

**GALS, INC.**

**REVIEWED FINANCIAL STATEMENTS**

**December 31, 2019**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
GALS, Inc.  
Denver, Colorado

We have reviewed the accompanying financial statements of GALS, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*PB Solutions LLC*

Prospective Business Solutions LLC  
Littleton, Colorado  
January, 29, 2021

GALS, INC.

STATEMENT OF FINANCIAL POSITION  
As of December 31, 2019

ASSETS	
Cash and Cash Equivalents	\$ <u>2,713</u>
TOTAL ASSETS	<u>2,713</u>
LIABILITIES AND NET ASSETS	
Accounts Payable	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET ASSETS	
Without Donor Restrictions	<u>2,713</u>
TOTAL NET ASSETS	<u>2,713</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,713</u></u>

*See Independent Accountant's Review Report*

GALS, INC.

STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>
REVENUES, GAINS, AND OTHER SUPPORT	
Grants and Contributions	\$ 109,155
Licensing Fees	146,349
Other	<u>1,531</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>257,035</u>
EXPENSES	
Program Expenses	
Professional Development	<u>480,807</u>
Total Program Expenses	<u>480,807</u>
Supporting Services	
Administration	52,941
Fundraising	<u>52,056</u>
Total Supporting Services Expenses	<u>104,997</u>
TOTAL EXPENSES	<u>585,804</u>
CHANGE IN NET ASSETS	(328,769)
NET ASSETS, Beginning	<u>331,482</u>
NET ASSETS, Ending	<u>\$ 2,713</u>

*See Independent Accountant's Review Report*

GALS, INC.

STATEMENT OF CASH FLOWS  
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From:	
Licensing Fees	\$ 146,349
Grants and Contributions	109,155
Other Income	1,531
Cash Paid for Goods and Services	
Direct Program Expenses	(480,807)
Administration	(52,941)
Fundraising	<u>(52,056)</u>
Net Cash Provided (Used) by Operating Activities	<u>(328,769)</u>
Net Increase in Cash	(328,769)
Cash, Beginning	331,482
Cash, Ending	<u><u>2,713</u></u>

RECONCILIATION OF THE CHANGE IN NET ASSETS TO NET CASH PROVIDED  
BY OPERATING ACTIVITIES

Change in Net Assets	(328,769)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	-
Changes in Assets and Liabilities	
Accounts Receivable	-
Contributions Receivable	-
Prepaid Expenses	-
Accounts Payable	-
Deferred Revenue	-
Total Adjustments	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(328,769)</u></u>

*See Independent Accountant's Review Report*

## GALS, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	PROGRAM EXPENSES	ADMINISTRATION	FUNDRAISING	TOTAL
Management	\$ 286,010	\$ 10,481	\$ 37,750	\$ 334,241
Legal	3,790	474	474	4,738
Accounting	-	11,022	-	11,022
Professional Services	81,843	20,778	-	102,621
Professional Fundraising	-	-	3,650	3,650
Direct Program Expenses	27,699	-	-	27,699
Insurance	916	115	114	1,145
Advertising and Promotion	4,986	624	623	6,233
Office Expenses	12,258	1,533	1,532	15,323
Information Technology	4,378	547	547	5,472
Occupancy	10,643	1,331	1,330	13,304
Travel and Registration	37,838	4,730	4,730	47,298
Conferences and Meetings	10,446	1,306	1,306	13,058
Totals	<u>\$ 480,807</u>	<u>\$ 52,941</u>	<u>\$ 52,056</u>	<u>\$ 585,804</u>

*See Independent Accountant's Review Report*

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of the Organization

GALS, Inc. (the "Organization") is a not-for profit corporation incorporated under the laws of the State of Rhode Island in August of 2007. The Organization is located in Denver, Colorado. The Organization's mission is to provide professional development and technical support to GALS schools across the nation. GALS, Inc. empowers students to succeed academically, lead confidently, live boldly, and thrive physically.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

For the year ended December 31, 2019, the Organization does not report any donor restricted net assets.

*See Independent Accountant's Review Report*



NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 1:** **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing operations. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash in one bank account that, at times, may exceed federally insured limits. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

As of December 31, 2019, the Organization does not report any contributions receivable.

*See Independent Accountant's Review Report*

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 1:**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The Organization's policy is to capitalize property and equipment greater than \$5,000 and expense normal repairs and maintenance as incurred.

For the year ended December 31, 2019, the Organization does not report any capital assets.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

For the year ended December 31, 2019, the Organization does not report any investments.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels are:

*Level 1:*     Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 1:** **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fair Value Measurements (Continued)

- Level 2:* Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
  - Quoted prices for identical or similar assets in non-active markets;
  - Inputs other than quoted prices that are observable for the asset/liability; and,
  - Inputs that are derived principally from or corroborated by other observable market data.

*Level 3:* Unobservable inputs that cannot be corroborated by observable market data.

For the year ended December 31, 2019, the Organization does not report any investments.

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Licensing fee income is recorded in the same time period in which it is earned through the performance of the underlying provision of professional development and technical services. Any licensing fee income received in advance of the period of performance to which the licensing fee is related is recorded as deferred revenue in the statement of financial position.

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## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**In Kind Donations

Several volunteers have made contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among animal services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Professional Services	Time and Effort
Administrative Expenses	Time and Effort

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Organization was exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. In 2020, the Organization's tax-exempt status was revoked by the IRS for failure to file a form 990 for three consecutive years (2017, 2018, and 2019). The Organization has submitted its application for reinstatement and filed the necessary 990 tax returns in December of 2020.

*See Independent Accountant's Review Report*

GALS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes (Continued)

The Organization has revised its processes to ensure the maintenance of its tax-exempt status going forward; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of its financial statements accordingly.

**NOTE 2: AVAILABILITY AND LIQUIDITY**

The following represents the Organization’s financial assets for the year ended December 31, 2019:

Cash and Cash Equivalents	\$ 2,713
Accounts Receivable, Net	-
Contributions Receivable	-
Total Financial Assets	<u>2,713</u>
Less Amounts not available to be used within one year	
Net assets with donor restrictions	-
Less net assets with purpose restrictions to be met in less than a year	-
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,713</u>

For the year ended December 31, 2019, the Organization reports working capital in the amount of \$2,713 and average days cash on hand of 1.7 days.

*See Independent Accountant’s Review Report*

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 3:**      **NET ASSETS**

For the year ended December 31, 2019, the Organization reports \$2,713 in unrestricted net assets. No net assets were released from restriction during the fiscal year ended December 31, 2019.

**NOTE 4:**      **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 29, 2021 which is the date the financial statements were available to be issued.

**COVID19 Pandemic**

The United States of America and State of Colorado have declared an emergency as a result of the coronavirus (COVID19) pandemic. These economic uncertainties may have a significant impact on the financial position, results of operations, and cashflows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.