

GIRL SCOUTS OF NORTHERN CALIFORNIA

SEPTEMBER 30, 2022

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

Girl Scouts of Northern California

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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

Opinion

We have audited the financial statements of **GIRL SCOUTS OF NORTHERN CALIFORNIA (The Council)**, which comprise the statement of financial position as of September 30, 2022, the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Council as of September 30, 2022 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Council's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Council's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited The Council's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Francisco, California
January 25, 2023

Girl Scouts of Northern California

Statement of Financial Position

<i>September 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Assets:		
Cash and cash equivalents	\$ 6,807,745	\$ 7,446,084
Investments	23,688,071	19,536,505
Pledges receivable, net	264,115	201,464
Accounts receivable, net	320,932	174,417
Inventory, prepaid expenses and other assets	808,226	789,883
Property and equipment, net	11,967,988	11,873,709
Total assets	\$ 43,857,077	\$ 40,022,062
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,047,724	\$ 1,974,252
Loan payable - Paycheck Protection Program		2,000,000
Custodial funds	405,242	186,150
Deferred revenue	401,234	311,383
Capital lease obligation	16,130	31,336
Other liabilities	1,114,178	1,113,273
Total liabilities	3,984,508	5,616,394
Net Assets:		
Without donor restrictions:		
Board designated for reserves	9,300,313	9,477,779
Net investment in property and equipment	11,674,888	11,565,403
Undesignated	12,682,888	7,088,970
Total net assets without donor restrictions	33,658,089	28,132,152
With donor restrictions	6,214,480	6,273,516
Total net assets	39,872,569	34,405,668
Total liabilities and net assets	\$ 43,857,077	\$ 40,022,062

See accompanying notes to the financial statements.

Girl Scouts of Northern California

Statement of Activities and Changes in Net Assets

Year ended September 30, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions and grants	\$ 5,473,247	\$ 1,512,245	\$ 6,985,492	\$ 3,293,373
Program sales, net of direct costs (Note 7)	16,502,646		16,502,646	9,421,579
Program event fees (net of financial assistance \$213,249 for 2022)	1,511,783		1,511,783	1,000,914
Investment (loss) income, net of investment expenses	(1,621,903)	(324,614)	(1,946,517)	1,756,402
Loan forgiveness	2,000,000		2,000,000	2,157,291
Miscellaneous income	195,087		195,087	192,193
Rental income	466,355		466,355	151,454
Loss on disposal of property and equipment	(1,085)		(1,085)	(46,378)
Net assets released from restrictions	1,246,667	(1,246,667)	-	-
	25,772,797	(59,036)	25,713,761	17,926,828
Operating Expenses:				
Program services	16,112,169		16,112,169	13,975,682
Management and general	3,060,602		3,060,602	2,913,362
Fundraising	1,074,089		1,074,089	1,128,563
	20,246,860	-	20,246,860	18,017,607
Change in Net Assets	5,525,937	(59,036)	5,466,901	(90,779)
Net Assets, beginning of year	28,132,152	6,273,516	34,405,668	34,496,447
Net Assets, end of year	\$ 33,658,089	\$ 6,214,480	\$ 39,872,569	\$ 34,405,668

See accompanying notes to the financial statements.

Girl Scouts of Northern California

Statement of Functional Expense

Year ended September 30, 2022 (with comparative totals for 2021)

	2022			2021	
	Program Services	Management and General	Fundraising	Total Expenses	Total
Expenses:					
Salaries	\$ 6,842,005	\$ 1,684,323	\$ 577,346	\$ 9,103,674	\$ 8,517,761
Benefits	1,654,444	441,344	147,098	2,242,886	2,299,595
Payroll taxes	474,941	126,592	42,251	643,784	589,801
Total payroll expenses	8,971,390	2,252,259	766,695	11,990,344	11,407,157
Workers' compensation insurance	106,048	28,226	9,443	143,717	104,862
Telephone and postage	230,855	33,615	28,380	292,850	315,911
Outside services	1,016,528	350,685	83,858	1,451,071	1,237,876
Supplies	1,650,100	9,498	6,899	1,666,497	1,190,968
Occupancy	1,174,951	176,717	67,055	1,418,723	1,190,406
Equipment expense	234,801	64,009	30,810	329,620	360,578
Advertising and printing	145,408		25,551	170,959	259,606
Transportation	349,509	10,188	3,401	363,098	134,856
Insurance	694,916	18,895	7,170	720,981	443,405
Other expenses	711,216	97,059	37,447	845,722	473,381
Depreciation and amortization expense	826,447	19,451	7,380	853,278	898,601
Total operating expenses	16,112,169	3,060,602	1,074,089	20,246,860	18,017,607
Program cost of sales	5,503,170			5,503,170	3,876,142
Total expenses	\$ 21,615,339	\$ 3,060,602	\$ 1,074,089	\$ 25,750,030	\$ 21,893,749

See accompanying notes to the financial statements.

Girl Scouts of Northern California

Statement of Cash Flows

<i>Year ended September 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,466,901	\$ (90,779)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-lived assets	(830,322)	(1,136,793)
Depreciation and amortization	853,278	898,601
Net realized and unrealized loss (gain) on investments	2,636,915	(1,260,632)
Loss on disposal of equipment	1,085	46,378
Loan forgiveness	(2,000,000)	(2,157,291)
Change in operating assets and liabilities:		
Accounts and pledges receivable	(209,166)	563,075
Inventory, prepaid expenses and other assets	(18,343)	39,206
Accounts payable and accrued expenses	(10,146)	(75,699)
Custodial funds	219,092	(9,208)
Deferred revenue	89,851	23,993
Net cash provided by (used in) operating activities	6,199,145	(3,159,149)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(865,024)	(461,328)
Purchases of investments	(29,281,739)	(495,186)
Proceeds from sale of investments	22,493,258	1,950,571
Net cash (used in) provided by investing activities	(7,653,505)	994,057
Cash Flows from Financing Activities:		
Loan payable - Proceeds from Paycheck Protection Program loan		2,000,000
Contributions restricted for long-lived assets	830,322	1,136,793
Insurance advances	905	1,113,273
Payments on capital lease obligations	(15,206)	(20,713)
Net cash provided by financing activities	816,021	4,229,353
Change in Cash and Cash Equivalents	(638,339)	2,064,261
Cash and Cash Equivalents, beginning of year	7,446,084	5,381,823
Cash and Cash Equivalents, end of year	\$ 6,807,745	\$ 7,446,084
Supplemental Disclosures:		
Cash paid for interest	\$ 1,147	\$ 972
Noncash Investing Activities:		
Property and equipment purchases included in accounts payable and accrued liabilities	\$ 83,618	\$ -
Assets acquired through capital leases	\$ -	\$ 21,521

See accompanying notes to the financial statements.

Girl Scouts of Northern California

Notes to the Financial Statements

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 25,000 girl and 21,000 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 the Financial Statements

- ***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 the use of management and the Board of Directors for general operations. The Board of Directors has designated \$9,300,313 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 and do not expire by the passage of time or by actions of The Council.

c. Revenue Recognition

Product sales are earned when a purchase is made. Related program expenses include reward card incentives to girls net of estimated forfeited amounts. Rental income and program fees are recognized as revenue during the period the rent is for or the program occurs.

Girl Scouts of Northern California

Notes to the Financial Statements

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.

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, 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, 2022 and 2021, in-kind donations were approximately \$162,000 and \$238,000, including professional services received of approximately \$120,000 and \$40,000, respectively. The Council did not record the value of donated facilities as of September 30, 2022, 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.

Girl Scouts of Northern California

Notes to the Financial Statements

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.

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.

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. Allocation of Functional Expense

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 the Financial Statements

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 a similar provision under the California Revenue and Taxation 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 and Reclassification

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, 2021, from which the summarized information is derived.

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 presentation. These reclassifications had no impact on net assets or changes in net assets.

o. Recent Accounting Pronouncements

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.

p. Subsequent Events

The Council has evaluated subsequent events through January 25, 2023, 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.

Girl Scouts of Northern California

Notes to the Financial Statements

Note 2 - Investments:

The following table summarizes The Council's investments at fair value as of September 30, 2022. All investments were deemed Level 1.

Money Market Funds	\$ 14,947,290
Bond Mutual Funds	7,567
Equity Mutual Funds	5,022,141
Fixed Income Mutual Funds	3,711,073
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Total	\$ 23,688,071

The following table summarizes The Council's investments at fair value as of September 30, 2021. All investments were 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
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Total	\$ 19,536,505

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

	2022	2021
Net realized and unrealized (loss) gain	\$ (2,636,915)	\$ 1,260,632
Interest and dividends	717,171	495,770
Investment management fees	(26,773)	
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Total	\$ (1,946,517)	\$ 1,756,402

The Council considered \$14,661,529 of its investments available for short-term purposes as of September 30, 2022.

Girl Scouts of Northern California

Notes to the Financial Statements

Note 3 - Pledges Receivable:

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

	2022	2021
Less than one year	\$ 220,115	\$ 206,785
One to five years	46,800	500
Total pledge receivables	266,915	207,285
Less unamortized discount and allowance for uncollectible pledges	(2,800)	(5,821)
Total pledge receivables, net	\$ 264,115	\$ 201,464

Note 4 - Property and Equipment:

Property and equipment consisted of the following at September 30:

	2022	2021
Land	\$ 1,810,660	\$ 1,810,660
Building and improvements	23,504,567	23,106,484
Leasehold improvements	115,946	115,946
Equipment	857,293	750,357
Furniture and fixtures	800,275	802,527
Vehicles	736,887	644,887
Software	25,373	60,066
Construction in progress	851,062	562,966
	28,702,063	27,853,893
Less accumulated depreciation and amortization	(16,734,075)	(15,980,184)
Total property and equipment, net	\$ 11,967,988	\$ 11,873,709

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. The Council's PPP loans of \$2,000,000 and \$2,157,291 were forgiven in June 2022 and June 2021, respectively.

Girl Scouts of Northern California

Notes to the 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, 2023 to May 31, 2023). Advances on the line of credit bear annual interest at the prime rate, but not less than 5%. The line of credit expires November 10, 2023. The line is secured by The Council's accounts receivable, inventory, and equipment. At September 30, 2022 and 2021, 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, 2022 and 2021, 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 ended September 30, 2022 and 2021, was approximately \$573,000 and \$593,000. Monthly rental payments increase annually on the anniversary of the lease 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
2023	\$ 453,198	\$ 10,611	\$ 463,809
2024	2,251	6,176	8,427
Total	\$ 455,449	\$ 16,787	\$ 472,236

Capital lease payments include \$657 of interest.

Cookie purchase

In December 2022, The Council entered into a firm order commitment to purchase approximately \$3.8 million in cookies in 2023.

Girl Scouts of Northern California

Notes to the Financial Statements

Note 7 - Program Related Sales:

Program related sales were detailed as follows for the years ended September 30, 2022 and 2021. The gross revenue and direct expenses of the program related product sales and merchandise were as follows:

	2022			
	<u>Merchandise</u>	<u>Cookie Sales</u>	<u>Fall Sale</u>	<u>Total</u>
Gross revenue	\$ 753,329	\$ 23,232,958	\$ 1,496,434	\$ 25,482,721
Cost of goods sold	(344,999)	(4,572,427)	(585,744)	(5,503,170)
Revenue retained by troops		(3,179,560)	(297,345)	(3,476,905)
Program sales, net	\$ 408,330	\$ 15,480,971	\$ 613,345	\$ 16,502,646

	2021			
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)
Program sales, net	\$ 309,162	\$ 8,590,334	\$ 522,083	\$ 9,421,579

Note 8 - Net Assets With Donor Restrictions:

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

	2022	2021
Property improvements	\$ 3,421,542	\$ 3,028,081
Restricted programs	1,313,540	1,453,038
Time restrictions	61,500	3,479
Endowment earnings	253,025	624,638
Endowment investments	887,903	887,310
Land-Camp Bothin/Arequipa	276,970	276,970
	\$ 6,214,480	\$ 6,273,516

Girl Scouts of Northern California

Notes to the Financial Statements

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

	2022	2021
Property improvements	\$ 371,542	\$ 594,531
Restricted programs	828,219	750,116
Time restrictions	500	800
Endowment appropriation	46,406	7,927
	<hr/>	<hr/>
	\$ 1,246,667	\$ 1,353,374

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 the 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 of 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, 2021 and 2022:

	With Donor Restrictions		Total
	Time and Purpose	Restricted in Perpetuity	
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
Investment income (loss)	(325,207)	593	(324,614)
Appropriation of endowment assets for expenditure	(46,406)		(46,406)
Endowment net assets at September 30, 2022	\$ 253,025	\$ 887,903	\$ 1,140,928

Note 10 - Related Party Transactions:

The Council is a chartered member of Girls Scouts of the USA (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 2022 and 2021 was \$279,623 and \$54,379, respectively, or 80% and 52% of total purchases, respectively.

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GSUSA made contributions of \$76,833 and \$31,219 to The Council in fiscal years 2022 and 2021, respectively. In 2022 and 2021, GSUSA also provided other incentive payments, included in miscellaneous income, totaling \$160,854 and \$162,486, 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, 2022 and 2021. These contributions approximated 3% of total contributions to NGSCR during each of the fiscal years ended September 2022 and 2021.

Net Plan assets grew during the year and are greater than the actuarial present value of the accumulated Plan benefits as of January 1, 2022. 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 2021 and 2022 were \$32.7 million and \$32.2 million, respectively. Aggregate contributions to be made in fiscal 2023 are expected to be \$27.6 million.

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, 2022 and 2021, The Council matched salary deferrals by employees up to 3% of salary.

Payments to the plan for the years ended September 30, 2022 and 2021 totaled \$217,613 and \$192,882, respectively.

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Notes to the Financial Statements

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, 2022, and 2021, 37% and 19% of pledges receivable, respectively, were from one donor.

The majority of contributions consist of donations from individuals and foundations. Approximately 70% of contribution revenue is comprised of funds from one donor for the year ended September 30, 2022.

Note 13 - Availability and Liquidity:

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

	2022	2021
Financial assets:		
Cash	\$ 6,807,745	\$ 7,446,084
Investments	23,688,071	19,536,505
Receivables	585,047	375,881
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Total	31,080,863	27,358,470
Less amounts not available to be used within one year:		
Board-designated reserves	(9,300,313)	(9,477,779)
Net assets with donor restrictions	(6,155,980)	(6,273,516)
Add back net assets expected to be released within one year	1,020,000	1,033,425
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Financial assets available to meet general expenditures within one year	\$ 16,644,570	\$ 12,640,600

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).

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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 an 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 \$1,800,000 to \$2,700,000 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.