

**girls
inc.**

of Fort Smith

Girls Incorporated of Fort Smith

**Financial Statements
December 31, 2022 and 2021**

(With Independent Auditor's Report Thereon)

Girls Incorporated of Fort Smith

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Girls Incorporated of Fort Smith
Fort Smith, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Girls Incorporated of Fort Smith** (an Arkansas nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Girls Incorporated of Fort Smith** as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Girls Incorporated of Fort Smith** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Girls Incorporated of Fort Smith**'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Board of Directors
Girls Incorporated of Fort Smith
Fort Smith, Arkansas

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Girls Incorporated of Fort Smith's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Girls Incorporated of Fort Smith's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Landmark PLC". The "L" is large and stylized, with a horizontal line extending from the top of the "L" through the "a" and "n". The "d" is a simple vertical line with a small crossbar. The "a" and "n" are connected. The "m" is a vertical line with a small crossbar. The "p" is a vertical line with a small crossbar. The "c" is a vertical line with a small crossbar.

Fort Smith, Arkansas
January 5, 2024

Girls Incorporated of Fort Smith

Statements of Financial Position December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash		
Operating	\$ 31,758	\$ 31,952
Credit card account	97,963	98,766
Pledge receivable	-	15,000
Total Current Assets	<u>129,721</u>	<u>145,718</u>
PROPERTY AND EQUIPMENT		
Buildings and improvements	1,161,785	1,119,632
Furniture, fixtures, and equipment	56,201	56,201
Playground equipment	68,105	68,105
Automotive equipment	142,827	110,827
	1,428,918	1,354,765
Less accumulated depreciation	732,594	675,228
	<u>696,324</u>	<u>679,537</u>
OTHER ASSETS		
Board designated and with donor restrictions		
Cash and cash equivalents	240,090	302,015
Investments	896,527	1,015,853
	<u>1,136,617</u>	<u>1,317,868</u>
TOTAL ASSETS	<u>\$ 1,962,662</u>	<u>\$ 2,143,123</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Wages payable	\$ 7,893	\$ 8,173
Total Current Liabilities	<u>7,893</u>	<u>8,173</u>
NET ASSETS		
Without donor restrictions	1,614,876	1,826,116
With donor restrictions	339,893	308,834
Total Net Assets	<u>1,954,769</u>	<u>2,134,950</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,962,662</u>	<u>\$ 2,143,123</u>

See accompanying notes to financial statements.

Girls Incorporated of Fort Smith

Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
United Way of Fort Smith Area	\$ 104,000	\$ -	\$ 104,000
Contributions and grants	57,570	72,855	130,425
Allocations from Endowment Fund	24,000	-	24,000
Scholarship contributions	-	22,350	22,350
Membership fees	17,825	-	17,825
Concession sales	17,655	-	17,655
Program and sports fees	63,446	-	63,446
Gate receipts	15,539	-	15,539
Program and sports sponsorship	7,530	-	7,530
Fundraising events	63,206	-	63,206
Miscellaneous income	15,780	-	15,780
Net assets released from restrictions:			
Purpose restrictions satisfied	<u>64,146</u>	<u>(64,146)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>450,697</u>	<u>31,059</u>	<u>481,756</u>
EXPENSES			
Program services	328,164	-	328,164
Management and general	126,669	-	126,669
Fundraising	<u>58,531</u>	<u>-</u>	<u>58,531</u>
TOTAL EXPENSES	<u>513,364</u>	<u>-</u>	<u>513,364</u>
GAINS AND OTHER SUPPORT			
Interest, dividends, and realized gains	35,996	-	35,996
Unrealized gains on investments	<u>(184,569)</u>	<u>-</u>	<u>(184,569)</u>
TOTAL GAINS AND OTHER SUPPORT	<u>(148,573)</u>	<u>-</u>	<u>(148,573)</u>
CHANGE IN NET ASSETS	<u>(211,240)</u>	<u>31,059</u>	<u>(180,181)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,826,116</u>	<u>308,834</u>	<u>2,134,950</u>
NET ASSETS, END OF YEAR	<u>\$ 1,614,876</u>	<u>\$ 339,893</u>	<u>\$ 1,954,769</u>

See accompanying notes to financial statements.

Girls Incorporated of Fort Smith

Statement of Activities Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
United Way of Fort Smith Area	\$ 105,250	\$ -	\$ 105,250
Contributions and grants	55,910	40,550	96,460
Allocations from Endowment Fund	24,000	-	24,000
Scholarship contributions	-	24,503	24,503
Membership fees	18,610	-	18,610
Concession sales	16,419	-	16,419
Program and sports fees	71,588	-	71,588
Gate receipts	10,872	-	10,872
Program and sports sponsorship	6,870	-	6,870
Fundraising events	50,681	-	50,681
Miscellaneous income	55	-	55
Net assets released from restrictions:			
Purpose restrictions satisfied	40,879	(40,879)	-
TOTAL REVENUES AND SUPPORT	401,134	24,174	425,308
EXPENSES			
Program services	273,172	-	273,172
Management and general	123,072	-	123,072
Fundraising	50,066	-	50,066
TOTAL EXPENSES	446,310	-	446,310
GAINS (LOSSES) AND OTHER SUPPORT			
Interest, dividends, and realized gains	33,023	-	33,023
Unrealized gains on investments	144,319	-	144,319
TOTAL GAINS (LOSSES) AND OTHER SUPPORT	177,342	-	177,342
CHANGE IN NET ASSETS	132,166	24,174	156,340
NET ASSETS, BEGINNING OF YEAR	1,693,950	284,660	1,978,610
NET ASSETS, END OF YEAR	\$ 1,826,116	\$ 308,834	\$ 2,134,950

See accompanying notes to financial statements.

Girls Incorporated of Fort Smith

Statement of Functional Expenses Year ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
COMPENSATION AND RELATED EXPENSES				
Compensation	\$ 113,169	\$ 79,218	\$ 33,951	\$ 226,338
Payroll taxes	9,933	6,953	2,979	19,865
Employee benefits	<u>8,419</u>	<u>5,893</u>	<u>2,526</u>	<u>16,838</u>
TOTAL COMPENSATION AND RELATED EXPENSES	<u>131,521</u>	<u>92,064</u>	<u>39,456</u>	<u>263,041</u>
OCCUPANCY				
Utilities	14,473	6,203	-	20,676
Telephone	1,558	1,402	156	3,116
Repairs and maintenance	<u>9,860</u>	<u>-</u>	<u>-</u>	<u>9,860</u>
TOTAL OCCUPANCY	<u>25,891</u>	<u>7,605</u>	<u>156</u>	<u>33,652</u>
ADMINISTRATION				
Accounting	-	4,395	-	4,395
Advertising	767	-	256	1,023
Automobile expenses	15,265	-	-	15,265
Bank charges	-	9,224	-	9,224
Concession expenses	6,603	-	-	6,603
Contract labor	6,675	-	-	6,675
Dues and subscriptions	5,760	2,880	2,880	11,520
Fundraising expenses	-	-	13,823	13,823
Insurance	22,504	2,500	-	25,004
Miscellaneous	1,332	1,330	-	2,662
Office supplies	2,135	1,067	1,067	4,269
Printing and postage	288	72	361	721
Scholarship expenses	26,175	-	-	26,175
Special program and athletic expenses	26,617	-	-	26,617
Travel	<u>2,665</u>	<u>2,132</u>	<u>532</u>	<u>5,329</u>
TOTAL ADMINISTRATION	<u>116,786</u>	<u>23,600</u>	<u>18,919</u>	<u>159,305</u>
TOTAL EXPENSES BEFORE DEPRECIATION	<u>274,198</u>	<u>123,269</u>	<u>58,531</u>	<u>455,998</u>
Depreciation	<u>53,966</u>	<u>3,400</u>	<u>-</u>	<u>57,366</u>
TOTAL EXPENSES	<u><u>\$ 328,164</u></u>	<u><u>\$ 126,669</u></u>	<u><u>\$ 58,531</u></u>	<u><u>\$ 513,364</u></u>

See accompanying notes to financial statements.

Girls Incorporated of Fort Smith

Statement of Functional Expenses Year ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
COMPENSATION AND RELATED EXPENSES				
Compensation	\$ 104,996	\$ 73,497	\$ 31,499	\$ 209,992
Payroll taxes	9,367	6,556	2,810	18,733
Employee benefits	<u>8,895</u>	<u>6,226</u>	<u>2,668</u>	<u>17,789</u>
TOTAL COMPENSATION AND RELATED EXPENSES	<u>123,258</u>	<u>86,279</u>	<u>36,977</u>	<u>246,514</u>
OCCUPANCY				
Utilities	11,712	5,020	-	16,732
Telephone	1,408	1,266	141	2,815
Repairs and maintenance	<u>10,901</u>	<u>-</u>	<u>-</u>	<u>10,901</u>
TOTAL OCCUPANCY	<u>24,021</u>	<u>6,286</u>	<u>141</u>	<u>30,448</u>
ADMINISTRATION				
Accounting	-	7,500	-	7,500
Advertising	633	-	211	844
Automobile expenses	11,386	599	-	11,985
Bank charges	-	9,915	-	9,915
Concession expenses	6,705	-	-	6,705
Contract labor	4,011	-	-	4,011
Dues and subscriptions	2,989	1,494	1,495	5,978
Fundraising expenses	-	-	9,696	9,696
Insurance	18,505	2,056	-	20,561
Miscellaneous	1,414	1,413	-	2,827
Office supplies	1,994	997	997	3,988
Printing and postage	403	101	504	1,008
Scholarship expenses	20,000	-	-	20,000
Special program and athletic expenses	17,281	-	-	17,281
Supplies	713	-	-	713
Travel	<u>226</u>	<u>180</u>	<u>45</u>	<u>451</u>
TOTAL ADMINISTRATION	<u>86,260</u>	<u>24,255</u>	<u>12,948</u>	<u>123,463</u>
TOTAL EXPENSES BEFORE DEPRECIATION	<u>233,539</u>	<u>116,820</u>	<u>50,066</u>	<u>400,425</u>
Depreciation	<u>39,633</u>	<u>6,252</u>	<u>-</u>	<u>45,885</u>
TOTAL EXPENSES	<u><u>\$ 273,172</u></u>	<u><u>\$ 123,072</u></u>	<u><u>\$ 50,066</u></u>	<u><u>\$ 446,310</u></u>

See accompanying notes to financial statements.

Girls Incorporated of Fort Smith

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (180,181)	\$ 156,340
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	57,366	45,885
Net realized (gain) on investments	-	(5,457)
Net unrealized (gain) on investments	184,569	(144,319)
Change in:		
Pledge receivable	15,000	(15,000)
Wages payable	(280)	1,549
Total adjustments	256,655	(117,342)
Net Cash From Operating Activities	76,474	38,998
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(74,153)	(152,244)
Proceeds from sale of investments	-	5,457
Purchases of investments	(65,243)	(84)
Net Cash (Used For) Investing Activities	(139,396)	(146,871)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(62,922)	(107,873)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	432,733	540,606
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 369,811	\$ 432,733
Reconciliation of cash and cash equivalents reported within Statements of Financial Position that sum to the total of the same such amounts in the Statements of Cash Flows:		
Cash	\$ 129,721	\$ 130,718
Cash and cash equivalents with donor restrictions	240,090	302,015
	\$ 369,811	\$ 432,733

See accompanying notes to financial statements.

Girls Incorporated of Fort Smith

Notes to Financial Statements December 31, 2022 and 2021

NOTE 1: NATURE OF BUSINESS

Girls Incorporated of Fort Smith (the Organization) is a nonprofit corporation formed under the laws of the State of Arkansas. The Organization was established to provide, on a nondiscriminatory basis, athletic, educational and other related activities for girls in and around the greater Fort Smith, Arkansas area.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenues are recognized, net of sales tax, in the period in which they are earned. Expenses are recognized in the period in which they are incurred. In addition to contributions and grants, revenues of the Organization consist of membership and program fees received from the participants of the various activities provided by the Organization.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification Topic *Not-for-Profit Entities*. Under this Codification Topic, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers cash equivalents to be all short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. At December 31, 2022 and 2021, the Organization had \$173,684 and \$302,015, respectively, of assets that were considered to be cash equivalents.

Promises to Give

Pledges receivable and unconditional promises to give that are to be received in less than one year are recorded at face value because of their short maturity. The value of pledges receivable and unconditional promises to give to be received in more than one year are estimated based on future cash flows discounted at the applicable year end rate. There were no pledges receivable at December 31, 2022. Pledges receivable at December 31, 2021 were \$15,000 to be received in less than one year and the pledges were collected during 2022.

Girls Incorporated of Fort Smith

Notes to Financial Statements December 31, 2022 and 2021

Investments

Investments of the Organization are carried in brokerage accounts. Investments are reported at fair value. Fair value is 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. A portion of the investments are donor restricted and board designated for outreach projects.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Property and Equipment

With the exception of donated assets, property and equipment is stated at cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets, which range from five to forty years. As of December 31, 2022 and 2021, the Organization had fully depreciated assets still in use of approximately \$190,000 for each year.

It is the Organization's policy to capitalize all asset purchases greater than \$500 and expense all asset purchases under \$500.

Long-Lived Assets

In accordance with FASB Codification Topic *Property, Plant and Equipment*, Section *Subsequent Measurement*, the Organization reviews long-lived assets held and used by the Organization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The application of this Codification has not materially affected the Organization's changes in net assets, financial condition, and cash flows.

Revenue Recognition

Revenues disaggregated by type is depicted on the face of the Statements of Activities at December 31, 2022 and 2021. Revenues derived from concession sales are recognized as the goods are delivered to the purchaser. Fees for membership, program and sports, gate receipts, program and sports sponsorship, and fundraising are recognized when the performance obligation of providing the event, the space for the event, or the respective activities are held.

Net Assets and Contribution Revenue

Gifts of cash and other assets are recorded as net assets with or without donor restrictions, depending on the absence or existence and nature of any donor restrictions. Contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions with donor restrictions are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Girls Incorporated of Fort Smith

Notes to Financial Statements December 31, 2022 and 2021

Gifts of land, buildings, and equipment are presented as support and revenue without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization receives donated financial assets in the form of stock certificates. Donated stock is converted into cash nearly immediately upon receipt and as such is treated as cash on the Statements of Cash Flows.

Contributed services which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skill which would have otherwise been purchased, are reported as support without donor restrictions. Other contributed services that enhance the Organization's programs, but are not so essential that they would otherwise be purchased, are not recorded as support. Unpaid volunteers have made contributions of their time in conjunction with the Organization's programs and services. The value of these contributions is not included in these financial statements, since the volunteers' time does not meet the criteria for recognition.

The Organization recognizes contributions received and made, including pledges receivable, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Advertising

The Organization follows the policy of charging advertising to expense as incurred.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated primarily based on payroll allocations or other applicable estimates as appropriate.

Income Taxes and Uncertain Tax Positions

The Organization qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar state statute and is not subject to tax at the entity level for Federal and state income tax purposes. The Organization accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Organization to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Organization and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

Girls Incorporated of Fort Smith

Notes to Financial Statements December 31, 2022 and 2021

The Organization files informational “*Return of Organization Exempt from Income Tax*” (Form 990) in the U.S. federal jurisdiction and reports to Arkansas.

Accounting Pronouncements Adopted Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which supersedes Topic 840, *Leases*. This ASU was adopted to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing transactions. Effective January 1, 2022, the Organization adopted ASU 2016-02 for the year ended December 31, 2022, using the option new transition alternative method without restating prior periods. The Organization also elected the relief package of practical expedients of which there is no requirement to reassess existing leases, their classification, and initial direct costs as well as an exemption for short-term leases with a term of less than one year, and consideration paid between lease versus non-lease components. The adoption of this ASU did not have a material effect on the financial statements.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, (Topic 958). The ASU requires contributed nonfinancial assets to be presented as a separate line item in the Statement of Activities apart from contributions of cash and other financial assets. The ASU also requires a disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities by category that depicts the type of contributed nonfinancial assets, whether the contributed nonfinancial assets were monetized or utilized and additional disclosure requirements. Donor-imposed restrictions associated with the contributed nonfinancial assets is also required to be disclosed. This ASU was effective for the Organization for the year ended December 31, 2022. The ASU did not have a material impact on its financial statements.

NOTE 3: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The Organization uses financial institutions and brokerage firms in which it maintains cash and investments, which at times may exceed federally insured limits (either FDIC or SIPC). The Organization had no balances at December 31, 2022 in financial institutions that exceeded FDIC coverage. The Organization’s investment balances are subject to market risk and could decline or lose value.

Girls Incorporated of Fort Smith

Notes to Financial Statements December 31, 2022 and 2021

NOTE 4: INVESTMENTS AND FAIR VALUE MEASUREMENT

Fair values and unrealized appreciation at December 31, 2022 are summarized as follows:

	Book Value	Fair Value	Unrealized Appreciation (Depreciation)
Equities	\$ 740,952	\$ 657,592	\$ (83,360)
Fixed income	272,743	238,935	(33,808)
	<u>\$ 1,013,695</u>	<u>\$ 896,527</u>	<u>\$ (117,168)</u>

Fair values and unrealized appreciation at December 31, 2021 are summarized as follows:

	Book Value	Fair Value	Unrealized Appreciation (Depreciation)
Equities	\$ 696,526	\$ 801,154	\$ 104,628
Fixed income	210,170	214,699	4,529
	<u>\$ 906,696</u>	<u>\$ 1,015,853</u>	<u>\$ 109,157</u>

FASB Codification Topic *Fair Value Measurements and Disclosures*, established a fair valuation hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Investments recorded in the Statements of Financial Position based on the inputs to valuation techniques are as follows:

Level 1 – These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access. The Organization holds fixed income and equity securities which are considered to be Level 1 and are valued at the closing price reported on the active market on which the individual securities are traded.

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

As a general principle, the current “fair market value” of a security or other asset is the amount that a fund might reasonably expect to (i) receive upon the sale of the security or asset; or (ii) pay to transfer the liability associated with the security or asset in an orderly transaction between market participants on the date on which the security or asset is being valued. In the event that a Level 1 price is not readily available for a given type of security or asset, the fair value of the security or other

Girls Incorporated of Fort Smith

Notes to Financial Statements December 31, 2022 and 2021

asset is determined by using pricing inputs that are either directly or indirectly observable on the valuation date for the security or asset, which may include the use of models or valuation methodologies (a Level 2 price).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At December 31, 2022 and 2021, the Organization's investments in fixed income and equity securities were all considered to be Level 1. The Organization did not have any investments that were considered to be Level 2 or Level 3.

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022 and 2021, net assets with donor restrictions were as follows:

	<u>2022</u>	<u>2021</u>
Purpose Restriction:		
Amounts held for future scholarships	\$ 56,688	\$ 55,781
Amounts held for outreach program	143,000	143,000
Grants received for programs and improvements	<u>140,205</u>	<u>95,053</u>
	<u>339,893</u>	<u>293,834</u>
Time Restriction:		
Pledge receivable – Peacemaker Festival	- <hr/>	15,000
Total Restrictions	<u>\$ 339,893</u>	<u>\$ 308,834</u>

NOTE 6: BOARD-DESIGNATED FUNDS

At December 31, 2022 and 2021, funds designated by the Board of Directors for outreach programs and program or specific long-term costs for maintaining and improving the existing facility amounted to \$796,724 and \$1,024,034, respectively.

NOTE 7: CONCENTRATION OF CREDIT RISK

For the years ended December 31, 2022 and 2021, approximately 22% and 25%, respectively, of the Organization's support was received from the United Way of Fort Smith Area.

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NOTE 8: RELATED PARTY

The Fort Smith Girls Club Endowment (Endowment Fund) is a separate trust fund formed in 1971 to provide additional funding to the Organization as needed. The Organization does not have access to or control of these funds but receives an allocation each year to support its operations. For the years ended December 31, 2022 and 2021, the Organization received an income allocation of \$24,000 in each year which is recorded as revenue in the Statements of Activities.

NOTE 9: EMPLOYEE BENEFIT PLANS

The Organization enacted a Simple IRA plan in 2016 that allows contributions by full time exempt employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. The Organization matches 100% of the first 3% of employees' contributions. For the years ended December 31, 2022 and 2021, contributions to the plan totaled \$4,367 and \$3,787, respectively.

NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statements of Financial Position date, are as follows:

	2022	2021
Cash	\$ 129,721	\$ 130,718
Cash and cash equivalents – board designated	<u>56,688</u>	<u>55,781</u>
	<u><u>\$ 186,409</u></u>	<u><u>\$ 186,499</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that any long-term commitments and obligations will continue to be met.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 5, 2024 the date that the financial statements were available to be issued.

The Organization was named a beneficiary of a trust during a prior year and in May 2022, the Organization signed an approval of accounts and distribution agreement. The amount to be received from the trust and the timing of receipt is still unknown but the Organization expects to receive the funds sometime during 2024.

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Notes to Financial Statements December 31, 2022 and 2021

The Organization received funds of \$70,000 during 2023 from a donor in order to purchase a new van. Additionally, improvement projects to the facility during 2023 included the purchase of three new refrigerators, replacement of the concession garage door, remodel of one bathroom, and replacements of doors.