

PEARLS FOR TEEN GIRLS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

(With Summarized Totals for the Year Ended December 31, 2007)

PEARLS FOR TEEN GIRLS, INC.

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Independent Auditor's Report

Board of Directors
Pearls for Teen Girls, Inc.

We have audited the accompanying balance sheet of Pearls for Teen Girls, Inc. as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Pearls for Teen Girls, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated June 30, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pearls for Teen Girls, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2009, on our consideration of Pearls for Teen Girls, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Pearls for Teen Girls, Inc. taken as a whole. The accompanying schedule of functional expenses, and the schedule of expenditures of federal and state awards required by the *Wisconsin Provider Agency Audit Guide*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ritz Holman LLP
RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
July 6, 2009

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PEARLS FOR TEEN GIRLS, INC.
BALANCE SHEET
DECEMBER 31, 2008
(With Summarized Totals for December 31, 2007)

ASSETS	2008	2007
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 226,520	\$ 269,163
Grants Receivable	57,019	44,502
Accounts Receivable	27,763	11,798
Pledges Receivable	17,500	17,500
Prepaid Expenses	1,845	6,910
Total Current Assets	\$ 330,647	\$ 349,873
FIXED ASSETS		
Computer Software	\$ 18,517	\$ 18,517
Accumulated Depreciation	(12,396)	(9,062)
Total Net Fixed Assets	\$ 6,121	\$ 9,455
OTHER ASSETS		
Security Deposit	\$ 2,004	\$ 2,004
Total Other Assets	\$ 2,004	\$ 2,004
TOTAL ASSETS	\$ 338,772	\$ 361,332
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 17,139	\$ 26,454
Accrued Payroll	16,599	7,705
Total Current Liabilities	\$ 33,738	\$ 34,159
NET ASSETS		
Unrestricted		
Operating	\$ 205,579	\$ 190,918
Board Designated	10,000	10,000
Temporarily Restricted	89,455	126,255
Total Net Assets	\$ 305,034	\$ 327,173
TOTAL LIABILITIES AND NET ASSETS	\$ 338,772	\$ 361,332

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

PEARLS FOR TEEN GIRLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Summarized Totals for the Year Ended December 31, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2008</u>	<u>Total 2007</u>
REVENUE				
Grants and Contributions	\$ 380,786	\$ 62,500	\$ 443,286	\$ 518,371
Safe and Sound	32,782	---	32,782	33,709
Community Advocates	75,000	---	75,000	55,425
Fighting Back	33,821	---	33,821	39,000
City of Milwaukee - CDBG	27,476	---	27,476	25,000
Medical College of Wisconsin	69,565	---	69,565	34,739
Program Fees	4,229	---	4,229	4,176
Partner Fees	13,250	---	13,250	10,562
Product Sales	420	---	420	260
Donated Goods	20,291	---	20,291	---
Interest Income	1,758	---	1,758	2,772
Other Income	375	---	375	3,513
Net Assets Released From Restriction	99,300	(99,300)	---	---
Total Revenue	<u>\$ 759,053</u>	<u>\$ (36,800)</u>	<u>\$ 722,253</u>	<u>\$ 727,527</u>
EXPENSES				
Program	\$ 594,230	\$ ---	\$ 594,230	\$ 482,702
General and Administrative	108,684	---	108,684	91,991
Fund-Raising	41,478	---	41,478	37,973
Total Expenses	<u>\$ 744,392</u>	<u>\$ ---</u>	<u>\$ 744,392</u>	<u>\$ 612,666</u>
CHANGE IN NET ASSETS	\$ 14,661	\$ (36,800)	\$ (22,139)	\$ 114,861
Net Assets at Beginning of Year	<u>200,918</u>	<u>126,255</u>	<u>327,173</u>	<u>212,312</u>
NET ASSETS AT END OF YEAR	<u>\$ 215,579</u>	<u>\$ 89,455</u>	<u>\$ 305,034</u>	<u>\$ 327,173</u>

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

PEARLS FOR TEEN GIRLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Summarized Totals for the Year Ended December 31, 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (22,139)	\$ 114,861
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	3,334	2,862
(Increase) Decrease in Grants Receivable	(12,517)	(30,503)
(Increase) Decrease in Accounts Receivable	(15,965)	36,905
(Increase) Decrease in Pledges Receivable	---	5,000
(Increase) Decrease in Prepaid Expenses	5,065	972
Increase (Decrease) in Accounts Payable	(9,315)	15,962
Increase (Decrease) in Accrued Payroll	8,894	(2,410)
	<u>\$ (42,643)</u>	<u>\$ 143,649</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ ---	\$ (8,009)
	<u>\$ ---</u>	<u>\$ (8,009)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (42,643)	\$ 135,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>269,163</u>	<u>133,523</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 226,520</u></u>	<u><u>\$ 269,163</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ ---	\$ ---
Taxes	---	---

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

PEARLS FOR TEEN GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

PEARLS FOR TEEN GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE A - Summary of Significant Accounting Policies

Organization

Pearls for Teen Girls, Inc. is incorporated as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is considered to be other than a private foundation. PEARLS for Teen Girls, Inc. is committed to being the community's signature program for maximizing girls' self development. True girl/adult partnerships result in building and living PEARLS attributes: Personal Responsibility, Empathy, Awareness, Respect, Leadership and Support.

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial Statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Assets of the restricted classes are created only by donor-imposed restrictions.

At December 31, 2008, the Organization had \$17,500 of temporarily time- and purpose-restricted net assets and \$71,955 of temporarily purpose-restricted net assets.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

PEARLS FOR TEEN GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Fixed Assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization capitalizes expenses greater than \$1,000.

Allowance for Uncollectible Accounts

Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end.

NOTE B - Comparative Financial Information

The financial information shown for 2007 in the accompanying financial statements is included to provide a basis for comparison with 2008 and presents summarized totals only.

NOTE C - Grants Receivable

Grants Receivable consists of the following amounts as of December 31, 2008:

<u>Source</u>	<u>Amount</u>
Brighter Futures	\$ 4,305
Community Development Block Grant	25,429
Fighting Back	6,286
Medical College of Wisconsin	14,886
Safe and Sound	<u>6,113</u>
Total	<u>\$57,019</u>

NOTE D - Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consist of the following amounts as of December 31, 2008:

<u>Source</u>	<u>Amount</u>
Foundations	\$62,500
Scholarship Fund Donations	<u>26,955</u>
Total	<u>\$89,455</u>

PEARLS FOR TEEN GIRLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE E - Operating Lease

The Organization leases office space at 2100 N. Palmer Street, under a three-year lease which expires December 31, 2010.

Minimum future rental payments under a noncancelable operating lease, as of December 31, 2008, are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$29,562
2010	<u>30,446</u>
Total	<u>\$60,008</u>

NOTE F - In-Kind Goods

During 2008, the Organization received 231 pair of donated shoes from Nike, Inc. valued at \$20,291.

NOTE G - Line of Credit

The Organization has a \$30,000 line of credit bearing an interest rate of LIBOR + 3% due on October 13, 2013. No amount was drawn on the line at December 31, 2008.

PEARLS FOR TEEN GIRLS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Summarized Totals for the Year Ended December 31, 2007)

EXPENSES	Program	General and Administrative	Fund-Raising	Total 2008	Total 2007
Salaries	\$ 201,789	\$ 48,631	\$ 30,793	\$ 281,213	\$ 236,468
Pearls for Teen Facilitators	17,554	---	---	17,554	18,375
Employee Benefits	25,400	15,476	---	40,876	31,360
Payroll Taxes	21,216	4,093	2,091	27,400	26,178
Consulting Fees	94,953	---	8,594	103,547	117,202
Accounting Fees	13,490	7,510	---	21,000	17,629
Supplies	10,630	2,032	---	12,662	9,231
Program Expenses	76,751	---	---	76,751	28,254
Telephone	4,751	1,583	---	6,334	5,176
Internet Service	1,394	464	---	1,858	---
Postage and Shipping	2,828	940	---	3,768	3,503
Printing and Publications	10,338	3,446	---	13,784	9,513
Dues and Subscriptions	---	2,699	---	2,699	5,631
Rent Expense	20,924	6,974	---	27,898	25,532
Depreciation Expense	2,501	833	---	3,334	2,862
Utilities	5,660	1,886	---	7,546	5,931
Repair and Maintenance Expense	1,378	459	---	1,837	2,245
Travel and Lodging	24,540	4,657	---	29,197	25,157
Food Expense	15,016	---	---	15,016	19,152
Web Site	4,586	509	---	5,095	6,690
Insurance	3,585	188	---	3,773	3,838
Professional Development	8,978	2,700	---	11,678	2,119
Scholarships	5,100	---	---	5,100	3,950
In-Kind Goods	20,291	---	---	20,291	---
Other Expenses	---	1,874	---	1,874	64
Equipment	577	1,730	---	2,307	6,606
TOTALS	\$ 594,230	\$ 108,684	\$ 41,478	\$ 744,392	\$ 612,666

**PEARLS FOR TEEN GIRLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
FEDERAL EXPENDITURES			
State of Wisconsin			
Community Advocates			
Brighter Futures Initiative	93.959	541007	\$ 31,023
Brighter Futures Initiative	93.558	541007	11,575
City of Milwaukee			
Community Development Block Grant	14.218		27,476
Fighting Back			
ATODA Prevention	93.959		<u>33,821</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 103,895</u></u>
STATE EXPENDITURES			
State of Wisconsin			
Community Advocates			
Brighter Futures Initiative		541007	<u>\$ 32,402</u>
TOTAL STATE EXPENDITURES			<u><u>\$ 32,402</u></u>

The accompanying note is an integral part of this schedule.

PEARLS FOR TEEN GIRLS, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Pearls for Teen Girls, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Wisconsin *Provider Agency Audit Guide*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards and the Wisconsin Provider Agency Audit Guide

To the Board of Directors of
Pearls for Teen Girls, Inc.

We have audited the financial statements of Pearls for Teen Girls, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated July 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Wisconsin *Provider Agency Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pearls for Teen Girls, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as Items 2008-1 and 2008-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

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To the Board of Directors of
Pearls for Teen Girls, Inc.
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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pearls for Teen Girls, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* or the *Wisconsin Provider Agency Audit Guide* and which are described in the accompanying schedule of findings and responses as Items 2008-1 and 2008-2.

We noted certain matters that we reported to management of Pearls for Teen Girls, Inc. in a separate letter dated July 6, 2009.

Pearls for Teen Girls, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Pearls for Teen Girls, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management, and contracting agencies and is not intended to be and should not be used by anyone other than these specified parties.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
July 6, 2009

**PEARLS FOR TEEN GIRLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditor's report issued? | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

B. FINANCIAL STATEMENT FINDINGS

Item 2008-1

Statement of Condition:

The Organization properly allocates salaries per an allowable cost allocation plan per OMB Circular A-122 on paper but does not allocate salaries in the accounting software.

Criteria:

Salaries should be properly recorded in the Organization's accounting software.

Effect:

Salaries were not properly recorded in the accounting software.

Cause:

The Organization did not record salaries per an allowable cost allocation plan per OMB Circular A-122.

Recommendation:

It is recommended that the Organization properly record salaries according to an allowable cost allocation plan per OMB Circular A-122 in the accounting software.

Management Response:

Salaries will be allocated monthly by site and funding source in the accounting software.

Item 2008-2

Condition:

The entries to record certain accounting transactions were not fully recorded in the accounting system. Significant journal entries which adjust balances for activity were necessary for the following balances: pledges and accounts receivable. The recommended journal entries will significantly change the audited financial statements from those used during the year.

**PEARLS FOR TEEN GIRLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

B. FINANCIAL STATEMENT FINDINGS (continued)

Effect:

The financial reports used throughout the year did not accurately report the Organization's financial status.

Cause:

The necessary journal entries were not recorded throughout the year.

Criteria:

The Organization shall record journal entries throughout the year to accurately report its financial status.

Recommendations:

It is recommended that the Organization record its necessary journal entries throughout the year.

Management Response:

Donor's intent will be examined on a monthly basis to ensure proper recording of revenue and pledges. The dates on checks received will be verified monthly to ensure proper recording of revenue and receivables.

C. OTHER ISSUES

- | | |
|---|-----|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e., material noncompliance, non-material noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the Wisconsin <i>Provider Agency Audit Guide</i> : | |
| Department of Children and Families | Yes |
| Department of Health Services | No |
| Department of Workforce Development | No |
| Department of Corrections | No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |

4. Name and signature of partner


KATY L. SOMMER

5. Date of report

July 6, 2009