

**Girl Scouts of Greater Los Angeles**

**Financial Statements and  
Independent Auditor's Report**

**September 30, 2020**

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# Girl Scouts of Greater Los Angeles

## Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

## Independent Auditor's Report

To the Board of Directors  
Girl Scouts of Greater Los Angeles

We have audited the accompanying financial statements of Girl Scouts of Greater Los Angeles, which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses 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.

### *Auditor's 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 Girl Scouts of Greater Los Angeles as of September 30, 2020, 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 Girl Scouts of Greater Los Angeles's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Los Angeles, California  
January 28, 2021

**Girl Scouts of Greater Los Angeles**

**Statement of Financial Position**

**September 30, 2020**

**With Summarized Totals at September 30, 2019**

Assets

	2020	2019
Current assets		
Cash and cash equivalents	\$ 1,758,263	\$ 4,201,262
Short-term investments	11,002,772	5,230,309
Accounts and pledges receivable, current portion, net	851,495	488,526
Inventory	409,700	445,671
Prepaid expenses and other	512,616	544,672
Total current assets	14,534,846	10,910,440
Accounts and pledges receivable, net of current portion	62,283	111,706
Investments	11,058,803	10,472,096
Property and equipment, net	29,446,662	20,929,212
Total	\$ 55,102,594	\$ 42,423,454

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 1,383,390	\$ 2,046,424
Accrued expenses	2,700,065	2,183,603
Custodial funds, held for others	112,633	102,439
Deferred revenue	11,855	20,974
Note payable, PPP loan	1,923,000	-
Note payable, current portion	411,004	-
Capital lease obligations, current portion	9,007	41,247
Total current liabilities	6,550,954	4,394,687
Deferred rent	207,969	54,627
Note payable, net of current portion	7,588,996	-
Capital lease obligations, net of current portion	3,346	10,661
Total liabilities	14,351,265	4,459,975
Commitments and contingencies		
Net assets		
Without donor restrictions		
Undesignated	39,702,254	31,857,374
Board-designated	-	5,230,309
Total without donor restrictions	39,702,254	37,087,683
With donor restrictions	1,049,075	875,796
Total net assets	40,751,329	37,963,479
Total	\$ 55,102,594	\$ 42,423,454

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Activities  
Year Ended September 30, 2020  
With Summarized Totals for the Year Ended September 30, 2019**

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Total
Revenues and support				
Public support	\$ 1,557,698	\$ 186,192	\$ 1,743,890	\$ 1,717,710
Product sales, net of direct costs	19,144,570	-	19,144,570	18,595,781
Merchandise sales, net of direct costs	498,201	-	498,201	619,132
Program fees	284,402	-	284,402	1,718,128
Property and equipment use fees	25,021	-	25,021	88,560
Interest and dividends, net of fees	267,907	8,689	276,596	398,851
Realized and unrealized gain (loss) on investments, net	350,463	-	350,463	(44,537)
Gain (loss) on disposal of property and equipment	(10,126)	-	(10,126)	(11,262)
Other income	105,083	-	105,083	78,862
Net assets released from restriction	21,602	(21,602)	-	-
Total revenues and support	22,244,821	173,279	22,418,100	23,161,225
Expenses				
Program expenses	16,424,445	-	16,424,445	18,598,766
Management and general expenses	2,348,348	-	2,348,348	3,255,833
Fundraising expenses	857,457	-	857,457	869,263
Total expenses	19,630,250	-	19,630,250	22,723,862
Change in net assets	2,614,571	173,279	2,787,850	437,363
Net assets, beginning	37,087,683	875,796	37,963,479	37,526,116
Net assets, end	\$ 39,702,254	\$ 1,049,075	\$ 40,751,329	\$ 37,963,479

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Functional Expenses**

**Year Ended September 30, 2020**

**With Summarized Totals for the Year Ended September 30, 2019**

	2020				2019
	Program	Management and general	Fundraising	Total	Total
Personnel	\$ 10,581,405	\$ 1,542,804	\$ 563,327	\$ 12,687,536	\$ 12,779,535
Assistance and grants	318,197	-	-	318,197	537,759
Equipment	246,856	35,993	13,142	295,991	316,557
Insurance	283,156	41,285	15,075	339,516	305,187
Occupancy	1,232,808	179,748	65,632	1,478,188	1,800,620
Other expense	324,496	47,313	17,275	389,084	908,639
Printing and promotion	297,040	43,310	15,814	356,164	841,729
Professional services and fees	633,989	92,438	33,752	760,179	1,513,476
Supplies and recognitions	1,324,612	193,133	70,519	1,588,264	2,250,155
Telecommunications	242,394	35,342	12,904	290,640	250,755
Travel	142,071	20,715	7,564	170,350	322,320
Depreciation and amortization	797,421	116,267	42,453	956,141	897,130
Total	<u>\$ 16,424,445</u>	<u>\$ 2,348,348</u>	<u>\$ 857,457</u>	<u>\$ 19,630,250</u>	<u>\$ 22,723,862</u>
Percent of total expenses	83.6%	12.0%	4.4%	100.0%	

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Cash Flows**  
**Year Ended September 30, 2020**  
**With Summarized Totals for the Year Ended September 30, 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 2,787,850	\$ 437,363
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	956,141	897,130
Bad debt expense	-	10,723
Net realized and unrealized (gain) loss on investments	(350,463)	44,537
(Gain) loss on disposal of property and equipment	10,126	11,262
Deferred rent	153,342	(202,934)
Changes in operating assets and liabilities		
Accounts and pledges receivable	(313,546)	(315,277)
Inventory	35,971	(28,531)
Prepaid expenses and other	32,056	(106,350)
Accounts payable	(70,395)	47,596
Accrued expenses	255,176	658,145
Custodial funds, held for others	10,194	14,355
Deferred revenue	(9,119)	(37,925)
Net cash provided by operating activities	<u>3,497,333</u>	<u>1,430,094</u>
Cash flows from investing activities		
Purchases of investments	(21,306,360)	(13,855,079)
Proceeds from sale of investments	15,297,653	15,472,813
Acquisition of property and equipment	<u>(9,815,070)</u>	<u>(5,895,356)</u>
Net cash used in investing activities	<u>(15,823,777)</u>	<u>(4,277,622)</u>
Cash flows from financing activities		
Proceeds from notes payable	8,000,000	-
Proceeds from PPP loan	1,923,000	-
Principal payments on capital lease obligations	<u>(39,555)</u>	<u>(74,022)</u>
Net cash provided by (used in) financing activities	<u>9,883,445</u>	<u>(74,022)</u>
Net decrease in cash and cash equivalents	(2,442,999)	(2,921,550)
Cash and cash equivalents, beginning	<u>4,201,262</u>	<u>7,122,812</u>
Cash and cash equivalents, end	<u>\$ 1,758,263</u>	<u>\$ 4,201,262</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	<u>\$ 159,503</u>	<u>\$ 11,641</u>
Property and equipment costs included in accounts payable and accrued expenses	<u>\$ 1,432,622</u>	<u>\$ 1,763,975</u>

See Notes to Financial Statements.



**Girl Scouts of Greater Los Angeles**  
**Notes to Financial Statements**  
**September 30, 2020**  
**With Summarized Totals at September 30, 2019**

**Note 1 - Business activity and summary of significant accounting policies**

**Business activity**

Established in Los Angeles in 1958, today's Girl Scouts of Greater Los Angeles ("GSGLA" or the "Council") is the largest girl-serving nonprofit in Southern California, empowering more than 44,000 girls in partnership with almost 21,000 adult members and volunteers throughout the diverse communities of Los Angeles County and parts of Kern, San Bernardino, and Ventura counties. Girl Scouts prepares girls for a lifetime of leadership through research-based programs that teach her to discover who she is and what she cares about, connect with others locally and globally to expand her horizons, and take action to create lasting change for her world. GSGLA harnesses the potential of girls, combines it with robust skill-building programming, and adds caring adult mentors and strong female role models.

Girl Scouts' mission is to build girls of courage, confidence, and character, who make the world a better place. GSGLA does this by providing one-of-a-kind access to experiences, connections, and spaces that help today's girls grow into tomorrow's leaders.

Sixty percent of girls throughout Greater Los Angeles live in low-income, under-resourced communities. Driven by our desire to make an impact in more girls' lives, GSGLA contributes significant resources to bringing the Girl Scout Leadership Experience to underserved communities. Since 2016, the number of girls participating in GSGLA from low-income zip codes has increased from 10,000 to nearly 17,000, comprising 38 percent of our total membership.

Girl Scouts' K-12 model builds upon progressive experiences that get more dynamic and hands-on as girls advance. Experiences are focused on Entrepreneurship, Life Skills, the Outdoors, and STE(A)M. Regardless of the area girls explore, everything Girl Scouts does is steeped in innovation, self-empowerment, leadership development, civic engagement, and creativity. The activities blend critical life-skill development with fun, hands-on programs that keep girls engaged. Every Girl Scout program is designed to give girls the opportunity to:

- Discover life skills and a positive sense of self;
- Connect with others in a multicultural environment; and
- Take action to make the world a better place.

National research tells us that when girls are given the chance to engage in the girl-led, cooperative, and hands-on activities of Girl Scouts, they outperform their non-Girl Scout peers. By providing an all-girl environment with supportive adults, we create a space where girls can try new things, learn new skills, overcome fear of failure, become resilient problem-solvers, build self-esteem, and, ultimately, thrive. The outcomes are powerful. Girl Scouts are more likely than non-Girl Scouts to:

- Have a strong sense of self and positive values;
- Seek challenges and learn from setbacks;
- Develop and maintain healthy relationships;
- And exhibit community problem-solving skills.

## **Girl Scouts of Greater Los Angeles**

### **Notes to Financial Statements**

**September 30, 2020**

**With Summarized Totals at September 30, 2019**

The Girl Scout Gold Award is the highest honor a girl can achieve through the Girl Scout Leadership Experience. Through a multi-year process, including providing more than 80 hours of community service and advocacy, our older girls don't just change the world for the better, they change it for good by tackling issues that drive lasting change in their communities and beyond. GSGLA recognizes over 300 Gold Awardees annually through a pinning ceremony and the Gold Gala, which also raises public awareness and financial support so that we can continue to reach more girls throughout Los Angeles.

#### **Basis of accounting**

The financial statements of GSGLA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### **Financial statement presentation**

The Council is required to report information regarding its financial position and activities according to two classes of net assets; without donor restrictions and with donor restrictions, which are described as follows:

*Net Assets Without Donor Restrictions - Undesignated* - Net assets that are not subject to explicit donor-imposed stipulations. Undesignated net assets without donor restrictions may be designated for specific purposes by action of the Board.

*Net Assets Without Donor Restrictions - Board-designated* - Net assets that are not subject to explicit donor-imposed stipulations. At September 30, 2020, there are no board-designated net assets. At September 30, 2019, the Council's Board has designated \$5,230,309 for the Camp Lakota capital project.

*Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or by the fulfillment of the stipulated purpose, or the occurrence of other events.

#### **Contributions**

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. Contributions with a donor-imposed time restriction or purpose restriction, which limit the use of the donated assets, are reported as contributions with donor restrictions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as contributions with donor restrictions in perpetuity. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

## **Girl Scouts of Greater Los Angeles**

### **Notes to Financial Statements**

**September 30, 2020**

**With Summarized Totals at September 30, 2019**

Unconditional promises to give with payments due in future periods are reported as net assets with donor restrictions, when the promises are received. Gifts of land, buildings and equipment are reported as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return are not recognized until the conditions on which they depend have been substantially met. As of September 30, 2020, the Council did not have any conditional contributions.

#### **Cash and cash equivalents**

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

#### **Accounts and pledges receivable**

Accounts and pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on those pledges receivable due in greater than one year using a discount rate of 1%. 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 to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

#### **Inventory**

Purchased supplies and merchandise inventories are stated at the lower of cost, using the average cost method, or market. No reserve for obsolescence was deemed necessary.

#### **Investments**

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

#### **Property and equipment**

Property and equipment are stated at cost if purchased or fair value on the date of donation less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from 3 to 30 years. Construction in progress is stated at cost and depreciation will commence when the assets are placed in service. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Expenditures for 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.

#### **Long-lived assets**

Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Council periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. No impairments were recorded during the year ended September 30, 2020.

## **Girl Scouts of Greater Los Angeles**

### **Notes to Financial Statements**

**September 30, 2020**

**With Summarized Totals at September 30, 2019**

#### **Fair value of financial instruments**

The Council's financial instruments consist of cash and cash equivalents, short-term receivables, investments in securities and short-term and long-term payables. The carrying value for all such instruments, considering the terms, approximates fair value at September 30, 2020.

#### **Custodial funds**

Custodial funds consist primarily of membership fees collected that will be remitted to Girl Scouts of the USA ("GSUSA") and other fees collected for the future use of members.

#### **Merchandise sales and product sales**

Merchandise sales consist primarily of sales of Girl Scout-related equipment and supplies. Sales occur primarily at the Council's retail stores. Proceeds from merchandise sales help to defer the cost of maintaining the Council's retail stores as a service to members. Revenue is recognized at the time of the sale. Product sales consist of sales of nuts, magazines and cookies by troops. Product sales are net of proceeds to troops and costs of sales, and are recognized at the time of the sale.

#### **Program fees**

Program fees consist of payments for camp and other programmatic activities that are held for girls throughout the year. Girls develop their leadership potential through these activities that enable them to learn new skills, connect with others in a multicultural environment and take action to make a difference in their communities. Revenue from program fees is recorded at the time of the program or when earned.

Deferred revenue consists of revenue collected for events that have not yet occurred and property and equipment rental income for programs collected prior to the actual related rental period.

#### **Donated goods and services**

Donated goods are historically included in "public support" in the accompanying statement of activities at their estimated fair values at the date of receipt. Support arising from donated services is recognized if the services received require specialized skills, are provided by the individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions of \$72,720 were recorded for the year ended September 30, 2020, which are included in public support in the statement of activities.

A substantial number of volunteers have donated significant amounts of their time to GSGLA's program services and fundraising activities; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

#### **Girl Scout troop activity**

Cash held in troop and group accounts operate under GSGLA's federal identification number but not under its control. The Council has no signature authority over and will not access the funds as long as a troop or group is functioning according to Girl Scout policy and procedure. Individual troops and groups have the responsibility to use funds in their control for the purposes of Girl Scouting as determined by the members and adult volunteers. 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.

## **Girl Scouts of Greater Los Angeles**

### **Notes to Financial Statements**

**September 30, 2020**

**With Summarized Totals at September 30, 2019**

#### **Deferred rent**

The Council records rent expense under their operating leases on a straight-line basis over the lease terms. Deferred rent results from the difference between increasing monthly cash rent payments and the straight-line expense. In addition, the Council sometimes receives up-front tenant allowances upon entering certain lease agreements. Such allowances are recorded as a deferred rent liability in the accompanying statement of financial position, and amortized as a reduction to rent expense on a straight-line basis over the lease terms.

#### **Functional allocation of expenses**

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 based on time spent by personnel for the activities.

#### **Fair value measurements**

The Council values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

- Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:* Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

#### **Income taxes**

The Council is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of California. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Council has no unrecognized tax benefits at September 30, 2020. The Council's federal and state income tax returns prior to the 2017 and 2016 fiscal years, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Council recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with accrued expenses in the statement of financial position.

## **Girl Scouts of Greater Los Angeles**

### **Notes to Financial Statements**

**September 30, 2020**

**With Summarized Totals at September 30, 2019**

#### **Use of estimates**

The preparation of financial statements in conformity with 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.

#### **Comparative totals**

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

#### **Adoption of new accounting pronouncement**

The Council adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("*Topic 606*"). ASU 2014-09 provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Council expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues.

The Council's revenue for reporting periods ended after September 30, 2019 is presented under the new guidance, while financial results for prior periods will continue to be reported in accordance with the prior guidance and the Council's historical accounting policy. The Council has not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of variable consideration. The adoption of the new standard did not have a material impact on the Council's financial position, activities, net assets or cash flows as of the adoption date.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Council implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

#### **Subsequent events**

The Council has evaluated the impact of subsequent events through January 28, 2021, which is the date the financial statements were available to be issued.

# Girl Scouts of Greater Los Angeles

## Notes to Financial Statements

September 30, 2020

With Summarized Totals at September 30, 2019

### Note 2 - Liquidity and availability

The Council regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Council considers all expenditures related to its ongoing activities. The Council strives to operate with a balanced budget except where timely opportunities or critical issues warrant expenditures higher than revenues. In the event of an unanticipated liquidity need, the Council also could draw upon an available line of credit of \$4,000,000 (see Note 8). The Council has various sources of liquidity at its disposal, including cash and cash equivalents, accounts and pledges receivable, and investments.

The emergence of the coronavirus ("COVID-19") may impact the Council's liquidity (see Note 10). Management continues to regularly monitor liquidity and has reduced expenditures as a result of reduced revenue streams.

Financial assets in excess of daily cash requirements are invested in long-term fixed income securities, equities, and alternatives.

At September 30, 2020, the Council had the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$ 1,758,263
Accounts and pledges receivable, current portion, net	851,495
Short-term investments	<u>11,002,772</u>
	<u>\$ 13,612,530</u>

### Note 3 - Concentrations

Financial instruments that potentially subject the Council to concentrations of credit risk consist primarily of cash and cash equivalents at financial institutions. The Council maintains its cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Council's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Council's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

At September 30, 2020, approximately 58% of the Council's accounts and pledges receivable is due from two donors.

For the year ended September 30, 2020, approximately 90% of revenues and support was derived from net cookie and fall product programs. For the year ended September 30, 2020, one donor accounted for approximately 37% of the Council's contributions.

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2020  
With Summarized Totals at September 30, 2019**

**Note 4 - Accounts and pledges receivable**

At September 30, 2020 and 2019, accounts and pledges receivable consisted of the following:

	2020			2019
	Accounts receivable	Pledges receivable	Total	Total
Gross amount	\$ 208,905	\$ 706,533	\$ 915,438	\$ 606,784
Present value discount	-	(1,660)	(1,660)	(1,660)
Reserve for uncollectible amounts	-	-	-	(4,892)
Total	208,905	704,873	913,778	600,232
Less current portion	(208,905)	(642,590)	(851,495)	(488,526)
	<u>\$ -</u>	<u>\$ 62,283</u>	<u>\$ 62,283</u>	<u>\$ 111,706</u>

At September 30, 2020, gross undiscounted pledges receivable due in less than one year is \$642,590, gross undiscounted pledges receivable due in one to five years is \$63,943 and no amounts are due in more than five years. At September 30, 2020, the Council believes that all pledges receivable are collectible.

**Note 5 - Investments**

At September 30, 2020 and 2019, investments consisted of the following:

	2020	2019
Mutual funds		
Equities	\$ 2,677,358	\$ 1,981,924
Bonds	398,905	378,755
Corporate bonds	2,497,898	1,569,191
Treasury notes and bonds	11,192,348	6,601,805
Equities		
Domestic	4,842,343	4,713,318
International	211,015	204,368
Mid-Cap	-	-
Cash funds	223,097	234,433
Annuity	18,611	18,611
Total investments	22,061,575	15,702,405
Less short-term investments	11,002,772	5,230,309
Long-term investments	<u>\$ 11,058,803</u>	<u>\$ 10,472,096</u>



**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2020  
With Summarized Totals at September 30, 2019**

**Note 6 - Fair value measurements**

Financial assets carried at fair value at September 30, 2020 are classified in the table below in one of the three categories described in Note 1:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equities	\$ 2,677,358	\$ -	\$ -	\$ 2,677,358
Bonds	398,905	-	-	398,905
Corporate bonds	-	2,497,898	-	2,497,898
Treasury notes and bonds	-	11,192,348	-	11,192,348
Equities				
Domestic	4,842,343	-	-	4,842,343
International	211,015	-	-	211,015
Cash funds	223,097	-	-	223,097
Annuity	-	18,611	-	18,611
Total	<u>\$ 8,352,718</u>	<u>\$ 13,708,857</u>	<u>\$ -</u>	<u>\$ 22,061,575</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets, and are valued on a recurring basis. Financial assets valued using Level 2 inputs are based on the present value of expected cash flows. For the year ended September 30, 2020, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 7 - Property and equipment**

At September 30, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 7,579,308	\$ 7,562,523
Building and improvements, including leasehold improvements	12,171,979	12,109,699
Furniture, fixtures and equipment	1,550,853	1,410,279
Computer hardware and software	<u>602,660</u>	<u>553,578</u>
	21,904,800	21,636,079
Less accumulated depreciation and amortization	<u>(8,248,054)</u>	<u>(7,465,951)</u>
	13,656,746	14,170,128
Construction in progress	<u>15,789,916</u>	<u>6,759,084</u>
	<u>\$ 29,446,662</u>	<u>\$ 20,929,212</u>

Depreciation and amortization expense for the year ended September 30, 2020 was \$956,141.

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements

September 30, 2020

With Summarized Totals at September 30, 2019

At September 30, 2020, the Council had approximately \$15,100,000 of capitalized costs for the Camp Lakota capital project which is included in construction in progress. In October 2020, the Council received the notice of completion for the project and the project was placed into service November 1, 2020.

#### Note 8 - Line of credit

The Council has a line of credit with a bank with a maximum borrowing limit of \$4,000,000 maturing in June 2022. Borrowings on the line of credit bear interest at 3.50% and are secured by substantially all of the Council's assets. At September 30, 2020, there were no outstanding borrowings under the line of credit.

#### Note 9 - Note payable

In October 2019, the Council entered into a loan agreement with a bank for construction with a maximum borrowing limit of \$8,000,000 with a draw period ending October 1, 2020. The loan bears interest at 3.5% and matures in October 2034. Under the terms of the agreement, the Council makes monthly interest only payments through October 1, 2020 and commencing November 1, 2020, the Council makes monthly principal and interest payments of \$60,499. The note is secured by real property.

The line of credit and note payable agreements contain covenants regarding certain financial and nonfinancial requirements. At September 30, 2020, the Council was in compliance with all such covenants.

Principal payments for each of the next five years and thereafter at September 30, 2020 are as follows:

2021	\$	411,004
2022		464,223
2023		480,967
2024		497,678
2025		516,266
Thereafter		<u>5,629,862</u>
	\$	<u><u>8,000,000</u></u>

#### Note 10 - Commitments and contingencies

##### Operating leases

The Council leases five properties under noncancelable operating leases expiring through October 2029. Certain leases contain renewal options and escalation clauses. Total rent expense under the leases was \$711,535 for the year ended September 30, 2020.

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2020  
With Summarized Totals at September 30, 2019**

The Council's minimum lease requirements under the noncancelable leases for each of the next five years and thereafter subsequent to September 30, 2020 are as follows:

2021	\$	516,052
2022		599,690
2023		569,304
2024		586,383
2025		603,974
Thereafter		<u>2,445,287</u>
	\$	<u><u>5,320,690</u></u>

**Capital leases**

The Council has certain equipment which is accounted for as capital leases. At September 30, 2020, the net balance of equipment under capital leases is as follows:

Equipment	\$	125,593
Less accumulated depreciation		<u>(111,948)</u>
Net balance of equipment under capital lease	\$	<u><u>13,645</u></u>

Minimum future lease payments under the capital lease for each of the next three years subsequent to September 30, 2020 are as follows:

2021	\$	9,113
2022		<u>3,363</u>
Net minimum lease payments		12,476
Less amount representing interest		<u>(123)</u>
		12,353
Less current portion		<u>(9,007)</u>
	\$	<u><u>3,346</u></u>

**Contingencies**

The Council is subject to certain claims that arise out of the normal operations of the Council. In the opinion of management, the Council has sufficient liability insurance to cover any such claims, and these matters will not have a material effect on the financial position of the Council if disposed of unfavorably.

## **Girl Scouts of Greater Los Angeles**

### **Notes to Financial Statements**

**September 30, 2020**

**With Summarized Totals at September 30, 2019**

#### **Coronavirus**

On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization, resulting in the disruption in operations of businesses domestically and globally. In response, the Council pivoted quickly and agilely. Virtual programming for girls was developed nationally and locally to ensure girls could still benefit from the Girl Scout Leadership Experience. The Council went to a virtual work environment except for some select personnel and also implemented cost savings and other measures to reduce operating expenses and preserve capital, while still ensuring services were provided to members. Due to the uncertainty of the continued spread of the virus and economic outlook, there may be short-term and long-term implications for operations of the Council.

#### **Note 11 - Note payable, PPP loan**

In April 2020, the Council received loan proceeds in the amount of \$1,923,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after a covered period (8 or 24 weeks) if the borrower maintains its payroll, benefits, rent and utilities. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments to the date the SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period. There are no collateral or guarantee requirements.

The Council has recorded the loan as a liability and utilized the PPP loan proceeds to support employee payroll and benefits in accordance with the PPP requirements during the loan benefit measurement period. In November 2020, the Council applied for total loan forgiveness through the sponsoring bank and the Small Business Administration ("SBA"). The Council expects the entire principal and accrued interest on the loan balance to be forgiven during the next fiscal year. When the notice of forgiveness is received from the SBA, the Council will record the relief as revenue on the statement of activities.

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2020  
With Summarized Totals at September 30, 2019**

**Note 12 - Net assets with donor restrictions**

At September 30, 2020 and 2019, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Time or purpose:		
Camperships	\$ 13,266	\$ 21,756
Capital	453,287	328,385
Lifeskills	30,000	30,000
Membership Outreach	20,834	8,934
Outdoor	210,793	178,000
Scholarship	32,396	30,668
Science, Technology, Engineering and Math (STEM)	94,635	85,135
Other	<u>52,255</u>	<u>51,309</u>
	907,466	734,187
Perpetual:		
Endowment investments	<u>141,609</u>	<u>141,609</u>
	<u><u>\$ 1,049,075</u></u>	<u><u>\$ 875,796</u></u>

**Note 13 - Program related sales**

The gross revenue and expense of product and merchandise sales for the years ended September 30, 2020 and 2019 are as follows:

	<u>2020</u>			<u>2019</u>
	Product sales	Merchandise sales	Total	Total
Gross revenue	\$ 33,671,363	\$ 911,138	\$ 34,582,501	\$ 34,228,149
Troop proceeds	(6,546,711)	-	(6,546,711)	(6,344,544)
Direct costs	<u>(7,980,082)</u>	<u>(412,937)</u>	<u>(8,393,019)</u>	<u>(8,668,692)</u>
Product and merchandise sales, net	<u><u>\$ 19,144,570</u></u>	<u><u>\$ 498,201</u></u>	<u><u>\$ 19,642,771</u></u>	<u><u>\$ 19,214,913</u></u>

**Note 14 - Endowment**

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

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements

September 30, 2020

With Summarized Totals at September 30, 2019

The Board of Directors of the Council has interpreted the State of California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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. As a result of this interpretation, the Council classifies as net assets with donor restrictions: (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Council and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Council, and (7) the Council's investment policies.

#### Investment return objectives, risk parameters and strategies

The Council has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds 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 policy

The Council has a policy of appropriating for distribution each year up to 5% of its donor-restricted endowment fund's average fair value of the prior 12 quarters through the preceding fiscal year in which the distribution is planned. In establishing this policy, the Council considered long-term expected return on its investment assets, the nature and duration 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.

Endowment net asset composition by type of fund as of September 30, 2020 and 2019 is as follows:

	2020			2019
	Time or purpose restricted	Perpetually restricted	Total	Total
Camperships	\$ 5,937	\$ 16,414	\$ 22,351	\$ 21,970
General endowment	18,357	50,752	69,109	67,931
Scholarships	26,914	74,443	101,357	99,629
Total	<u>\$ 51,208</u>	<u>\$ 141,609</u>	<u>\$ 192,817</u>	<u>\$ 189,530</u>

# Girl Scouts of Greater Los Angeles

## Notes to Financial Statements September 30, 2020 With Summarized Totals at September 30, 2019

Changes in endowment net assets for the years ended September 30, 2020 and 2019 are as follows:

	2020			2019
	Time or purpose restricted	Perpetually restricted	Total	Total
Balance, beginning	\$ 47,921	\$ 141,609	\$ 189,530	\$ 185,780
Investment income	8,689	-	8,689	20,516
Appropriation	(5,402)	-	(5,402)	(16,766)
Balance, end	<u>\$ 51,208</u>	<u>\$ 141,609</u>	<u>\$ 192,817</u>	<u>\$ 189,530</u>

As of September 30, 2020, there were no deficiencies of donor-restricted endowment funds.

### Note 15 - Employee pension plan

The Council participates in the National Girl Scout Council Retirement Plan (the "Plan"), a noncontributory defined benefit pension 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.

Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2020. Based on the April 18, 2014 conditional approval by the Internal Revenue Service, all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 ("PPA"). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives the Plan the flexibility to adopt the PPA funding requirements immediately or not at all. The Plan has elected to adopt this relief and not be subject to PPA. In September 2020, GSUS approved to lower the contributions from \$30 million for calendar years 2021 and 2022 to \$26 million starting in calendar year 2023 until the Plan is fully funded based upon the requirements of the PPA. Aggregate annual contributions made in fiscal year 2020 was \$32,200,000. The Council made contributions of \$576,324 for the year ended September 30, 2020. Aggregate contributions to be made in fiscal 2021 are expected to be \$32,200,000.

In addition, the Council maintains a 403(b) Thrift Plan (the "Thrift Plan") for eligible employees. Under the provisions of the Thrift Plan, the Council can make discretionary contributions for the benefit of eligible employees. For the year ended September 30, 2020, the Council expensed and accrued contributions of \$149,757.



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