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LETTER TO MANAGEMENT *

January 24, 2018

Members of the Audit Committee *and*
The Board of Directors
Girls Leadership Institute, Inc. (Girls Leadership)
111 Myrtle Street, Suite 101
Oakland, California 94607

Dear Members of Management and the Board of Directors:

We have recently concluded our audit of the financial statements of Girls Leadership for the year ended August 31, 2017 and we are presenting our comments and recommendations to management. This communication is intended to satisfy the requirements of AU-C Section 260 (formerly Statement of Auditing Standards No. 114) *The Auditor's Communication with Those Charged with Governance*, which requires an auditor to communicate various items regarding audit findings, operations, and governance (such as scope of the audit, significant findings, effect of uncorrected and corrected misstatements, and other matters), and AU-C Section 265 (formerly Statement on Auditing Standards No. 115) *Communicating Internal Control Related Matters Identified in an Audit*, which requires an auditor to communicate significant deficiencies and material weaknesses regarding governance and management.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization.

Our testwork of Girls Leadership's internal accounting control system disclosed no material weaknesses or significant deficiencies.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by personnel of Girls Leadership during the course of our examination.

Sincerely,

Regalia & Associates

Douglas W. Regalia
Regalia & Associates, CPA's

* This Letter is private communication intended only for members of the Board and senior management personnel. This Letter should not be distributed to or shared with others outside of the organization.

Accounting Department

On every one of our audits we scrutinize the activity in the general ledger and, through our testing of transactions, provide management with feedback on the functioning of the organization's Accounting Department. During the recently concluded fiscal year, we noted that the important asset and liability accounts (such as bank accounts, accounts receivable, and accounts payable) had been reconciled to supporting documentation and that subsidiary schedules were prepared when necessary.

The Accounting Department was able to locate all of the invoices and supporting documentation for the items we selected for detail testing. We traced disbursements and deposits from the general ledger to third-party evidence, including paid invoices, copies of checks, and, furthermore, traced this information to the organization's monthly bank statements. All of the disbursements (paid invoices) and cash receipts were in agreement and we found no exceptions in the items we tested.

Our clients often ask us about our adjusting journal entries. A "normal" audit will usually consist of about six to eight adjusting journal entries ("AJEs"). A list of AJEs with more than eight entries usually indicates a situation in which the books and general ledger were not properly maintained or reviewed by the internal accounting staff during the year. Conversely, a list of AJEs containing fewer than six entries usually indicates an accounting system that has undergone close scrutiny by the accounting staff during the year. Our audit this year contained the following adjustments:

Adjusting Journal Entries				Debits	Credits	Book or Pass
AJE 1						
6201 Accounting Bookkeeping Audit	L-6			450.00		Book
1703 Website Design & Database Development	L-6			7,612.50		Book
2000 Accounts Payable	L-6				8,062.50	Book
To accrue for two expenditures that relate to the year ended August 31, 2017						
AJE 2						
4996 Gain in Value of Securities	R-45			369.74		Book
4995 Gain or Loss on the Sale of Securities	R-45				369.74	Book
To re-classify increase in value of gifted stock which were sold during the fiscal year as realized gain						
				8,432.24	**8,432.24**	
				Total Debits	**Total Credits**	

The total number of auditor-created AJEs amounted to two. As such, the Board can conclude that the general ledger have been maintained in a materially correct manner during the fiscal year ended August 31, 2017. This is the same conclusion we reached last year. No response required.

Cash and Cash Equivalents

"Cash and Cash Equivalents" was identified as an important audit area and received a representative amount of attention. Our testing of Cash and Cash Equivalents included verification of all balances, analysis of cancelled checks related to all expense transactions selected for detail verification, reviewing the movement of funds when individual components were transferred, tracing revenue and the associated deposit amounts to the bank statements (for the revenue items selected for individual testing), and classification of ending amounts. Girls Leadership is complying fully with the requirements of the provisions of *US GAAP*. The proper maintenance of balances is a critical accounting requirement. No response required.

Bank Reconciliation and Stale-Dated Items

During the audit of cash, we noted that there were several outstanding items reflected on the August 31, 2017 bank statement reconciliations for the Chase operating checking account. All of the outstanding checks were dated within the last six months, and therefore all items are considered to be "current" and not stale-dated. We commend the Accounting Department for its work to ensure that stale-dated items are monitored and cleared.

As a reminder, if one or more checks become outstanding for more than six months, such stale-dated items should be adjusted during the reconciliation process and written off, because banks will usually not honor checks which are more than six months old. Furthermore, such review and disposition of old outstanding items should be documented on the reconciliation, with the reviewer noting the disposition of the specific items.

If it becomes necessary to clear the checking account of any old transactions, we advise caution so as not to impact prior year financial data. Adjustments should be made in the current year using general journal entries with offsets to current year revenue/expense accounts. Do not delete transactions in the accounting software as this will negatively impact the retained earnings account. Based on our review, all outstanding items were properly handled by the Accounting Department. We encourage the organization's accounting staff to continue its pro-active handling of all outstanding items flowing through its various bank accounts. No response required.

Accrual Accounting

During the audit, we noted that the books did not reflect all of the year-end liabilities. We noted that a couple of year-end invoices received in 2017 were not accrued or back dated to 2017, thus understating the organization's liabilities as of August 31, 2017. Girls Leadership's books should adhere to the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This requires the books and record to reflect all significant receivables, payables and other liabilities. We found these items by doing a "Search for Unrecorded Liabilities" where we look at disbursements in the subsequent fiscal year to determine if such payments were for pre-existing liabilities (ie: expenses related to the year under examination). This is the same technique we strongly suggest the Accounting Department follow. Client Response: Girls Leadership will follow the auditors' recommendation.

Financial Records

During the audit we noted that the condition of the books and records were in auditable shape. Our testing of the accounting cycle reflected documented internal controls with appropriate checks and balances in place (subject to our discussion on page 13 of this letter). We feel it is important to acknowledge that the Accounting Department appeared well organized and able to properly perform its many functions which included reconciling accounts, investigating differences, researching entries, working with other departments, and recording transactions in a correct manner.

Because ultimate responsibility for the condition of the accounting records rests with the Board of Directors, having qualified, competent and hard working individuals in the Accounting Department should be one of the most important concerns to the Board. Accurate and timely financial data is critical to the success of the organization because the Board makes important short and long range decisions based on the financial information provided by the Accounting Department. No response required.

Temporarily Restricted Net Assets

Temporarily restricted net assets is a critical audit area as a result of the restrictive nature of the donor contributions and received a great deal of our attention. Our testing of the temporarily restricted net assets included verification of large donor contributions, movement of funds to pay for operating expenses, and classification of ending fund balances. We examined both of the sub-components of Temp Restricted: Foundation contribution and Individual contributions. Girls Leadership is complying fully with the requirements of Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*.

It is evident that the Accounting Department prepared sufficient documentation regarding the information affecting the Temp Restricted equity account. This data is vital in ensuring that Girls Leadership monitors its restricted fund balances. GAAP requires the proper recording of all new temporarily restricted net assets and the proper classification of all subsequently released funds when the program or time restrictions have been satisfied. No response required.

Credit Card Charges

The Internal Revenue Service has greatly expanded its oversight and review of nonprofit organizations, especially those entities qualified under Section 501(c)(3). The IRS has been focusing on regulatory compliance and adherence to strong internal control standards. We have personally worked with IRS auditors on several recent examinations and have learned first-hand the reason for their efforts, their focus, and their areas of concern. This section is intended to assist Girls Leadership with taking a proactive approach in addressing these matters.

In all IRS examinations one of the first areas of focus is expense reimbursement. All payments made to employees, management, the executives, and members of the Board are intensely reviewed. Disbursements without proper supporting documentation (such as receipts, copies of bills, etc.) are critiqued and written up in formal reports. The IRS evaluates the channels of review and how such expenditures were authorized. It is therefore critically important that these payments receive the extra attention and care necessary to ensure compliance with IRS rules. As a reminder, all expense reimbursements require original receipts. Technically, a copy of a credit card statement reflecting the business expense paid is not equivalent to an original receipt (and not acceptable documentation per IRS requirements). No response required.

Compensation Warning

Not-for-profit organizations are a focus for the IRS because key employees in some nonprofit entities are allowed to increase their own pay. Employees found to be abusing their authority by setting their own compensation at unreasonable levels will have a portion of their pay deemed as an "excess benefit transaction." These excess payments are subject to a 25 percent excise tax on the amount determined to be unreasonable compensation. Additionally, penalties can be placed on the organization's management for approving the excess benefits. In order to avoid penalties, boards should base compensation on documented market rates derived from similar positions at peer organizations. Our review of the payroll records and compensation figures for Girls Leadership did not reveal any excess compensation issues. A good control environment, including one which involves Board review of salary figures, is key to ensuring compliance with IRS rules and standards.

Aside from compensation, loans to officers, directors, donors and their family members should be discouraged because they could be viewed as disguised compensation. Additionally, rent paid on behalf of officers and travel reimbursements should be properly approved in advance and well-documented to avoid challenges. During our audit, we found no evidence of problems with any transactions but merely wish to remind management and the Board that engaging in these activities should be approached with caution. No response required.

FASB Updates to Enhance Financial Statements of Exempt Organizations

The Financial Accounting Standards Board (FASB) has concluded work on its project to enhance the current reporting model for financial statement presentations of nonprofit organizations. This project had multiple phases and focused on improvements to (1) net asset classification requirements and (2) information provided by financial statements and related disclosures about a nonprofit organization's liquidity, financial performance, and cash flows.

In August 2016, the FASB issued an Accounting Standards Update (ASU) that simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

Net asset classification: The FASB decided to combine temporarily and permanently restricted net assets into one – "Net Assets with Donor Restrictions." Unrestricted net assets will be called "Net Assets without Donor Restrictions." In addition, NFPs will be required to disclose the amount and the purpose of board-designated net assets.

In addition, the aggregate amount by which endowment funds are underwater would be classified within the net assets with donor restrictions, rather than the unrestricted category as currently presented. The Board also provided enhanced disclosure on underwater endowment funds.

There is a significant change on the presentation of net assets used to purchase long-lived assets. In the absence of explicit donor instructions, NFPs will be required to reclassify net assets with donor restrictions which are for the acquisition or construction of long-lived assets as net assets without donor restrictions when the long-lived asset is placed into service, removing the alternative of recognizing the expiration of the donor restriction over time.

Impact analysis: Classification of net assets into two categories would align the accounting standards with the current legal requirements on maintaining donor-restricted endowment funds. At a minimum, the disclosure should identify those net assets which are permanently restricted. The change on classification of long-lived assets will have an impact on the so-called "matching" principle, because NFPs will no longer be allowed to match the depreciation expense with releases of restricted net assets unless explicitly instructed by the donor.

Operating measure: The FASB decided to enhance the current requirements of those not-for-profit entities choosing to present an operating measure in the statement of activities and present internal board designations or appropriations (for example, appropriation of investment earnings for operations). Such NFPs will be required to report these types of transfers disaggregated and described by type either on the face of the financial statements or in the notes to the financial statements. No response required.

New IRS Audit Selection Criteria

Historically, the IRS has selected exempt organization returns for audit using general guidelines, such as amount of revenue, percentage of administrative or fundraising expenditures to total expenditures, the nature of an organization's activities, and other basic factors. In an effort to maximize the use of its resources, the Tax Exempt and Government Entities Division (TE/GE) is now seeking to identify returns for examination based upon specific issues.

The electronic filing of Form 990 has made it easier for the IRS to analyze data in such returns and identify certain areas of interest. The IRS analytical program uses approximately 190 questions or factors to test all Forms 990 for potential tax compliance issues. The areas of primary focus include the following:

- Apparent discrepancies in what is and is not reported.
- Potential private benefit/private inurement issues.

Tax Return Anomalies
Several types of revenue reported on Form 990 could indicate the receipt of unrelated business income and trigger a limited scope audit if a Form 990-T has not been filed.

Periodical Income. Reporting significant periodical income on Form 990 suggests that there should be unrelated business income (UBI) from advertising. But there may be a valid reason that no Form 990-T was required. Advertising activity that is not regularly carried on is not subject to unrelated business income tax (UBIT) [IRC Sec. 512(a)(1); National Collegiate Athletic Association, 66 AFTR 2d 90-5602 (10th Cir. 1990)]. Frequently, advertising income is not UBI because the advertising is sold by volunteers [IRC Sec. 513(a)(1)].

Royalty Income. Royalty income is normally not UBI. The IRS is concerned that income reported as royalty income does not qualify as such because the organization must render more than *de minimis* services as part of the agreement to receive a payment [National Water Well Association, Inc., 92 TC 75 (1989); Rev. Rul. 81-178, 1981-2 CB 135]. In addition, royalty income from debt-financed property of from a controlled corporation can be UBI. Therefore, the IRS may conclude that significant royalty income reported in Form 990 requires investigation for UBIT implications.

Rental Income. Rental income from real property is not UBI unless it is debt-financed. Consequently, if Form 990 reflects both rental income in Part VIII, Statement of Revenue, and mortgage or notes payable debt in Part X, Balance Sheet, the IRS may initiate an examination to verify that the rental property is not debt-financed.

None of these "risk" areas affect Girls Leadership because the organization has not engaged in any unrelated income business activities during the fiscal year ended August 31, 2017. No response required.

Form 990

Form 990 is based on three guiding principles: enhancing transparency, promoting tax compliance and minimizing the burden on the filing organization. The tax return's summary page provides a snapshot of key financial and operating information, and displays a two-year comparison of summary financial information of the organization. The reordered core form provides a description of the organization's program service accomplishments immediately after the summary page, to provide context before the user proceeds to sections on tax compliance, governance, compensation and financial statements. The Checklist of Required Schedules also provides a quick view of whether the filing organization is conducting activities that raise tax compliance concerns, such as lobbying or political campaign activities, transactions with interested persons and major dispositions of assets.

The August 2017 Form 990 is a 12-page form with 16 schedules (not all of which are applicable). Organizations are required to answer a variety of questions about how their management and governance operate, what policies and procedures they have in place and how their programs work. The idea underlying these questions is to ensure that organizations are conducting their businesses in an appropriate manner, underscoring the IRS's belief that the existence of an independent governing body and well-defined governance and management policies and practices increases the likelihood that an organization is operating in compliance with Federal tax law.

Questions contained in Form 990 deal with the organization's board composition and independence; its governance, management structure, and policies; and whether (and if so, how) the organization promotes transparency and accountability to its constituents or beneficiaries. The questions include:

- Did any officer, Director, or key employee have a family relationship or a business relationship with any other officer, Director, or key employee? Answer: Yes; Disclosed.
- Were minutes taken at meetings of the board of directors and committees of the board? Answer: Yes
- Does the organization have a written conflict of interest policy and does the organization regularly and consistently monitor and enforce compliance with the conflict of interest policy? Answer: Yes
- Does the organization have a written document retention and destruction policy? Answer: Yes
- The organization must describe its three largest programs. In Compliance

These and the other probing questions were designed in part to achieve the IRS's goals of "transparency" and "compliance." Answering in the negative to some of the questions does not amount to an admission of unlawful activity. For example, you are not legally required to have a written conflict of interest policy. Be aware, however, that some who read the report—given that the Form 990 is a public document—might draw unfavorable conclusions depending on how the form is completed.

There is also increased reporting of executive compensation. Again, in its efforts to ensure transparency and compliance, the IRS requires enhanced reporting of compensation paid to officers, directors and employees.

We have prepared the August 31, 2017 tax return simultaneously with the preparation of the audited financial statements and we are happy to report that Girls Leadership is complying fully with the myriad of disclosure requirements mandated by the Internal Revenue Service, Franchise Tax Board and the California Secretary of State.

Fraud and Audit Risk

As explained on the next page, independent auditors are required to incorporate a broad level of risk-based techniques when designing audit programs and related procedures. There is no guarantee that an audit will uncover any fraud or wrong-doing. In fact, the likelihood of finding any financial irregularity is next to zero. That's because fraud (when it exists) is perpetrated by creative, smart, organized and clever individuals using highly sophisticated methods. We make every effort to understand our clients' systems of internal accounting control and then to test the strength of the documented procedures.

Critical to the success of any internal control system are the checks and balances carried out by as many different people as possible. It is our responsibility to offer ideas on how to help identify and eliminate the potential for the occurrence of fraudulent activities. Girls Leadership's system has benefitted by having qualified and competent individuals following documented procedures and by having a Board which takes an active role in reviewing operational activities. These factors have added to the integrity of the system enhancing the manner in which documents are processed, approved, paid, and ultimately recorded in the accounting system, thus reducing the possibility of manipulation and concealment of suspicious activities.

Girls Leadership's management has crafted a system of controls and has implemented a variety of programs, reviews and procedures which (when properly carried out) we believe have enhanced the organization's ability to protect itself from both internal and external sources of potential misappropriation. The continued functioning of the organization's internal control environment depends on the performance of individuals (in management and on the Board) who are responsible for reviewing and approving the financial activities of Girls Leadership.

Programs and controls which Girls Leadership has implemented to address identified fraud risks or otherwise help prevent, deter, and detect fraud include regular oversight by the Executive Director, assistance with the books and records by outside accounting professionals, and oversight by qualified volunteer Board members. It is our experience that those organizations with the strongest controls (and the highest level of fraud protection) have **Board members** (in addition to members of management) who are actively engaged in the review and approval process.

Activities involving Board members (or those with financial background and experience, such as members of the Finance Committee) can include:

- Review of all bank, savings, money market, credit card and investment statements on a periodic basis (monthly or quarterly).
- Periodic review of a list of authorized vendors and reports which reflect payments to all vendors during the past quarter, past year, past two years, etc.
- Review of cash flow reports showing all sources of deposits and listing of disbursements for the past month, past quarter, past year, etc.

Conclusion: Although we found no evidence to suggest that there were any improprieties or questionable activities in Girls Leadership's accounting transactions during fiscal 2017, we feel it is important to remind all Directors that having an active Board is a strong element of control in the overall strategy of preventing and detecting fraudulent and unauthorized financial activities.

Risk Assessment Standards

In a joint project between the Auditing Standards Board (ASB) and the International Auditing and Assurance Standards Board (IAASB), the AICPA's ASB has issued several important Statements on Auditing Standards (SAS) [1] relating to the assessment of risk in an audit of financial statements.

Our audit approach, in full compliance with such standards, incorporates rules and regulations promulgated by all Statements of Auditing Standards for the year ended August 31, 2017 (including the "Clarified Statements on Auditing Standards"). Our approach addresses and incorporates the following elements (as outlined in various SAS's, including statements 99 through 128):

- Performing risk assessment procedures
- Making Inquiries about fraud risks for management
- Making Inquiries about fraud risks for audit committee and/or board of director members
- Observation and inspection
- Incorporating enhancements to workpaper documentation
- Discussions among members of the engagement team
- Understanding the nonprofit organization and its environment, including internal controls
- Evaluating industry conditions, regulatory environment and other external factors
- Evaluating accounting policies and considering the organization's financial performance
- Understanding the internal control environment, including management's philosophy and operating style
- Determining materiality at the financial statement level and for particular items (such as lesser amounts)
- Assessing risks of material misstatement
- Establishing an overall audit strategy
- Identifying and assessing risks of material misstatement at the relevant assertion level
- Consideration of mitigating controls
- Consideration of magnitude
- Linking risk assessment to audit testing in the development of the detailed audit plan
- Testing the internal controls, where necessary
- Evaluating the extent of evidence to support a control risk assessment
- Adjustment of auditing procedures based on our understanding and testing of internal controls

The comments contained in this management letter resulted from our consideration of these risk assessment standards.

[1] **Several of the recent important Statements on Auditing Standards are:**
SAS No. 104, Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures ("Due Professional Care in the Performance of Work")
SAS No. 105, Amendment to SAS 95, Generally Accepted Auditing Standards
SAS No. 106, Audit Evidence
SAS No. 107, Audit Risk and Materiality in Conducting an Audit
SAS No. 108, Planning and Supervision
SAS No. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
SAS No. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
SAS No. 111, Amendment to Statement on Auditing Standards No. 39, Audit Sampling
SAS No. 114, The Auditor's Communication With Those Charged With Governance
SAS No. 115, Communicating Internal Control Related Matters Identified in an Audit
SAS No. 118, Other Information in Documents Containing Audited Financial Statements
SAS No. 122, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards

Communication in Accordance with Risk Assessment Standards

We have audited the financial statements of Girls Leadership for the year ended August 31, 2017, and have issued our report thereon dated January 24, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States

As stated in our engagement letter dated May 15, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accepted accounting principles generally accepted in the United States. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Girls Leadership. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you and discussed in detail in our Engagement Letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Girls Leadership are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended August 31, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. This has been accomplished on page 2 of this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 24, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management, the Audit and/or Finance Committee, and the Board of Directors and is not intended to be (and should not be) used by anyone other than these specified parties.

No Material Weaknesses or Significant Deficiencies

In planning and performing our audit of the financial statements of Girls Leadership for the year ended August 31, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Girls Leadership is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. **A deficiency in design** exists when (1) a control necessary to meet the control objective is missing; or (2) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. **A deficiency in operation** exists when (1) a properly designed control does not operate as designed; or (2) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses or significant deficiencies as defined above. Based on the testwork we performed and the documents we examined, we are not aware of any material weaknesses or significant deficiencies in Girls Leadership's operations.