

**GIRL SCOUTS OF NORTHERN CALIFORNIA**

**SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT AND  
FINANCIAL STATEMENTS

# **Girl Scouts of Northern California**

## **Independent Auditors' Report and Financial Statements**

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## 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, 2023, 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, 2023 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Francisco, California  
January 31, 2024

# Girl Scouts of Northern California

## Statement of Financial Position

<i>September 30, 2023 (with comparative totals for 2022)</i>	2023	2022
<b>Assets:</b>		
Cash and cash equivalents	\$ 5,127,524	\$ 6,807,745
Investments	29,062,347	23,688,071
Pledges receivable, net	348,227	264,115
Accounts receivable, net	386,389	320,932
Inventory, prepaid expenses and other assets	807,311	808,226
Operating right-of-use lease asset	3,765,088	
Property and equipment, net	13,086,341	11,967,988
<b>Total assets</b>	<b>\$ 52,583,227</b>	<b>\$ 43,857,077</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,623,425	\$ 2,047,724
Custodial funds	496,004	405,242
Deferred revenue	371,423	401,234
Operating lease liability	3,868,403	
Other liabilities	1,588,994	1,130,308
<b>Total liabilities</b>	<b>8,948,249</b>	<b>3,984,508</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Board designated for reserves	10,088,537	9,300,313
Net investment in property and equipment	12,803,329	11,674,888
Undesignated	14,379,883	12,682,888
<b>Total net assets without donor restrictions</b>	<b>37,271,749</b>	<b>33,658,089</b>
<b>With donor restrictions</b>	<b>6,363,229</b>	<b>6,214,480</b>
<b>Total net assets</b>	<b>43,634,978</b>	<b>39,872,569</b>
<b>Total liabilities and net assets</b>	<b>\$ 52,583,227</b>	<b>\$ 43,857,077</b>

See accompanying notes to the financial statements.

# Girl Scouts of Northern California

## Statement of Activities and Changes in Net Assets

Year ended September 30, 2023 (with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support and Revenue:</b>				
Contributions and grants	\$ 1,607,106	\$ 1,230,213	\$ 2,837,319	\$ 6,985,492
Program sales, net of direct costs (Note 7)	16,227,927		16,227,927	16,502,646
Program event fees (net of financial assistance \$352,391 for 2023)	1,909,698		1,909,698	1,511,783
Investment (loss) income, net of investment expenses	1,329,320	173,409	1,502,729	(1,946,517)
Loan forgiveness			-	2,000,000
Employee Retention Tax Credit	2,892,736		2,892,736	-
Miscellaneous income	75,263		75,263	195,087
Rental income	497,418		497,418	466,355
Loss on disposal of property and equipment	(35,727)		(35,727)	(1,085)
Net assets released from restrictions	1,254,873	(1,254,873)	-	-
	25,758,614	148,749	25,907,363	25,713,761
<b>Operating Expenses:</b>				
Program services	17,674,546		17,674,546	16,112,169
Management and general	3,379,549		3,379,549	3,060,602
Fundraising	1,090,859		1,090,859	1,074,089
Total operating expenses	22,144,954	-	22,144,954	20,246,860
<b>Change in Net Assets</b>	3,613,660	148,749	3,762,409	5,466,901
<b>Net Assets, beginning of year</b>	33,658,089	6,214,480	39,872,569	34,405,668
<b>Net Assets, end of year</b>	\$ 37,271,749	\$ 6,363,229	\$ 43,634,978	\$ 39,872,569

See accompanying notes to the financial statements.

# Girl Scouts of Northern California

## Statement of Functional Expense

Year ended September 30, 2023 (with comparative totals for 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total Expenses	Total
<b>Expenses:</b>					
Salaries	\$ 7,637,614	\$ 1,388,390	\$ 614,610	\$ 9,640,614	\$ 9,103,674
Benefits	1,625,000	400,170	127,254	2,152,424	2,242,886
Payroll taxes	530,253	103,276	46,164	679,693	643,784
Total payroll expenses	9,792,867	1,891,836	788,028	12,472,731	11,990,344
Workers' compensation insurance	141,934	28,947	12,135	183,016	143,717
Telephone and postage	248,613	43,410	20,106	312,129	292,850
Outside services	1,319,027	953,989	50,257	2,323,273	1,451,071
Supplies	1,776,738	18,603	4,342	1,799,683	1,666,497
Occupancy	1,408,033	221,322	102,928	1,732,283	1,418,723
Equipment expense	170,044	74,748	26,813	271,605	329,620
Advertising and printing	201,863	19,482	20,883	242,228	170,959
Transportation	450,646	29,905	1,761	482,312	363,098
Insurance	469,718	14,119	5,357	489,194	720,981
Other expenses	844,418	73,583	54,605	972,606	845,722
Depreciation and amortization expense	850,645	9,605	3,644	863,894	853,278
Total operating expenses	17,674,546	3,379,549	1,090,859	22,144,954	20,246,860
Program cost of sales	6,425,641			6,425,641	5,503,170
Total expenses	\$ 24,100,187	\$ 3,379,549	\$ 1,090,859	\$ 28,570,595	\$ 25,750,030

See accompanying notes to the financial statements.

# Girl Scouts of Northern California

## Statement of Cash Flows

<i>Year ended September 30, 2023 (with comparative totals for 2022)</i>	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 3,762,409	\$ 5,466,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-lived assets	(186,285)	(830,322)
Depreciation and amortization	863,894	853,278
Right-of-use lease asset	23,259	
Net realized and unrealized loss (gain) on investments	(537,356)	2,636,915
Loss on disposal of equipment	35,727	1,085
Loan forgiveness		(2,000,000)
Change in operating assets and liabilities:		
Accounts and pledges receivable	(85,563)	(209,166)
Inventory, prepaid expenses and other assets	915	(18,343)
Accounts payable and accrued expenses	193,446	(10,146)
Custodial funds	90,762	219,092
Deferred revenue	(29,811)	89,851
Net cash provided by operating activities	4,131,397	6,199,145
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(1,619,668)	(865,024)
Purchases of investments	(21,719,776)	(29,281,739)
Proceeds from sale of investments	16,882,856	22,493,258
Net cash used in investing activities	(6,456,588)	(7,653,505)
<b>Cash Flows from Financing Activities:</b>		
Contributions restricted for long-lived assets	186,285	830,322
Insurance advances	468,773	905
Payments on finance lease obligations	(10,088)	(15,206)
Net cash provided by financing activities	644,970	816,021
<b>Change in Cash and Cash Equivalents</b>	<b>(1,680,221)</b>	<b>(638,339)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>6,807,745</b>	<b>7,446,084</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,127,524</b>	<b>\$ 6,807,745</b>
<b>Supplemental Disclosures:</b>		
Cash paid for interest	\$ 524	\$ 1,147
<b>Noncash Investing Activities:</b>		
Property and equipment purchases included in accounts payable and accrued liabilities	\$ 481,924	\$ 83,618
Assets acquired through operating right-of-use lease liabilities	\$ 3,852,352	

See accompanying notes to the financial statements.



# Girl Scouts of Northern California

## Notes to the 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 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

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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 the use of management and the Board of Directors for general operations. The Board of Directors has designated \$10,088,535 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

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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 financial statements because the criteria for recognition have not been satisfied.

During the years ended September 30, 2023 and 2022, in-kind donations were approximately \$7,000 and \$162,000, including professional services received of approximately \$6,000 and \$120,000, respectively. The Council did not record the value of donated facilities as of September 30, 2023, 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 and changes in net assets, net of related investment expenses.

# Girl Scouts of Northern California

## Notes to the Financial Statements

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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

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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 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 Reclassifications

The financial statements include certain comparative information for which the prior year's 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, 2022, from which the summarized information is derived.

Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation. These reclassifications had no impact on net assets or change in net assets.

o. Leases

The Council determines whether an arrangement is or includes a lease and categorizes leases as either operating or capital leases at their commencement. The Council has both operating and finance leases. Operating right-of-use lease assets represent the Council's right to use an underlying asset during the lease term and operating lease liabilities represent the Council's obligation to make payments arising from the lease. Operating leases are recorded in right-of-use operating lease assets and lease liabilities.

# Girl Scouts of Northern California

## Notes to the Financial Statements

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Operating right-of-use lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The discount rate used to derive the present value is based on the rate implicit in the lease or, in absence of a rate implicit in the lease, a risk-free rate which is aligned with the lease term at the lease commencement date. Renewal periods are included in calculating the right-of-use assets and liabilities when they are reasonably certain of exercise. Lease expense for minimum payments is recognized on a straight-line basis over the lease term. The Council made an accounting policy election not to recognize lease assets and liabilities for leases with a term of 12 months or less.

p. Recent Accounting Pronouncements

*Adopted*

As of October 1, 2022, the Council adopted FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* which requires lessees to recognize leases on the Statements of Financial Position and disclose key information about leasing arrangements. The Council elected not to restate the comparative period (2022). It also elected at adoption not to reassess (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.

As a result of implementing ASU No. 2016-02, the Council recognized at the commencement of its office lease (a) an operating lease liability of \$3,852,352 which represents the present value of the remaining lease payments, discounted using risk-free rate, and (b) an operating lease right-of-use asset of \$3,788,437.

q. Subsequent Events

The Council has evaluated subsequent events through January 31, 2024, 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, 2023. All investments were deemed Level 1.

Money Market Funds	\$ 17,725,009
Equity Mutual Funds	6,577,146
Fixed Income Mutual Funds	4,760,192
<hr/>	
Total	\$ 29,062,347

# Girl Scouts of Northern California

## Notes to the Financial Statements

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
<b>Total</b>	<b>\$ 23,688,071</b>

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

	2023	2022
Net realized and unrealized (loss) gain	\$ 537,356	\$ (2,636,915)
Interest and dividends	988,856	717,171
Investment management fees	(23,483)	(26,773)
<b>Total</b>	<b>\$ 1,502,729</b>	<b>\$ (1,946,517)</b>

The Council considered \$17,575,032 of its investments available for short-term purposes as of September 30, 2023.

### Note 3 - Pledges Receivable:

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

	2023	2022
Less than one year	\$ 263,127	\$ 220,115
One to five years	85,100	46,800
<b>Total pledge receivables</b>	<b>348,227</b>	<b>266,915</b>
Less unamortized discount and allowance for uncollectible pledges		(2,800)
<b>Total pledge receivables, net</b>	<b>\$ 348,227</b>	<b>\$ 264,115</b>

# Girl Scouts of Northern California

## Notes to the Financial Statements

### Note 4 - Property and Equipment:

Property and equipment consisted of the following at September 30:

	2023	2022
Land	\$ 1,810,660	\$ 1,810,660
Building and improvements	23,380,310	23,504,567
Leasehold improvements		115,946
Equipment	634,997	857,293
Furniture and fixtures	698,273	800,275
Vehicles	748,974	736,887
Software		25,373
Construction in progress	2,118,796	851,062
	29,392,010	28,702,063
Less accumulated depreciation and amortization	(16,305,669)	(16,734,075)
Total property and equipment, net	\$ 13,086,341	\$ 11,967,988

### Note 5 - Commitments:

#### Line of Credit

The Council has a \$2,000,000 line of credit with Wells Fargo Bank (\$4,000,000 from February 1 to May 31). Advances on the line of credit bear annual interest at the prime rate, but not less than 5%. The line of credit expires February 15, 2024. The line is secured by The Council's accounts receivable, inventory, and equipment. At September 30, 2023 and 2022, 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, 2023 and 2022, The Council was in compliance with these requirements.

#### Cookie purchase

In November 2023, The Council entered into a firm order commitment to purchase approximately \$3.9 million in cookies in 2024.

### Note 6 - Leases:

The Council entered into an operating right-of-use lease agreement for office space which commenced on September 1, 2023. The Council also leases equipment under a finance lease.



# Girl Scouts of Northern California

## Notes to the Financial Statements

Total lease costs under the above operating lease was approximately \$39,311 for the year ended September 30, 2023. Rent expense for the prior office space was \$714,000 for the year ended September 30, 2023.

The future minimum lease payments under the above leases were as follows:

Year Ending September 30,	Operating	Finance	Total
2024	\$ 111,189	\$ 6,176	\$ 117,365
2025	454,699		454,699
2026	468,340		468,340
2027	482,390		482,390
2028	496,862		496,862
Thereafter	3,160,894		3,160,894
Total lease payments	5,174,374	6,176	5,180,550
Less imputed interest	(1,305,971)	(134)	(1,306,105)
Present value of lease liability	\$ 3,868,403	\$ 6,042	\$ 3,874,445

As of September 30, 2023, the remaining operating lease term was 10 years and the discount rate at present value was 5%.

Total rent expense for office space was \$573,000 for the year ended September 30, 2022. The Council also had a finance lease commitment of \$16,787 at September 30, 2022.

### Note 7 - Program-Related Sales:

Program-related sales were detailed as follows for the years ended September 30, 2023 and 2022. The gross revenue and direct expenses of the program related product sales and merchandise were as follows:

	2023			
	<u>Merchandise</u>	<u>Cookie Sales</u>	<u>Fall Sale</u>	<u>Total</u>
Gross revenue	\$ 758,742	\$ 24,344,131	\$ 1,638,465	\$ 26,741,338
Cost of goods sold	(368,659)	(5,361,369)	(695,613)	(6,425,641)
Revenue retained by troops		(3,761,330)	(326,440)	(4,087,770)
Program sales, net	\$ 390,083	\$ 15,221,432	\$ 616,412	\$ 16,227,927

# Girl Scouts of Northern California

## Notes to the Financial Statements

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

### 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:

	2023	2022
Property improvements	\$ 3,561,993	\$ 3,421,542
Restricted programs	1,216,477	1,313,540
Time restrictions	46,800	61,500
Endowment earnings	372,399	253,025
Endowment investments	888,590	887,903
Land-Camp Bothin/Arequipa	276,970	276,970
	<u>\$ 6,363,229</u>	<u>\$ 6,214,480</u>

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:

	2023	2022
Property improvements	\$ 154,337	\$ 371,542
Restricted programs	1,032,489	828,219
Time restrictions	14,700	500
Endowment appropriation	53,347	46,406
	<u>\$ 1,254,873</u>	<u>\$ 1,246,667</u>

# Girl Scouts of Northern California

## Notes to the Financial Statements

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### 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.

#### *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.

# Girl Scouts of Northern California

## Notes to the Financial Statements

Changes in donor-restricted endowment net assets were as follows for the fiscal years ended September 30, 2022 and 2023:

	With Donor Restrictions		
	Time and Purpose	Restricted in Perpetuity	Total
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
Investment income	172,721	687	173,408
Appropriation of endowment assets for expenditure	(53,347)		(53,347)
Endowment net assets at September 30, 2023	\$ 372,399	\$ 888,590	\$ 1,260,989

### 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 2023 and 2022 was \$276,286 and \$279,623, respectively, or 75% and 80% of total purchases, respectively.

GSUSA made contributions of \$42,489 and \$76,833 to The Council in fiscal years 2023 and 2022, respectively. In 2023 and 2022, GSUSA also provided other incentive payments, included in miscellaneous income, totaling \$43,013 and \$160,854, respectively.

# Girl Scouts of Northern California

## Notes to the Financial Statements

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### 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 \$831,792 and \$966,720 during the fiscal years ended September 30, 2023 and 2022, respectively. These contributions approximated 3% of total contributions to NGSCR during each of the fiscal years ended September 2023 and 2022.

Net Plan assets declined during the year and are less than the actuarial present value of the accumulated Plan benefits as of January 1, 2023. 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 2022 and 2023 were \$32.2 million and \$27.5 million, respectively. Aggregate contributions to be made in fiscal 2024 are expected to be \$26 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, 2023 and 2022, The Council matched salary deferrals by employees up to 3% of salary.

Payments to the plan for the years ended September 30, 2023 and 2022 totaled \$216,707 and \$217,613, respectively.

# Girl Scouts of Northern California

## Notes to the Financial Statements

### Note 12 - Concentration of Credit Risk:

The Council has identified its financial instruments which are potentially subject to credit 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, 2023, and 2022, 63% and 37% of pledges receivable, respectively, were from one donor.

The majority of contributions consist of donations from individuals and foundations. Approximately 36% of contribution revenue is comprised of funds from one donor for the year ended September 30, 2023.

### Note 13 - Availability and Liquidity:

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

	2023	2022
Financial assets:		
Cash	\$ 5,127,524	\$ 6,807,745
Investments	29,062,347	23,688,071
Receivables	734,616	585,047
Total	34,924,487	31,080,863
Less amounts not available to be used within one year:		
Board-designated reserves	(10,088,535)	(9,300,313)
Net assets with donor restrictions	(6,363,229)	(6,214,480)
Add back net assets expected to be released within one year	953,000	1,020,000
Financial assets available to meet general expenditures within one year	\$ 19,425,723	\$ 16,586,070

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 5).

# Girl Scouts of Northern California

## Notes to the Financial Statements

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### **Note 14 - Coronavirus Relief:**

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.

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 a PPP loan in the amount of \$2,000,000 during the year ended September 30, 2022, which was forgiven in June 2022. The Council received Employee Retention Tax Credits of \$2,892,736 in the year ended September 30, 2023 under the CARES Act, which have been recognized in the accompanying statement of activities and changes in net assets.