

GIRL SCOUTS OF NORTHERN  
CALIFORNIA

SEPTEMBER 30, 2021

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

February 2022

We are pleased to share the *Report on Audit of Financial Statements for the year ended September 30, 2021*.

During 2021 Girl Scouts of Northern California (GSNorCal) helped girls and volunteers feel connected and empowered. We prioritized the health and safety of our members and communities and progressed from virtual to in-person programming, as adults and youth became eligible for COVID-19 vaccines.

**Responding to support girls' well-being.** In December 2021, the U.S. Surgeon General published an Advisory on *Protecting Youth Mental Health*, summarized with a call to action:

*"If we seize this moment, step up for our children and their families in their moment of need, and lead with inclusion, kindness, and respect, we can lay the foundation for a healthier, more resilient, and more fulfilled nation."*

We are proud of the many ways that our staff and members (approximately 24,000 girls and 20,000 adults) provided support, encouragement, and service to each other and to our communities, during a stressful and sometimes lonely time for many, leading with inclusion, kindness and respect.

**From a 2021 summer camper:** *"Camp is a place where I can be myself. It is a place that is apart from the outside world, where there is a community of people who I can get to know and have fun with, and that accepts me and supports me. It is a place that is safe, and I am allowed to be who I am and find more of my identity and my place in the world."*



**From a parent:** *"I just wanted to give a huge THANK YOU to council for your virtual Older Girl programming. My Girl Scout has had to make a lot of sacrifices because I (mom) have a medical condition. This programming is giving her the connection she needs and also allowing her to be more involved without having to worry. . . Thank you for being so inclusive of all family situations."*

Thank you for investing in girls and supporting Girl Scouts of Northern California. Although the pandemic has caused declines in membership and program revenue, we are standing strong in our commitment to be an antiracist organization and to "step up for our children and their families in their moment of need."

Yours in Girl Scouting,

A handwritten signature in black ink, appearing to read "Ellen Richey".

Ellen Richey, President

A handwritten signature in black ink, appearing to read "Marina H. Park".

Marina H. Park, CEO

# Girl Scouts of Northern California

## Independent Auditors' Report and Financial Statements

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A Century Strong

## Independent Auditors' Report

THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS  
GIRL SCOUTS OF NORTHERN CALIFORNIA  
Alameda, California

### Report on the Financial Statements

We have audited the accompanying financial statements of **GIRL SCOUTS OF NORTHERN CALIFORNIA (The Council)**, which comprise the statement of financial position as of September 30, 2021, the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Council as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited The Council's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
January 26, 2022

# Girl Scouts of Northern California

## Statement of Financial Position

<i>September 30, 2021 (with comparative totals for 2020)</i>	2021	2020
<b>Assets:</b>		
Cash and cash equivalents	\$ 7,446,084	\$ 5,381,823
Investments	19,536,505	19,731,258
Pledges receivable, net	201,464	778,795
Accounts receivable, net	174,417	160,161
Inventory, prepaid expenses and other assets	789,883	829,089
Property and equipment, net	11,873,709	12,345,866
<b>Total assets</b>	<b>\$ 40,022,062</b>	<b>\$ 39,226,992</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,974,252	\$ 2,059,978
Loan payable - Paycheck Protection Program	2,000,000	2,157,291
Custodial funds	186,150	195,358
Deferred revenue	311,383	287,390
Capital lease obligation	31,336	30,528
Other liabilities	1,113,273	
<b>Total liabilities</b>	<b>5,616,394</b>	<b>4,730,545</b>
<b>Net Assets:</b>		
Without donor restrictions	28,132,152	28,640,038
With donor restrictions	6,273,516	5,856,409
<b>Total net assets</b>	<b>34,405,668</b>	<b>34,496,447</b>
<b>Total liabilities and net assets</b>	<b>\$ 40,022,062</b>	<b>\$ 39,226,992</b>

See accompanying notes to financial statements.

# Girl Scouts of Northern California

## Statement of Activities and Changes in Net Assets

*Year ended September 30, 2021 (with comparative totals for 2020)*

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support and Revenue:</b>				
Contributions and grants	\$ 1,823,104	\$ 1,470,269	\$ 3,293,373	\$ 1,847,606
Program sales, net of direct costs (Note7)	9,421,579		9,421,579	15,769,728
Program event fees (net of financial assistance \$158,780 for 2021)	1,000,914		1,000,914	768,320
Investment income	1,456,190	300,212	1,756,402	686,376
Loan forgiveness	2,157,291		2,157,291	
Miscellaneous income	192,193		192,193	77,918
Rental income	151,454		151,454	187,480
(Loss) gain on disposal of property and equipment	(46,378)		(46,378)	(212,218)
Net assets released from restrictions	1,353,374	(1,353,374)	-	-
	17,509,721	417,107	17,926,828	19,125,210
<b>Operating Expenses:</b>				
Program services	13,975,682		13,975,682	14,979,244
Management and general	2,913,362		2,913,362	3,165,725
Fundraising	1,128,563		1,128,563	1,285,084
	18,017,607	-	18,017,607	19,430,053
<b>Change in Net Assets</b>	(507,886)	417,107	(90,779)	(304,843)
<b>Net Assets, beginning of year</b>	28,640,038	5,856,409	34,496,447	34,801,290
<b>Net Assets, end of year</b>	\$ 28,132,152	\$ 6,273,516	\$ 34,405,668	\$ 34,496,447

See accompanying notes to financial statements.

# Girl Scouts of Northern California

## Statement of Functional Expense

*Year ended September 30, 2021 (with comparative totals for 2020)*

	2021			2020	
	Program Services	Management and General	Fundraising	Total Expenses	Total
<b>Expenses:</b>					
Salaries	\$ 6,243,098	\$ 1,622,310	\$ 652,353	\$ 8,517,761	\$ 9,625,413
Benefits	1,681,858	440,609	177,128	2,299,595	2,443,525
Payroll taxes	431,333	113,061	45,407	589,801	666,353
<b>Total payroll expenses</b>	<b>8,356,289</b>	<b>2,175,980</b>	<b>874,888</b>	<b>11,407,157</b>	<b>12,735,291</b>
Workers' compensation insurance	76,655	20,158	8,049	104,862	105,886
Telephone and postage	247,785	37,808	30,318	315,911	212,250
Outside services	827,229	357,510	53,137	1,237,876	1,308,808
Supplies	1,176,750	11,502	2,716	1,190,968	1,453,637
Occupancy	955,331	169,216	65,859	1,190,406	1,231,123
Equipment expense	247,457	78,890	34,231	360,578	307,012
Advertising and printing	233,265		26,341	259,606	86,379
Transportation	133,894	505	457	134,856	212,950
Insurance	423,186	14,554	5,665	443,405	371,366
Other expenses	431,604	23,942	17,835	473,381	437,538
Depreciation and amortization expense	866,237	23,297	9,067	898,601	967,813
<b>Total operating expenses</b>	<b>13,975,682</b>	<b>2,913,362</b>	<b>1,128,563</b>	<b>18,017,607</b>	<b>19,430,053</b>
<b>Program cost of sales</b>	<b>3,876,142</b>			<b>3,876,142</b>	<b>6,322,339</b>
<b>Total expenses</b>	<b>\$ 17,851,824</b>	<b>\$ 2,913,362</b>	<b>\$ 1,128,563</b>	<b>\$ 21,893,749</b>	<b>\$ 25,752,392</b>

See accompanying notes to financial statements.



# Girl Scouts of Northern California

## Statement of Cash Flows

<i>Year ended September 30, 2021 (with comparative totals for 2020)</i>	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (90,779)	\$ (304,843)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-lived assets	(1,136,793)	(1,011,711)
Depreciation and amortization	898,601	967,813
Net realized and unrealized gain on investments	(1,260,632)	(229,167)
Loss on disposal of equipment	46,378	212,218
Loan forgiveness	(2,157,291)	
Change in operating assets and liabilities:		
Accounts and pledges receivable	563,075	617,200
Inventory, prepaid expenses and other assets	39,206	262,042
Accounts payable and accrued expenses	(75,699)	234,586
Custodial funds	(9,208)	80,494
Deferred revenue	23,993	(366,036)
<b>Net cash (used in) provided by operating activities</b>	<b>(3,159,149)</b>	<b>462,596</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(461,328)	(1,454,863)
Purchases of investments	(495,186)	(1,283,312)
Proceeds from sale of investments	1,950,571	2,831,748
<b>Net cash provided by investing activities</b>	<b>994,057</b>	<b>93,573</b>
<b>Cash Flows from Financing Activities:</b>		
Loan payable - Paycheck Protection Program	2,000,000	2,157,291
Contributions restricted for long-lived assets	1,136,793	1,011,711
Insurance advances	1,113,273	
Payments on capital lease obligations	(20,713)	(23,770)
<b>Net cash provided by financing activities</b>	<b>4,229,353</b>	<b>3,145,232</b>
<b>Change in Cash and Cash Equivalents</b>	<b>2,064,261</b>	<b>3,701,401</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>5,381,823</b>	<b>1,680,422</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 7,446,084</b>	<b>\$ 5,381,823</b>
<b>Supplemental Disclosures:</b>		
Cash paid for interest	\$ 972	\$ 1,739
<b>Noncash Investing Activities:</b>		
Property and equipment purchases included in accounts payable and accrued liabilities	\$ -	\$ 10,027
Capital lease assets acquired	\$ 21,521	\$ -

See accompanying notes to financial statements.

# Girl Scouts of Northern California

## Notes to Financial Statements

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### Note 1 - Nature of Organization and Significant Accounting Policies:

#### a. Organization

Girl Scouts of Northern California (The Council) helps girls develop the skills and knowledge to become confident and build bright futures. That means better, stronger communities for everyone around them. The Council is a chartered member of Girls Scouts of the USA (GSUSA).

The Council includes approximately 24,000 girl and 20,000 adult members from Santa Clara County to the Oregon border and from Chico to the Pacific Ocean, covering over 33,000 square miles.

The Council creates opportunities that help girls thrive, while building girls' courage, confidence, and character. Girls have fun with friends in volunteer-led troops, after-school programs in low income communities, and at summer camp.

The Council focuses on: building experiences that foster girls' well-being, belonging, voice, and ambition; developing volunteers; reaching diverse girls and their families; and expanding both partnerships and financial support.

**Girl Experience:** Girls participate in the national Girl Scout leadership program with opportunities to engage in girl-led, hands-on activities in four core program areas:

- **Outdoors:** Girls build skills, become environmental stewards, and pursue adventure in the great outdoors.
- **STEM (Science, Technology, Engineering and Math):** Girls explore science, technology, engineering, and math through hands-on experiences like earning badges in cybersecurity, space science, engineering, and robotics, and participating in robotics teams, out-of-school-time science and nature programs, career exploration days, and programs in a box that include everything from designing toys to building “green” doll houses.
- **Life Skills and Entrepreneurship:** The cookie program and fall sale teach business skills like goal-setting, money handling, public speaking, budgeting, and sales. Girls also build skills for healthy living and healthy relationships.
- **Community Service and Take Action:** Girls give back to their communities through acts of service to help immediate needs in each community. Girls working towards their Bronze, Silver, and Gold Award, complete larger “take action” projects. These projects help solve a community issue by discovering the cause, researching solutions, and developing a sustainable project to affect or eliminate the cause of the problem.

# Girl Scouts of Northern California

## Notes to Financial Statements

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- ***Volunteerism:*** Adult volunteers are the core of The Council, contributing their time and energy to lead Girl Scout troops, train volunteers, and run product programs and camps. With volunteers pulled in more directions than ever, The Council is committed to simplifying their work through technology and training.
- ***Diversity, Equity, Inclusion and Belonging:*** The Council is committed to being an anti-racist organization, and to establishing policies, trainings, and programs that support this commitment for staff, volunteers and girls. In addition, The Council serves girls in low income and rural communities, through community partnerships, staff and volunteer-led troops, path to camp programs, financial aid, and after-school and weekend programs.

The Council mainly derives its revenues and support from donors, grants, product sales, and program fees.

The accompanying financial statements do not include financial data for individual Girl Scout troops and other groups such as service units, committees, and volunteer-led camps.

b. Basis of Accounting and Description of Net Assets

The financial statements of The Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and changes therein are classified as follows:

*Net Assets Without Donor Restrictions* – The portion of net assets that is not restricted by donor-imposed stipulations. These net assets are intended for use of management and the Board of Directors for general operations. The Board of Directors has designated \$9,477,779 as operating reserves.

*Net Assets With Donor Restrictions* – The portion of net assets whose use by The Council is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of The Council. Other donor-imposed restrictions are perpetual in nature that neither expire by the passage of time nor can be otherwise removed by actions of The Council.

c. Revenue Recognition

Product sales are earned when a purchase is made. Rental income and program fees are recognized as revenue during the period the rent is for or the program occurs.

Contributions and pledges are recognized at their fair value when an unconditional promise to pay is made by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

# Girl Scouts of Northern California

## Notes to Financial Statements

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When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Council provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the customer or donor to meet their obligation. It is The Council's policy to write off uncollectible receivables when management determines the receivable will not be collected.

d. Donated Goods and Services

Contributions of donated long-lived assets, goods, and services that create or enhance non-financial assets that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

A number of unpaid volunteers have made significant contributions of their time to The Council. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

During the years ended September 30, 2021 and 2020, in-kind donations of professional services received were approximately \$40,000 and \$9,000, respectively. The Council did not record the value of donated facilities as of September 30, 2021, as sufficient information was not available to value the donations.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and all highly liquid investments with an initial maturity from the date of purchase of three months or less, except those held with investments.

f. Investments

Investments are reported at their fair value in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

g. Fair Value Measurements

Fair value is defined as 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.

# Girl Scouts of Northern California

## Notes to Financial Statements

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The Council classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

h. Inventories

Purchased supplies and merchandise inventories are stated at the lower of cost, using the average cost method, or market. A reserve for excess and obsolete inventory is provided based upon assumptions about future demand and market conditions. Related program expenses include reward card incentives to girls net of estimated forfeited amounts.

i. Property and Equipment

Property and equipment are stated at cost if purchased or fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from three to fifty years. Leasehold improvements are amortized using the straight line method over the shorter of the estimated useful life of the assets or the lease term. Expenditures from major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

j. Custodial Funds

Custodial funds consist of membership fees collected that will be remitted to GSUSA and other amounts held for the use of members.

k. Functional Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits are allocated using estimates of time and effort; components of occupancy, insurance and depreciation expenses are allocated based on headcount.

# Girl Scouts of Northern California

## Notes to Financial Statements

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l. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

m. Income Taxes

The Council is a tax-exempt organization under Internal Revenue Service Code (IRC) §501(c)(3) and the California tax code.

Management evaluated The Council's tax positions and concluded that The Council had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

n. Comparative Information

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with The Council's financial statements for the year ended September 30, 2020, from which the summarized information is derived.

o. Recent Accounting Pronouncements

*Adopted*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that revenue be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance was adopted as of October 1, 2020.

*Pronouncements Effective in the Future*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard will supersede much of the existing authoritative literature for leases. Under the ASU, a lessee will be required to recognize right-to-use assets and liabilities on its statement of financial position for all leases with lease terms of more than twelve months. The ASU is effective for annual reporting periods beginning after December 15, 2021. Early application will be permitted for all organizations. The Council is currently assessing the impact the adoption of this ASU will have on its financial statements.

# Girl Scouts of Northern California

## Notes to Financial Statements

p. Subsequent Events

The Council has evaluated subsequent events through January 26, 2022, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**Note 2 - Investments:**

The following table summarizes The Council's investments at fair value as of September 30, 2021. All investments are deemed Level 1.

Money Market Funds	\$ 8,552,958
Bond Mutual Funds	3,914,916
Equity Mutual Funds	5,710,416
Balanced Mutual Funds	1,358,215
<hr/>	
Total	\$ 19,536,505

The following table summarizes The Council's investments at fair value as of September 30, 2020. All investments are deemed Level 1.

Money Market Funds	\$ 10,492,036
Bond Mutual Funds	3,821,784
Equity Mutual Funds	4,293,273
Balanced Mutual Funds	1,124,165
<hr/>	
Total	\$ 19,731,258

# Girl Scouts of Northern California

## Notes to Financial Statements

Investment income was composed of the following for the years ended September 30:

	2021	2020
Net realized and unrealized gain	\$ 1,260,632	\$ 229,167
Interest and dividends	495,770	457,209
<b>Total</b>	<b>\$ 1,756,402</b>	<b>\$ 686,376</b>

The Council considers \$8,507,303 of its investments as available for short-term purposes as of September 30, 2021.

### Note 3 - Pledges Receivable:

Pledges receivable at September 30 are expected to be collected as follows:

	2021	2020
Less than one year	\$ 206,785	\$ 766,841
One to five years	500	15,900
Total pledge receivables	207,285	782,741
Less unamortized discount and allowance for uncollectible pledges	(5,821)	(3,946)
<b>Total pledge receivables, net</b>	<b>\$ 201,464</b>	<b>\$ 778,795</b>



# Girl Scouts of Northern California

## Notes to Financial Statements

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### Note 4 - Property and Equipment:

Property and equipment consisted of the following at September 30:

	2021	2020
Land	\$ 1,810,660	\$ 1,810,660
Building and improvements	23,106,484	22,264,394
Leasehold improvements	115,946	222,870
Equipment	750,357	758,268
Furniture and fixtures	802,527	783,654
Vehicles	644,887	565,767
Software	60,066	60,066
Construction in progress	562,966	1,093,428
	27,853,893	27,559,107
Less accumulated depreciation and amortization	(15,980,184)	(15,213,241)
<b>Total property and equipment, net</b>	<b>\$ 11,873,709</b>	<b>\$ 12,345,866</b>

In August 2020, The Council sustained damage at two properties caused by the CZU Lightning Complex fires. Damage resulted in a loss on disposal of property and equipment of approximately \$212,000.

### Note 5 - Loan Payable - Paycheck Protection Program:

The Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses, administered by the Small Business Administration (SBA). The Council received PPP loans of \$2,000,000 and \$2,157,291 during the years ended September 30, 2021 and 2020, respectively. In June 2021, \$2,157,291 of the Council's first PPP loan was forgiven.

The Council expects to apply for full forgiveness of its second PPP loan. The loan and accrued interest may be forgivable if The Council uses the loan proceeds for eligible purposes, including payroll, benefits and utilities, and satisfies other requirements of the program. The amount of forgiveness could be reduced or rejected upon review by the SBA. Any unforgiven portion of the PPP loan is payable by the original maturity date of the loan (five years from when the loan was received) with payments starting upon notification from the SBA and The Council's lender.

# Girl Scouts of Northern California

## Notes to Financial Statements

### Note 6 - Commitments:

#### Line of Credit

The Council has a \$2,000,000 line of credit with Wells Fargo Bank (\$4,000,000 from February 1, 2022 through May 31, 2022). Advances on the line of credit bear interest at the prime rate plus 0%, but not less than 5%. The line of credit expires November 10, 2022. The line is secured by The Council's accounts receivable, inventory, and equipment. At September 30, 2021 and 2020, there was no outstanding balance on the line of credit. The line of credit agreement contains various covenants, which require The Council to maintain certain financial ratios and investment balances. At September 30, 2021 and 2020, The Council was in compliance with these requirements.

#### Leases

The Council leases office space and equipment under operating and capital leases, with various expiration dates. Rent expense for each of the years ending September 30, 2021 and 2020, was approximately \$593,000 and \$659,000. Monthly rental payments increase annually on the anniversary of the rent commencement date. The rent is expensed on a straight-line basis over the life of the lease.

Total lease payments for the years ending September 30:

	Operating	Capital	Total
2022	\$ 482,202	\$ 16,353	\$ 498,555
2023	454,145	10,611	464,756
2024	1,776	6,176	7,952
2025	1,624		1,624
<b>Total</b>	<b>\$ 939,747</b>	<b>\$ 33,140</b>	<b>\$ 972,887</b>

Capital lease payments include \$1,804 of interest.

#### Cookie purchase

In October 2021, The Council entered into a firm order commitment to purchase approximately \$3.2 million in cookies in 2022.

# Girl Scouts of Northern California

## Notes to Financial Statements

### Note 7 - Program Related Sales:

Program related sales are detailed as follows for the years ended September 30, 2021 and 2020. The gross revenue and direct expenses of the program related product sales and merchandise are as follows:

	2021			
	<u>Merchandise</u>	<u>Cookie Sales</u>	<u>Fall Sale</u>	<u>Total</u>
Gross revenue	\$ 542,843	\$ 13,667,823	\$ 1,524,494	\$ 15,735,160
Cost of goods sold	(233,681)	(2,944,177)	(698,284)	(3,876,142)
Revenue retained by troops		(2,133,312)	(304,127)	(2,437,439)
<b>Program sales, net</b>	<b>\$ 309,162</b>	<b>\$ 8,590,334</b>	<b>\$ 522,083</b>	<b>\$ 9,421,579</b>

	2020			
Gross revenue	\$ 683,640	\$ 23,932,897	\$ 1,611,180	\$ 26,227,717
Cost of goods sold	(555,349)	(5,108,176)	(658,814)	(6,322,339)
Revenue retained by troops		(3,813,723)	(321,927)	(4,135,650)
<b>Program sales, net</b>	<b>\$ 128,291</b>	<b>\$ 15,010,998</b>	<b>\$ 630,439</b>	<b>\$ 15,769,728</b>

### Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions of time and purpose and for perpetuity are available as follows at September 30:

	2021	2020
Property improvements	\$ 3,028,081	\$ 3,084,750
Restricted programs	1,453,038	1,270,820
Time restrictions	3,479	4,206
Endowment earnings	624,638	332,450
Endowment investments	887,310	887,213
Land-Camp Bothin/Arequipa	276,970	276,970
	<b>\$ 6,273,516</b>	<b>\$ 5,856,409</b>

# Girl Scouts of Northern California

## Notes to Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of the donor as follows during the years ending September 30:

	2021	2020
Property improvements	\$ 594,531	\$ 145,200
Restricted programs	750,116	581,287
Time restrictions	800	1,300
Endowment appropriation	7,927	37,036
	<hr/>	<hr/>
	\$ 1,353,374	\$ 764,823

### Note 9 - Endowments:

The Council's endowment consists of individual funds established for a variety of purposes. Its endowment consists of donor restricted funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of The Council has interpreted the State of California Uniform Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

The Council classifies net assets with donor restrictions in perpetuity as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by SPMIFA.

#### *Investment return objectives, risks parameters, and strategies*

The Council has adopted investment and spending policies, approved by the Board of Directors, for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost rate of return which exceeds the annual distribution with acceptable levels of risk.

# Girl Scouts of Northern California

## Notes to Financial Statements

### *Spending policies*

The Council has a policy of appropriating for distribution each year up to 4% of its donor restricted endowment funds average fair value of the prior 12 quarters throughout the preceding fiscal year in which the distribution is planned. In establishing this policy, The Council has considered long-term expected return on its investment assets, the nature and deviation of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions and the possible effects on inflation.

The Council expects the current spending policy to allow its endowment funds to grow at a nominal, average rate annually. This is consistent with The Council's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in donor-restricted endowment net assets for the fiscal years ended September 30, 2020 and 2021:

	With Donor Restrictions		Total
	Time and Purpose	Restricted in Perpetuity	
Endowment net assets at			
October 1, 2019	\$ 258,504	\$ 886,779	\$ 1,145,283
Investment income	110,982	434	111,416
Appropriation of endowment assets for expenditure	(37,036)		(37,036)
Endowment net assets at			
September 30, 2020	332,450	887,213	1,219,663
Investment income	300,115	97	300,212
Appropriation of endowment assets for expenditure	(7,927)		(7,927)
Endowment net assets at			
September 30, 2021	\$ 624,638	\$ 887,310	\$ 1,511,948

# Girl Scouts of Northern California

## Notes to Financial Statements

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### **Note 10 - Related Party Transactions:**

The Council is a chartered member of Girls Scouts of the USA (GSUSA). As part of being a chartered member of GSUSA, The Council collects and passes through membership fees on behalf of GSUSA. The Council also purchases a majority of its merchandise inventory from GSUSA. The total merchandise inventory purchased from GSUSA in fiscal years 2021 and 2020 was \$54,379 and \$261,497 or 52% and 72% of total purchases, respectively.

GSUSA made contributions to The Council in fiscal years 2021 and 2020 in the amounts of \$31,219 and \$57,407, respectively. In 2021 and 2020, GSUSA also provided other incentive payments, included in miscellaneous income, totaling \$162,486 and \$45,700, respectively.

### **Note 11 - Employee Retirement Plans:**

#### Defined benefit pension plan

The Council participates in the National Girl Scout Council Retirement Plan (NGSCR), a multi-employer noncontributory defined benefit pension plan (the Plan) sponsored by GSUSA. The National Board of GSUSA voted to freeze the Plan to new entrants and to freeze future benefit accruals for all current participants under the Plan effective July 31, 2010. The Plan covers substantially all of the employees of various Girl Scout councils who were eligible to participate in the Plan prior to the Plan freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels.

The Council made contributions into the Plan of \$966,720 during each of the fiscal years ended September 30, 2021 and 2020. These contributions approximated 2.99% of total NGSCR contributions during each of the fiscal years ended September 2021 and 2020.

As of December 31, 2020, the NGSCR fulfilled the required funding as prescribed by an agreement with the IRS to contribute a minimum of \$30,000,000 per year. In 2021, the funded status of the plan increased and the \$30,000,000 minimum will no longer apply. In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCR the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to PPA. In September 2020, the National Board of GSUSA approved to lower the contributions from \$30 million to \$26 million starting in calendar year 2023 until the Plan is fully funded on a market basis. Aggregate annual contributions made in fiscal years 2020 and 2021 were \$32.2 million and \$32.9 million, respectively. Aggregate contributions to be made in fiscal 2022 are expected to be \$32.2 million.

# Girl Scouts of Northern California

## Notes to Financial Statements

### Defined contribution plan

The Council has a contributory 403(b) defined contribution plan that is available to all regular employees who are expected to work 1,000 hours or more each year. For the years ended September 30, 2021 and 2020, The Council matched salary deferrals by employees up to 3% of salary.

Payments to the plan for the years ended September 30, 2021 and 2020 totaled \$192,882 and \$253,443, respectively.

### **Note 12 - Concentration of Credit Risk:**

The Council has defined its financial instruments which are potentially subject to risk as cash equivalents, accounts and pledges receivable, and investments.

The Council maintains cash equivalents and investments with commercial banks and other major financial institutions in excess of federally insured limits. The majority of investments are diversified into various mutual funds in order to limit the concentration of market risk. Accounts and pledges receivable are unsecured and concentrated primarily in the San Francisco Bay Area. However, concentrations of credit risk with respect to these receivables are limited due to the number of participants and donors. As of September 30, 2021 and 2020, 19% and 64% of pledges receivable, respectively, was from one donor.

The majority of contributions consist of donations from individuals and foundations. Approximately 35% of contribution revenue is comprised of funds from one donor for the year ended September 30, 2021.

### **Note 13 - Availability and Liquidity:**

The Council's financial assets, that are available to meet general expenditures within one year were as follows at September 30:

	2021	2020
Financial assets:		
Cash	\$ 7,446,084	\$ 5,381,823
Investments	19,536,505	19,731,258
Receivables	375,881	938,956
Total	27,358,470	26,052,037
Less amounts not available to be used within one year:		
Board designated reserves	(9,477,779)	(8,022,726)
Net assets with donor restrictions	(6,273,516)	(5,856,409)
Net assets expected to be released in current year	1,033,425	817,400
Financial assets available to meet general expenditures within one year	\$ 12,640,600	\$ 12,990,302

# Girl Scouts of Northern California

## Notes to Financial Statements

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The Council reviews its operating cash flow needs as part of its annual budget process. The Council maintains Board Designated Operating Reserves, which can be made available by the Board for day-to-day operations in the event of unforeseen shortfalls, the long-term repair and maintenance of certain camp and outdoor program center properties, and to support nonrecurring strategic investments. The Council also has available a line of credit totaling \$2,000,000 (Note 6).

### **Note 14 - Coronavirus Outbreak:**

In March 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets. Continued financial market volatility may negatively impact investment values and investment income.

The state of California and local counties issued guidance which included operating protocols and group size and gathering restrictions by type of business. The Council shifted its delivery of program services to comply with applicable state and local guidance. These guidelines and restrictions continue to have a significant impact on The Council's operations, negatively impacting program revenues.

As a response to the COVID-19 pandemic, the CARES Act provided relief to qualifying businesses. The Council received PPP loans of \$2,000,000 and \$2,157,291 during the years ended September 30, 2021 and 2020, respectively (Note 5). The Council expects to receive Employee Retention Credits ranging from \$800,000 to \$1,000,000 under the CARES Act, as amended by the Taxpayer Certainty and Disaster Tax Relief Act, the American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act.