

Days for Girls International

Financial Statements with
Independent Auditor's Report

Year Ended December 31, 2020

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 statement of financial position as of December 31, 2020, the related statements of activities, functional expenses and cash flows 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 qualified audit opinion.

Basis for Qualified Opinion

We did not observe the taking of physical inventories at December 31, 2019 (stated at \$413,688). Consequently, we were unable to obtain sufficient appropriate audit evidence about the beginning balance of inventory quantities through other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effect of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Days for Girls International as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Larson Gross PLLC

Bellingham, Washington
September 14, 2021

Days for Girls International

Statement of Financial Position

December 31, 2020

Assets	
Cash and cash equivalents	\$ 717,264
Cash held as fiscal sponsor	187,335
Pledges receivable	108,615
Accounts receivable	306,735
Inventory	372,465
Prepaid expenses	40,977
Other assets	31,006
Equipment, net of accumulated depreciation of \$6,398	<u>7,679</u>
Total assets	<u>\$ 1,772,076</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	\$ 55,728
Paycheck Protection Program loan	<u>168,163</u>
Total liabilities	223,891
Net assets	
Without donor restrictions	
Undesignated	464,421
Board-designated – operating reserve	<u>200,763</u>
Total without donor restrictions	665,184
With donor restrictions	<u>883,001</u>
Total net assets	<u>1,548,185</u>
Total liabilities and net assets	<u>\$ 1,772,076</u>

Days for Girls International

Statement of Activities

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue			
Contributions and grants	\$ 1,837,887	\$ 883,001	\$ 2,720,888
Other income	95,271	-	95,271
In-kind contributions	80,524	-	80,524
Net assets released from restriction	<u>886,450</u>	<u>(886,450)</u>	<u>-</u>
Total public support and revenue	2,900,132	(3,449)	2,896,683
Expenses			
Program services	2,566,732	-	2,566,732
Management and general	197,480	-	197,480
Fundraising	<u>280,617</u>	<u>-</u>	<u>280,617</u>
Total expenses	<u>3,044,829</u>	<u>-</u>	<u>3,044,829</u>
Change in net assets	(144,697)	(3,449)	(148,146)
Net assets – beginning of year	<u>809,881</u>	<u>886,450</u>	<u>1,696,331</u>
Net assets – end of year	<u><u>\$ 665,184</u></u>	<u><u>\$ 883,001</u></u>	<u><u>\$ 1,548,185</u></u>

Days for Girls International

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 504,180	\$ 129,342	\$ 83,477	\$ 716,999
Payroll taxes	40,228	10,034	6,577	56,839
Benefits	12,524	2,220	2,449	17,193
Total salaries, payroll taxes, and benefits	556,932	141,596	92,503	791,031
Kit distribution	1,203,017	-	-	1,203,017
International grants and assistance	361,638	-	-	361,638
Contractors	204,634	7,395	30,709	242,738
Office	107,188	12,883	44,905	164,976
Other	76,546	3,328	9,037	88,911
In-kind	15,900	-	64,624	80,524
Professional fees	3,355	28,779	37,619	69,753
Travel	29,133	2,191	1,153	32,477
Occupancy	8,389	1,308	67	9,764
Total expenses	<u>\$ 2,566,732</u>	<u>\$ 197,480</u>	<u>\$ 280,617</u>	<u>\$ 3,044,829</u>

Days for Girls International

Statement of Cash Flows

Year Ended December 31, 2020

Cash flows from operating activities	
Change in net assets	\$ (148,146)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,611
(Increase) decrease in assets	
Pledges receivable	(48,580)
Accounts receivable	(147,476)
Inventory	41,223
Prepaid expenses	11,447
Other assets	3,875
Increase in liabilities	
Accounts payable and accrued expenses	<u>4,939</u>
Net cash used by operating activities	(280,107)
Cash flows from investing activities	
Purchases of equipment	<u>(1,117)</u>
Net cash used by investing activities	<u>(1,117)</u>
Cash flows from financing activities	
Proceeds from Paycheck Protection Program loan	<u>168,163</u>
Cash provided by financing activities	<u>168,163</u>
Net decrease in cash and cash equivalents	(113,061)
Cash and cash equivalents – beginning of year	<u>1,017,660</u>
Cash and cash equivalents – end of year	<u><u>\$ 904,599</u></u>
Cash and cash equivalents is reported within the statements of financial position as follows:	
Cash and cash equivalents	\$ 717,264
Cash held as fiscal sponsor	<u>187,335</u>
	<u><u>\$ 904,599</u></u>

Notes to Financial Statements

December 31, 2020

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, 2020.

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, 2020

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.

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 \$2,611 for the year ended December 31, 2020.

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 18% of its contributions and grants from one donor during the year ended December 31, 2020.

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 the year ended December 31, 2020, 80% was donated advertising received from one donor.

Advertising – The Organization expenses advertising costs as incurred. Advertising expense totaled \$12,649 for the year ended December 31, 2020. As noted above, an additional \$64,624 of advertising was received as an in-kind donation during the year ended December 31, 2020.

Days for Girls International

Notes to Financial Statements

December 31, 2020

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

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 allocation of expenses between program and supporting services.

Subsequent events – In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 14, 2021, the date that the financial statements were available to be issued.

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, 2020:

Cash and cash equivalents	\$ 717,264
Cash held as fiscal sponsor	187,335
Pledges receivable	108,615
Accounts receivable	<u>306,735</u>
Total financial assets	1,319,949
Less amounts not available for general expenditure within one year	
Board-designated – operating reserve	200,763
Net assets with donor restrictions	<u>187,335</u>
Financial assets not available for general expenditures within one year	<u>388,098</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 931,851</u></u>

Notes to Financial Statements

December 31, 2020

Note 2 – Liquidity and Availability – (Continued)

The Organization has a board-designated operating reserve, with the goal of building reserving three months of expenses. As of December 31, 2020, 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, the Organization has available a \$100,000 line-of-credit with a bank to be used as needed (see Note 6).

Note 3 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2020:

Specific country, region, or chapter	\$ 695,666
Fiscally sponsored organizations	<u>187,335</u>
	<u><u>\$ 883,001</u></u>

Note 4 – Fiscal Sponsorship

The Organization acts as fiscal sponsor to 20 chapters as of December 31, 2020. 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, 2020, net assets with donor restrictions held for fiscal sponsorship of specific chapters was \$187,335.

Revenue and expense under these fiscal sponsorship arrangements totaled \$262,194 and \$238,514, respectively, during the year ended December 31, 2020.

Notes to Financial Statements

December 31, 2020

Note 4 – Fiscal Sponsorship – (Continued)

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 \$322,000 during the year ended December 31, 2020.

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 \$13,500 for the year December 31, 2020. In addition, the Organization received contributions from members of the Board of Directors totaling \$11,413 as of December 31, 2020.

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 South Africa
- 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 and has procedures in place for monitoring the use of its grants and assistance outside of the United States. 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, 2020. Grants and assistance paid to these foreign affiliates totaled \$361,638 during the year ended December 31, 2020. In addition, amounts collected for and distributed to these foreign affiliates for kit production and distribution totaled approximately \$320,000 during the year ended December 31, 2020.

The Organization’s receivables from and payables to foreign affiliates and domestic branches totaled \$302,024 and \$25,273, respectively, at December 31, 2020.

Notes to Financial Statements

December 31, 2020

Note 6 – Line-of-Credit

The Organization maintains 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% (10% at December 31, 2020). No draws have been taken on the LOC as of December 31, 2020 resulting in \$100,000 available on the line-of-credit.

Note 7 – Paycheck Protection Program Loan

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. In April 2021, the loan balance of \$168,163 was fully forgiven and is expected to be reported as grant revenue in the statement of activities during the period forgiven.

Note 8 – Operating Leases

In September 2020, the Organization entered into a lease agreement for resource shop space in Utah. The term of the lease expires in September 2023. Monthly payments total \$1,900 through September 2021 and escalate \$100 annually until the expiration date.

Future annual lease payments are as follows for the years ending December 31:

2021	\$	23,100
2022		24,300
2023		<u>18,900</u>
	<u>\$</u>	<u>66,300</u>

Note 9 – Risks and Uncertainties

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.

Notes to Financial Statements

December 31, 2020

Note 10 – Recent Accounting Pronouncement

In February 2016, the FASB issued an Accounting Standards Update (ASU) 2016-02, *Leases*, which requires lessees to record most leases with terms greater than 12 months on their balance sheet 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.