

Days for Girls International

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2019 and 2018

Larson Gross 

Days for Girls International

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Independent Auditor's Report

To the Board of Directors
Days for Girls International
Mount Vernon, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Days for Girls International, which comprise the statements of financial position as of December 31, 2019 and 2018, 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. 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, the Organization has excluded from inventory in the accompanying statement of financial position certain costs as of December 31, 2018, that in our opinion, should be capitalized rather than expensed in accordance with accounting principles generally accepted in the United States of America. Quantification of the effects of that departure on the financial statements is not practicable.

In addition, we did not observe the taking of physical inventories at December 31, 2019 and 2018 (stated at \$413,688 and \$158,187, respectively). We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matters discussed in the “Basis for Qualified Opinion” paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Days for Girls International as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Larson Gross PLLC

Bellingham, Washington
August 3, 2020

Days for Girls International

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 854,004	\$ 796,510
Cash held as fiscal sponsor	163,656	140,360
Pledges receivable	60,035	103,710
Accounts receivable	159,259	71,215
Inventory	413,688	158,187
Prepaid expenses	52,424	24,735
Other assets	34,881	35,134
Equipment, net of accumulated depreciation of \$3,787 and \$1,195, respectively	<u>9,173</u>	<u>11,765</u>
Total assets	<u>\$ 1,747,120</u>	<u>\$ 1,341,616</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 50,789	\$ 52,930
Net assets		
Without donor restrictions		
Undesignated	695,813	559,988
Board-designated – operating reserve	<u>114,068</u>	<u>113,518</u>
Total without donor restrictions	809,881	673,506
With donor restrictions	<u>886,450</u>	<u>615,180</u>
Total net assets	<u>1,696,331</u>	<u>1,288,686</u>
Total liabilities and net assets	<u>\$ 1,747,120</u>	<u>\$ 1,341,616</u>

Days for Girls International

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue						
Contributions and grants	\$ 2,309,064	\$ 821,352	\$ 3,130,416	\$ 2,413,825	\$ 486,733	\$ 2,900,558
In-kind contributions	189,552	-	189,552	115,236	-	115,236
Other income	101,863	-	101,863	167,019	-	167,019
Net assets released from restriction	<u>550,082</u>	<u>(550,082)</u>	<u>-</u>	<u>117,572</u>	<u>(117,572)</u>	<u>-</u>
Total public support and revenue	3,150,561	271,270	3,421,831	2,813,652	369,161	3,182,813
Expenses						
Program services	2,537,716	-	2,537,716	2,405,339	-	2,405,339
Management and general	267,074	-	267,074	249,701	-	249,701
Fundraising	<u>209,396</u>	<u>-</u>	<u>209,396</u>	<u>113,855</u>	<u>-</u>	<u>113,855</u>
Total expenses	<u>3,014,186</u>	<u>-</u>	<u>3,014,186</u>	<u>2,768,895</u>	<u>-</u>	<u>2,768,895</u>
Increase in net assets	136,375	271,270	407,645	44,757	369,161	413,918
Net assets – beginning of year	<u>673,506</u>	<u>615,180</u>	<u>1,288,686</u>	<u>628,749</u>	<u>246,019</u>	<u>874,768</u>
Net assets – end of year	<u>\$ 809,881</u>	<u>\$ 886,450</u>	<u>\$ 1,696,331</u>	<u>\$ 673,506</u>	<u>\$ 615,180</u>	<u>\$ 1,288,686</u>

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

Days for Girls International

Statements of Functional Expenses

Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 589,503	\$ 179,839	\$ 94,873	\$ 864,215	\$ 540,450	\$ 145,575	\$ 38,604	\$ 724,629
Payroll taxes	41,380	13,936	6,761	62,077	36,581	10,715	2,795	50,091
Benefits	9,395	1,798	2,520	13,713	6,807	1,061	80	7,948
Total salaries, payroll taxes, and benefits	640,278	195,573	104,154	940,005	583,838	157,351	41,479	782,668
Kit distribution	1,240,980	-	-	1,240,980	1,165,001	-	-	1,165,001
International grants and assistance	278,146	-	-	278,146	321,705	-	-	321,705
In-kind	184,461	-	5,091	189,552	113,576	-	-	113,576
Office	94,722	10,997	28,591	134,310	112,949	35,430	25,779	174,158
Travel	62,023	6,352	9,743	78,118	38,910	11,849	9,778	60,537
Other	21,309	2,018	44,111	67,438	50,049	196	19,272	69,517
Professional fees	2,485	39,651	16,541	58,677	16,160	13,334	17,355	46,849
Occupancy	13,312	12,483	1,165	26,960	3,151	31,541	192	34,884
Total expenses	<u>\$ 2,537,716</u>	<u>\$ 267,074</u>	<u>\$ 209,396</u>	<u>\$ 3,014,186</u>	<u>\$ 2,405,339</u>	<u>\$ 249,701</u>	<u>\$ 113,855</u>	<u>\$ 2,768,895</u>

Days for Girls International

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in net assets	\$ 407,645	\$ 413,918
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	2,592	1,195
(Increase) decrease in assets		
Pledges receivable	43,675	(86,560)
Accounts receivable	(88,044)	(38,304)
Inventory	(255,501)	(11,235)
Prepaid expenses	(27,689)	(19,535)
Other assets	253	(35,134)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(2,141)	15,495
Net cash provided by operating activities	<u>80,790</u>	<u>239,840</u>
Cash flows from investing activities		
Purchases of equipment	<u>-</u>	<u>(12,960)</u>
Net cash used by investing activities	<u>-</u>	<u>(12,960)</u>
Net increase in cash and cash equivalents	80,790	226,880
Cash and cash equivalents – beginning of year	<u>936,870</u>	<u>709,990</u>
Cash and cash equivalents – end of year	<u><u>\$ 1,017,660</u></u>	<u><u>\$ 936,870</u></u>
Cash and cash equivalents is reported within the statements of financial position as follows:		
Cash and cash equivalents	\$ 854,004	\$ 796,510
Cash held as fiscal sponsor	<u>163,656</u>	<u>140,360</u>
	<u><u>\$ 1,017,660</u></u>	<u><u>\$ 936,870</u></u>

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

Nature of activities – Days for Girls International (the Organization) is a Washington State nonprofit corporation established in 2011. The Organization’s mission is to increase access to menstrual care and education by developing global partnerships, cultivating social enterprises, mobilizing volunteers, and innovating sustainable solutions that shatter stigmas and limitations for women and girls.

The Organization facilitates the production of patented Days for Girls kits (kits) in two ways: in conjunction with its foreign related charitable organizations (see Note 5) and by providing local enterprises with exclusive licensing access to its patented kits. Additionally, the Organization provides education curriculum, local jobs and leadership opportunities. These domestic and foreign relationships are collectively referred to as “affiliates.”

The Organization also reaches communities through relationships with affiliates who donate to women and girls all over the globe. The Organization utilizes many volunteers, who are organized into domestic chapters, teams, or solo sewists, to produce kits and serve as advocates for the issue of menstrual equity.

Basis of accounting – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as net assets without donor restrictions.

Net assets with donor restrictions – Support received subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Organization or by passage of time are classified as net assets with donor restrictions. This includes donor-imposed restrictions stipulating that assets be invested in perpetuity. In accordance with purposes stipulated by donors, earnings from such assets may be classified as net assets without donor restrictions or net assets with donor restrictions. The Organization did not hold any net assets with donor-imposed restrictions to be held in perpetuity as of December 31, 2019 and 2018.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions. When donor restrictions are met during the same period that the revenue is received, the revenue is recorded as without donor restrictions.

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies – (Continued)

Cash and cash equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in this account, and management does not believe it is exposed to any significant credit risk.

Receivables – Pledges and accounts receivable (receivables) are recorded at net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Organization bases its estimates of doubtful accounts on several factors. These factors include the Organization's prior experience collecting receivables, the aging of the receivables at year-end, and management's appraisal of current economic conditions. Based on the above factors, management considers all receivables to be fully collectible and therefore has not made any allowance for uncollectible receivables. All receivables are expected to be collected within one year.

Inventory – Inventory is recorded at the lower of cost or market. Inventory is recorded using the first in, first out method. Inventory consists of branded items to sell on the Organization's website, as well as raw materials that are sold to affiliates for the production of kits. Fiscally sponsored organizations (see Note 4) expensed all inventory related costs as incurred in 2018. This is not in accordance with accounting principles generally accepted in the United States of America, which dictates that inventory assets should be capitalized. The amount of inventory assets that have already been expensed as of December 31, 2018 is unknown. Fiscally sponsored organizations (see Note 4) capitalized inventory as of December 31, 2019.

Equipment – The Organization capitalizes all equipment acquisitions in excess of \$1,000 with a useful life of one year or more. Equipment acquisitions are recorded at cost. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which are 5 years.

Depreciation expense totaled \$2,592 and \$1,195 for the years ended December 31, 2019 and 2018, respectively.

Contributions and grants – Contributions and grants revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Amounts collected and disbursed under fiscal sponsorship arrangements (see Note 4) are recognized as contributions and grants revenue and kit distribution expense, respectively, in these financial statements. The Organization received 33% of its contributions and grants from two donors during the year ended December 31, 2019. There were no contributions and grants concentration during the year ended December 31, 2018.

Donated goods and services – Donations of goods and services are recorded as support at their estimated fair market value at the date of donation. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased. In addition, many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition. Of the total in-kind contributions for

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies – (Continued)

Donated goods and services (Cont.) – the years ended December 31, 2019 and 2018, 60% and 74%, respectively, was donated advertising received from one donor.

Advertising – The Organization expenses advertising costs as incurred. Advertising expense totaled \$24,723 and \$8,909 for the years ended December 31, 2019 and 2018, respectively. As noted above, an additional \$113,412 and \$84,986 of advertising was received as an in-kind donation during the years ended December 31, 2019 and 2018, respectively.

Federal income tax – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization files IRS Form 990 which is open for IRS examination for three years after the filing due date.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on the functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited and have been allocated on a reasonable basis that is consistently applied.

Allocation of expenses among multiple functions is tracked throughout the year. The method of allocation applied to expenses is based on time and effort. To accomplish this, management reviews detailed salary breakdowns to determine an estimated percentage of time spent in a given function. A similar ratio is then applied to other categories of expenses as well.

Use of estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include depreciable lives equipment and allocation of expenses between program and supporting services.

Reclassifications – Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

Subsequent events – In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 3, 2020, the date that the financial statements were available to be issued.

Days for Girls International

Notes to Financial Statements

December 31, 2019 and 2018

Note 2 – Liquidity and Availability

The following represents the Organization’s financial assets available for general expenditures over the next twelve months as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 854,004	\$ 796,510
Cash held as fiscal sponsor	163,656	140,360
Pledges receivable	60,035	103,710
Accounts receivable	<u>159,259</u>	<u>71,215</u>
Total financial assets	1,236,954	1,111,795
Less amounts not available for general expenditure within one year		
Board-designated – operating reserve	114,068	113,518
Net assets with donor restrictions	<u>180,758</u>	<u>275,360</u>
Financial assets not available for general expenditures within one year	<u>294,826</u>	<u>388,878</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 942,128</u>	<u>\$ 722,917</u>

The Organization has a board-designated operating reserve, with the goal of building reserving three months of expenses. As of December 31, 2019, the operating reserve is at approximately one month reserve. Future budgets include plans to increase the reserve as a percentage of revenue. The operating reserve funds are to be utilized for emergent cash needs, as determined by the Board of Directors, and can only be released with Board approval. As such, these board-designated assets are not considered available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

The Organization has certain net assets with donor restrictions limited to use for specific countries, regions, and chapters, but which are considered available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The Organization has other net asset with donor restrictions limited to use, which are not considered available for general expenditures within one year. Accordingly, these assets have been excluded from the quantitative information above.

In addition, as discussed in Note 6, the Organization opened a \$100,000 line-of-credit with a bank to be used as needed.

Notes to Financial Statements

December 31, 2019 and 2018

Note 3 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Specific country, region, or chapter	\$ 705,692	\$ 339,820
Fiscally sponsored organizations	163,656	140,360
Communications officer	17,102	-
Pad manufacturing equipment	-	135,000
	<u>\$ 886,450</u>	<u>\$ 615,180</u>

Note 4 – Fiscal Sponsorship

The Organization acts as fiscal sponsor to 21 and 24 chapters as of December 31, 2019 and 2018, respectively. The chapters engage in activities that are consistent with the Organization's mission. The Organization has opened a separate bank account on behalf of each of these chapters and accepts tax-deductible donations on behalf of fiscally sponsored chapters and administers the expenditures of those funds for designated tax-exempt charitable purposes. The Organization's fiscal sponsorship of such chapters is generally on an on-going basis. In all cases, the Organization has variance power over the fiscal sponsorship contributions it receives. As of December 31, 2019 and 2018, net assets with donor restrictions held for fiscal sponsorship of specific chapters was \$163,656 and \$140,360, respectively.

Revenue and expense under these fiscal sponsorship arrangements totaled \$433,864 and \$410,569, respectively, during the year ended December 31, 2019 and \$416,681 and \$394,374, respectively, during the year ended December 31, 2018.

The Organization also receives contributions on behalf of many other domestic chapters, groups, and solo sewists (domestic branches). Such contributions, when earmarked for a specific domestic branch, are generally granted to the domestic branch to cover kit production costs. The Organization does not act as fiscal sponsor for these domestic branches. In all cases, the Organization has variance power over the contributions designated for domestic branches, including monitoring the amount of designated contributions to ensure that transfers only occur to cover reasonable kit production costs. Amounts collected for and distributed to these domestic branches for kit production and distribution totaled approximately \$298,000 and \$255,000 during the years ended December 31, 2019 and 2018, respectively.

Note 5 – Related Party Transactions

The Organization receives legal and women's health services from four members of its Board of Directors at no cost to the Organization. In-kind contributions related to these services totaled \$45,313 and \$11,080 for the years December 31, 2019 and 2018, respectively. In addition, the Organization received contributions from members of the Board of Directors totaling \$15,403 and \$3,450 as of December 31, 2019 and 2018, respectively.

Days for Girls International
Notes to Financial Statements
December 31, 2019 and 2018

Note 5 – Related Party Transactions – (Continued)

The Organization is affiliated with the following foreign charities:

- Days for Girls Uganda
- Days for Girls Australia Limited
- Days for Girls New Zealand
- Days for Girls Nepal
- Days for Girls Guatemala
- Days for Girls Canadian Society
- Days for Girls United Kingdom
- Days for Girls Rwanda
- Days for Girls Ghana

These foreign affiliates exist to support the same mission as the Organization. The Organization provides significant financial and educational support to these affiliates. While the affiliates have an economic interest in the Organization, the Organization lacks the prerequisite level of control over the affiliates to require consolidation. Thus, the affiliates' financial statements are not consolidated within the Organization's financial statements at December 31, 2019 and 2018. Grants and assistance paid to these foreign affiliates totaled \$278,146 and \$321,705 during the years ended December 31, 2019 and 2018, respectively. In addition, amounts collected for and distributed to these foreign affiliates for kit production and distribution totaled approximately \$521,000 and \$285,000 during the years ended December 31, 2019 and 2018, respectively.

The Organization's receivables from and payables to foreign affiliates and domestic branches totaled \$159,259 and \$20,132, respectively, at December 31, 2019, and \$63,336 and \$41,268, respectively, at December 31, 2018.

Note 6 – Line-of-Credit

In October 2019, the Organization obtained an unsecured \$100,000 line-of-credit (LOC) with a bank. Draws on the LOC bear interest at the bank's prime rate plus 6.75% (11.5% at December 31, 2019). No draws have been taken on the LOC as of December 31, 2019 resulting in \$100,000 available on the line-of-credit.

Note 7 – Impact of Accounting Method Change

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Organization adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. The Organization did not recognize any adjustments in changes in net assets, net assets, or any other financial statement line item as a result of adopting ASC 606.

Notes to Financial Statements

December 31, 2019 and 2018

Note 8 – Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, it is reasonably possible that the Organization is vulnerable to the risk of a near-term severe impact.

In May 2020, the Organization received a \$168,163 loan from the Federal Paycheck Protection Program. This loan accrues interest at 1%, is guaranteed by the Small Business Administration, and may be forgivable if the Organization's use of funds meets the criteria for such forgiveness. Monthly accrued interest payments begin December 2020. The portion of the loan that is not forgiven, if any, is due in one principal payment in May 2022.

Note 9 – Recent Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, which requires lessees to record most leases with terms greater than 12 months on their statement of financial position by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize the corresponding assets and lease liabilities. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance and lessor accounting is largely unchanged. ASU 2016-02 also changes the definition of a lease and requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. Application is required for annual periods beginning after December 15, 2021. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements.