooled fund investments held with CFGM, and the resulting fair values of these securities are categorized as Level 3. Although the majority of CFGM's holdings are invested in assets that are valued by quoted prices in active markets, the Organization does not have access to the CFGM holdings and therefore does not have any observable inputs for CFGM. However, the Organization does receive quarterly statements from CFGM which show the fair market value and the Organization's portion of the funds. The CFGM equity pool has a target allocation of approximately 40% large-cap U.S. equities, 9% small and mid-cap U.S. equities, 31% international equities, and 20% hedged equities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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 financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2015 and 2014. All categories of mutual funds and common stock representing 5% or more of total assets at fair value are separately identified.

	Assets at Fair Value as of July 31, 2015		
	Level 1	Level 3	Total
Endowment Fund Investments			
Money market funds	$ 1,298	$ -	$ 1,298
Bond Mutual Funds			
Nontraditional bond	60,154	-	60,154
Other (below 5%)	48,408	-	48,408
Total bond mutual funds	108,562	-	108,562
Equity Mutual Funds			
Large growth	39,652	-	39,652
World stock	68,782	-	68,782
Other (below 5%)	65,022	-	65,022
Total equity mutual funds	173,456	-	173,456
Total endowment fund investments	283,316	-	283,316
Independent Fund			
CFGM equity pool	-	372,296	372,296
Total investments at fair value	$ 283,316	$ 372,296	$ 655,612

	Assets at Fair Value as of July 31, 2014		
	Level 1	Level 3	Total
Endowment Fund Investments			
Money market funds	$ 2,395	$ -	$ 2,395
Bond Mutual Funds			
Nontraditional bond	111,204	-	111,204
Multi-sector bond	62,641	-	62,641
Other (below 5%)	30,832		30,832
Total bond mutual funds	204,677	-	204,677
Equity Mutual Funds			
Diversified emerging markets	86,056	-	86,056
World stock	121,512	-	121,512
Other (below 5%)	106,721		106,721
Total equity mutual funds	314,289	-	314,289
Total endowment fund investments	521,361	-	521,361
Independent Fund			
CFGM equity pool	-	361,471	361,471
Total investments at fair value	$ 521,361	$ 361,471	$ 882,832

The following is a summary of the activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended July 31:

	2015	2014
Investments, beginning of year	$ 361,471	$ 320,430
Change in market value of investments	12,670	42,740
Purchases/settlements, net	(1,845)	(1,699)
Investments, end of year	$ 372,296	$ 361,471
Change in unrealized gains or losses for the year included in the change in market value, for investments held at the end of the year	$ (22,465)	$ (6,113)

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at July 31:

	2015	2014
Land	$ 232,601	$ 232,601
Building and building improvements	1,320,304	1,308,994
Office furniture and equipment	97,898	97,898
Vehicles	123,927	140,613
	1,774,730	1,780,106
Less accumulated depreciation	(1,085,552)	(1,063,272)
	$ 689,178	$ 716,834

NOTE 4 – NET ASSETS

Temporarily restricted net assets consist of the following at July 31:

	2015	2014
Contributions for use in:		
Center repairs	$ 25,000	$ -
Executive Assistant Salary	23,469	-
Youth Farm	3,647	-
Life skills	-	5,000
	$ 52,116	$ 5,000

Endowment Fund

The Board of Directors established an endowment fund in 1988 for the purpose of providing for the future operations and capital needs of the Organization. The Board's intent is to make appropriations from the fund for operations and in case of emergencies. The permanently restricted portion of the endowment consists of donor-designated contributions that are to be invested in perpetuity, for which the income therefrom can be used for operations.

The Board of Directors established an Independent Fund in 2010 by transferring assets from the board-designated endowment fund to CFGM. The Independent Fund was created to serve as collateral for the Organization's line of credit and is considered unrestricted.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") applies to the Organization's endowment funds. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies the following as permanently restricted net assets:

(1) The original value of gifts donated to the permanent endowment;
(2) The subsequent gifts to the permanent endowment; and
(3) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

(1) The duration and preservation of the various funds;
(2) The purposes of the donor-restricted endowment funds;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Organization; and
(7) The Organization's investment policies.

The endowment net asset composition by type of fund is as follows:

	July 31, 2015		
	Unrestricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 30,840	$ 30,840
Board-designated funds	624,772	-	624,772
	$ 624,772	$ 30,840	$ 655,612

	July 31, 2014		
	Unrestricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 30,840	$ 30,840
Board-designated funds	851,992	-	851,992
	$ 851,992	$ 30,840	$ 882,832

A reconciliation of the endowment fund's beginning and ending balances is as follows for the years ended July 31:

	2015		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 851,992	$ 30,840	$ 882,832
Investment Return			
Investment income	16,856	-	16,856
Change in market value of investments	(2,940)	-	(2,940)
Total investment return	13,916	-	13,916
Appropriations for expenditure	(235,000)	-	(235,000)
Fees	(6,136)	-	(6,136)
Endowment net assets, end of year	$ 624,772	$ 30,840	$ 655,612

	2014		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 794,206	$ 30,840	$ 825,046
Investment Return			
Investment income	28,135	-	28,135
Change in market value of investments	63,206	-	63,206
Total investment return	91,341	-	91,341
Appropriations for expenditure	(25,010)	-	(25,010)
Fees	(8,545)	-	(8,545)
Endowment net assets, end of year	$ 851,992	$ 30,840	$ 882,832

Investment Policy

The Organization does not have a formal investment policy for investing endowment assets. However, the endowment assets are invested in a manner that will provide a reasonable level of growth without undue risk. Currently, the funds are invested in a balanced portfolio of bonds, cash, and stocks, with target allocations of approximately 70% equities and 30% fixed income and cash. The Board of Directors reviews, on a quarterly basis, investment performance, potential disbursements and potential giving campaign strategies.

NOTE 5 – OPERATING LEASES

The Organization rents office space and equipment under operating leases. Total rent expense under operating leases for the years ended July 31, 2015 and 2014 was $80,333 and $82,576, respectively. The future minimum lease payments required under operating leases are as follows for the years ending July 31:

2016	$	82,149
2017		24,455
	$	106,604

NOTE 6 – RETIREMENT PLAN

The Organization provides a 401(k) profit sharing plan (the “Plan”) for all employees that are at least 21 years of age and have completed one year of service. The Organization matches contributions made by employees up to 1% of their salary.

All participants are 100% vested in their contributions to the Plan. Participants are 100% vested in the Organization’s match after the completion of 3 years of service. The Organization’s contributions to the Plan for the years ended July 31, 2015 and 2014 were $4,858 and $4,502, respectively.

NOTE 7 – LINE OF CREDIT

The Organization has a $150,000 bank line of credit, secured by investments in the Independent fund, which expires on May 29, 2016. Borrowings under the line of credit bear interest at the higher of the bank’s prime rate or 4% (4% at July 31, 2015). Borrowings of $150,000 were outstanding against this line of credit at both July 31, 2015 and 2014.

SUPPLEMENTAL INFORMATION

GIRLS INCORPORATED OF MEMPHIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended July 31, 2015

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Talent Search I	84.044	N/A	$ 385,194
Talent Search II	84.044	N/A	263,697
Total *U.S. Department of Education*			648,891
U.S. Department of Health and Human Services			
Community Prevention Initiative / State of Tennessee Department of Mental Health	93.959	33901-21513	76,500
Total expenditures of federal awards			$ 725,391

See independent auditor’s report and accompanying notes to this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended July 31, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Organization under programs of the federal government for the year ended July 31, 2015. The information in this Schedule is presented in accordance with the requirements of the United States Office of Management and Budget (the “OMB”) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B – 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available.

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INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Girls Incorporated of Memphis
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Girls Incorporated of Memphis (the "Organization"), which comprise the statement of financial position as of July 31, 2015, 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 February 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 purposed described in the preceding 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 the Organization'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.

Watkins Uiberall, PLLC

Memphis, Tennessee
February 2, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Girls Incorporated of Memphis
Memphis, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Girls Incorporated of Memphis' (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended July 31, 2015. The Organization's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended July 31, 2015.

Reporting on Internal Control over Compliance

Management of the Organization 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, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a 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 OMB A-133, 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 the Organization'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 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 com*pliance 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins Uiberall, PLLC

Memphis, Tennessee
February 2, 2016

GIRLS INCORPORATED OF MEMPHIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended July 31, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Girls Incorporated of Memphis were prepared in accordance with GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's 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*.

3. No instances of noncompliance material to the financial statements of Girls Incorporated of Memphis, which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. No significant deficiencies or material weaknesses relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for Girls Incorporated of Memphis expresses an unmodified opinion on all major federal programs.

6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program was Talent Search I & II – CFDA No. 84.044.

8. The threshold for distinguishing between Type A and B programs was $300,000.

9. Girls Incorporated of Memphis was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

GIRLS INCORPORATED OF MEMPHIS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended July 31, 2015

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2014-001: *Condition:* Internal controls over financial reporting failed to detect and correct a material misstatement in beginning net assets and current year contributions revenue. For internal reporting purposes, Girls, Inc. does not follow accounting principles generally accepted in the U.S. ("GAAP") for multi-year contributions. These contributions are reflected internally as deferred income and recognized over the period for which the contribution was given. For the year ended July 31, 2014, the current year impact on beginning net assets and current year contributions revenue was not detected and converted to GAAP basis prior to the audit. This misstatement was corrected during the audit.

Recommendation: Management should follow the requirements of FASB ASC §958 for the recording of unconditional promises to give and ensure that new financial reporting personnel are aware of the requirements and their impact in converting internal financial statements to financial statements prepared in accordance with GAAP.

Current Status: Recommendation was implemented. There were no similar findings in 2015.

2014-002: *Condition:* Unadjusted grant revenues for expense reimbursement contracts were recorded based upon the amount of cash advances drawn down during the year, and not based upon the actual underlying grant expenditures. Internal controls over financial reporting failed to detect and correct the error, resulting in a material overstatement of grant revenues and understatement of advances payable. This misstatement was corrected during the audit.

Recommendation: Management should enhance internal controls over financial reporting to ensure the guidance in the Accounting Standards Codification for revenue recognition is followed.

Current Status: Recommendation was implemented. There were no similar findings in 2015.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None