

**Girl Scouts of Greater Los Angeles**

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

**September 30, 2021**

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# Girl Scouts of Greater Los Angeles

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## 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, 2021, 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited Girl Scouts of Greater Los Angeles's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Los Angeles, California  
February 7, 2022

**Girl Scouts of Greater Los Angeles**

**Statement of Financial Position  
September 30, 2021  
With Summarized Totals at September 30, 2020**

Assets

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 2,321,133	\$ 1,758,263
Short-term investments	13,508,807	11,002,772
Accounts and pledges receivable, current portion, net	324,240	851,495
Inventory, net	315,131	409,700
Prepaid expenses and other	<u>194,992</u>	<u>512,616</u>
Total current assets	16,664,303	14,534,846
Accounts and pledges receivable, net of current portion	48,033	62,283
Investments	13,993,947	11,058,803
Property and equipment, net	<u>27,676,807</u>	<u>29,446,662</u>
Total	<u>\$ 58,383,090</u>	<u>\$ 55,102,594</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 490,320	\$ 1,383,390
Accrued expenses	1,008,940	2,700,065
Custodial funds, held for others	121,709	112,633
Deferred revenue	33,849	11,855
Note payable, PPP loan	2,000,000	1,923,000
Note payable, current portion	464,223	411,004
Capital lease obligations, current portion	<u>25,921</u>	<u>9,007</u>
Total current liabilities	4,144,962	6,550,954
Deferred rent	304,327	207,969
Note payable, net of current portion	7,124,802	7,588,996
Capital lease obligations, net of current portion	<u>30,734</u>	<u>3,346</u>
Total liabilities	<u>11,604,825</u>	<u>14,351,265</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	46,042,395	39,702,254
With donor restrictions	<u>735,870</u>	<u>1,049,075</u>
Total net assets	<u>46,778,265</u>	<u>40,751,329</u>
Total liabilities and net assets	<u>\$ 58,383,090</u>	<u>\$ 55,102,594</u>

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Activities  
Year Ended September 30, 2021  
With Summarized Totals for the Year Ended September 30, 2020**

	2021			2020
	Without donor restrictions	With donor restrictions	Total	Total
Revenues and support				
Public support	\$ 686,711	\$ 174,586	\$ 861,297	\$ 1,743,890
Product sales, net of direct costs	10,687,444	-	10,687,444	19,144,570
Merchandise sales, net of direct costs	488,872	-	488,872	498,201
Program fees	766,822	-	766,822	284,402
Property and equipment use fees	42,010	-	42,010	25,021
Interest and dividends, net of fees	210,551	22,503	233,054	276,596
Realized and unrealized gain on investments, net	1,707,299	-	1,707,299	350,463
Gain (loss) on disposal of property and equipment	6,235,915	-	6,235,915	(10,126)
Employee retention credit	1,846,743	-	1,846,743	-
PPP loan forgiveness	1,923,000	-	1,923,000	-
Other income	19,841	-	19,841	105,083
Net assets released from restriction	510,294	(510,294)	-	-
<b>Total revenues and support</b>	<b>25,125,502</b>	<b>(313,205)</b>	<b>24,812,297</b>	<b>22,418,100</b>
Expenses				
Program expenses	15,842,638	-	15,842,638	16,424,445
Management and general expenses	2,241,652	-	2,241,652	2,348,348
Fundraising expenses	701,071	-	701,071	857,457
<b>Total expenses</b>	<b>18,785,361</b>	<b>-</b>	<b>18,785,361</b>	<b>19,630,250</b>
Change in net assets	6,340,141	(313,205)	6,026,936	2,787,850
Net assets, beginning	39,702,254	1,049,075	40,751,329	37,963,479
Net assets, end	<u>\$ 46,042,395</u>	<u>\$ 735,870</u>	<u>\$ 46,778,265</u>	<u>\$ 40,751,329</u>

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Functional Expenses  
Year Ended September 30, 2021  
With Summarized Totals for the Year Ended September 30, 2020**

	2021			2020
	Program	Management and general	Fundraising	Total
Personnel	\$ 9,439,514	\$ 1,429,166	\$ 446,969	\$ 11,315,649
Assistance and grants	192,574	-	-	192,574
Product donations	844,163	-	-	844,163
Equipment	333,101	50,432	15,773	399,306
Insurance	328,565	49,746	15,557	393,868
Interest expense	232,628	35,221	11,015	278,864
Occupancy	1,117,852	169,246	52,931	1,340,029
Other expense	526,764	79,753	24,943	631,460
Printing and promotion	105,137	15,918	4,978	126,033
Professional services and fees	413,273	62,571	19,568	495,412
Supplies and recognitions	795,211	120,397	37,654	953,262
Telecommunications	204,024	30,890	9,661	244,575
Travel	87,734	13,283	4,155	105,172
Depreciation and amortization	1,222,098	185,029	57,867	1,464,994
<b>Total</b>	<b>\$ 15,842,638</b>	<b>\$ 2,241,652</b>	<b>\$ 701,071</b>	<b>\$ 18,785,361</b>
Percent of total expenses	84.3%	11.9%	3.8%	100.0%

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Cash Flows**  
**Year Ended September 30, 2021**  
**With Summarized Totals for the Year Ended September 30, 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 6,026,936	\$ 2,787,850
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	1,464,994	956,141
Change in discount of pledges receivable	(200)	-
Net realized and unrealized gain on investments	(1,707,299)	(350,463)
(Gain) loss on disposal of property and equipment	(6,235,915)	10,126
PPP loan forgiveness	(1,923,000)	-
Deferred rent	96,358	153,342
Changes in operating assets and liabilities		
Accounts and pledges receivable	541,705	(313,546)
Inventory	94,569	35,971
Prepaid expenses and other	317,624	32,056
Accounts payable	(345,845)	(70,395)
Accrued expenses	(954,928)	255,176
Custodial funds, held for others	9,076	10,194
Deferred revenue	21,994	(9,119)
	<u>(2,593,931)</u>	<u>3,497,333</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Purchases of investments	(19,811,073)	(21,306,360)
Proceeds from sale of investments	16,077,193	15,297,653
Acquisition of property and equipment	(1,489,303)	(9,815,070)
Proceeds from sale of property and equipment	6,801,584	-
	<u>1,578,401</u>	<u>(15,823,777)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Payments on notes payable	(410,975)	-
Proceeds from notes payable	-	8,000,000
Proceeds from PPP loan	2,000,000	1,923,000
Payments on capital lease obligations	(10,625)	(39,555)
	<u>1,578,400</u>	<u>9,883,445</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	562,870	(2,442,999)
Cash and cash equivalents, beginning	<u>1,758,263</u>	<u>4,201,262</u>
Cash and cash equivalents, end	<u>\$ 2,321,133</u>	<u>\$ 1,758,263</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	<u>\$ 256,729</u>	<u>\$ 159,503</u>
Supplemental disclosure of noncash investing and financing activities		
Equipment acquired under capital lease obligations	<u>\$ 54,927</u>	<u>\$ -</u>
Property and equipment costs included in accounts payable and accrued expenses	<u>\$ 149,200</u>	<u>\$ 1,432,622</u>

See Notes to Financial Statements.



## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements

September 30, 2021

With Summarized Totals at September 30, 2020

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

##### Business activity

Established in the Los Angeles area in 1922, Girl Scouts of Greater Los Angeles ("GSGLA" or the "Council" or "Girl Scouts"), a 501(c)(3) nonprofit organization, serves 32,000 girls in partnership with nearly 16,000 caring adult members and trained volunteers throughout the communities of Los Angeles County, and parts of Kern and San Bernardino counties. GSGLA is the largest girl-serving nonprofit agency in Los Angeles with programs in entrepreneurship, life skills, outdoor, and STE(A)M.

Girl Scouts' mission is to build girls of courage, confidence, and character, who make the world a better place. Girl Scouts bring their dreams to life and work together to build a better world. Through programs spanning the 6,200 square miles of the GSGLA council, Girl Scouts of all backgrounds and abilities can be unapologetically themselves as they discover their strengths and rise to meet new challenges—whether they want to climb to the top of a tree or the top of their class, lace up their boots for a hike or advocate for climate justice, or make their first best friends. The girls lead the way as they find their voices and make changes that affect the issues most important to them.

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. This year over 10,000 girls participated in GSGLA from low-income zip codes comprising one-third of our total membership. Recently, the COVID-19 pandemic has exacerbated wide health disparities, digital divides, and lack of access, resources, and options due to economic status. Girl Scouts is committed to helping all girls participate in Girl Scouting. In Girl Scouts, diversity is a hallmark of our membership, equity is at the heart of our foundation, inclusivity is a cornerstone of our culture, access is at the forefront of our programs, and belonging—being accepted as you authentically are, being a part of something, and mattering to others—is at our core.

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;

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2021 With Summarized Totals at September 30, 2020

- Develop and maintain healthy relationships; and
- Exhibit community problem-solving skills.

Earning any of the highest awards in Girl Scouts—Bronze, Silver or Gold—is challenging in the best of times. But this year 1,605 Junior, Cadette, Senior and Ambassador Girl Scouts imagined and reimagined ways to make an impact in their community despite the restrictions imposed by the COVID-19 Pandemic.

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, high school Girl Scouts 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. In 2021, GSGLA recognized 230 Gold Awardees through a pinning ceremony honoring their accomplishments, raising public awareness and financial support to continue to reach more girls throughout Los Angeles. The pursuit of the Gold Award empowers women for a lifetime of possibility, thinking and achieving, and can open doors to scholarships, preferred admission tracks for college, and remarkable careers.

#### **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. Net assets without donor restrictions may be designated for specific purposes by action of the Board.

*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.

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2021 With Summarized Totals at September 30, 2020

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.

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, 2021, the Council did not have any conditional contributions.

#### **Employee retention credit**

The Council has elected to follow the guidance regarding contributions found in Financial Accounting Standards Board Accounting Standards Codification 958-605, *Not-for-Profit Entities - Revenue Recognition – Contributions*, to account for its income from the Employee Retention Credit ("ERC").

#### **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 customers 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

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

### **Notes to Financial Statements September 30, 2021 With Summarized Totals at September 30, 2020**

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**

The Council reviews its long-lived assets for impairment whenever events or circumstances indicate the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There were no impairment losses related to long-lived assets during the year ended September 30, 2021.

#### **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, 2021.

#### **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 \$7,000 were recorded for the year ended September 30, 2021, which are included in public support in the statement of activities.

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2021 With Summarized Totals at September 30, 2020

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.

#### **Deferred rent**

The Council records rent expense under its 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.

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

### **Notes to Financial Statements September 30, 2021 With Summarized Totals at September 30, 2020**

The Council has no unrecognized tax benefits at September 30, 2021. The Council's federal and state income tax returns prior to the 2018 and 2017 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.

#### **Sales taxes**

The State of California imposes a sales tax on certain of the Council's sales to nonexempt customers. The Council collects that sales tax from customers and remits the entire amount to the State. The Council's accounting policy is to exclude the tax collected and remitted to the State from revenue and cost of sales.

#### **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, 2020, from which the summarized information was derived.

#### **Subsequent events**

The Council has evaluated the impact of subsequent events through February 7, 2022, which is the date the financial statements were available to be issued.

### **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.

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2021  
With Summarized Totals at September 30, 2020**

At September 30, 2021, the Council had the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$ 2,321,133
Accounts and pledges receivable, current portion, net	324,240
Short-term investments	<u>13,508,807</u>
	<u>\$ 16,154,180</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, 2021, approximately 52% of the Council's accounts and pledges receivable is due from two donors.

For the year ended September 30, 2021, approximately 57% of revenues and support was derived from net cookie and fall product programs. For the year ended September 30, 2021, one donor accounted for approximately 10% of the Council's contributions.

**Note 4 - Accounts and pledges receivable**

At September 30, 2021 and 2020, accounts and pledges receivable consisted of the following:

	2021		2020	
	<u>Accounts receivable</u>	<u>Pledges receivable</u>	<u>Total</u>	<u>Total</u>
Gross amount	75,280	\$ 298,453	\$ 373,733	\$ 915,438
Present value discount	<u>-</u>	<u>(1,460)</u>	<u>(1,460)</u>	<u>(1,660)</u>
Total	75,280	296,993	372,273	913,778
Less current portion	<u>(75,280)</u>	<u>(248,960)</u>	<u>(324,240)</u>	<u>(851,495)</u>
	<u>\$ -</u>	<u>\$ 48,033</u>	<u>\$ 48,033</u>	<u>\$ 62,283</u>

At September 30, 2021, gross undiscounted pledges receivable due in less than one year is \$248,960, gross undiscounted pledges receivable due in one to five years is \$49,493 and no

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### Notes to Financial Statements September 30, 2021 With Summarized Totals at September 30, 2020

amounts are due in more than five years. At September 30, 2021, the Council believes that all pledges receivable are collectible.

#### Note 5 - Investments

At September 30, 2021 and 2020, investments consisted of the following:

	2021	2020
Mutual funds		
Equities	\$ 3,176,411	\$ 2,677,358
Bonds	1,452,290	398,905
Corporate bonds	3,431,550	2,497,898
Treasury notes and bonds	9,610,569	11,192,348
Equities		
Domestic	6,383,542	4,842,343
International	-	211,015
Cash funds	3,022,355	223,097
Certificates of deposits	407,426	-
Annuity	18,611	18,611
	27,502,754	22,061,575
Total investments	27,502,754	22,061,575
Less short-term investments	13,508,807	11,002,772
Long-term investments	\$ 13,993,947	\$ 11,058,803

#### Note 6 - Fair value measurements

Financial assets carried at fair value at September 30, 2021 are classified in the table below in one of the three categories described in Note 1:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equities	\$ 3,176,411	\$ -	\$ -	\$ 3,176,411
Bonds	1,452,290	-	-	1,452,290
Corporate bonds	-	3,431,550	-	3,431,550
Treasury notes and bonds	-	9,610,569	-	9,610,569
Equities				
Domestic	6,383,542	-	-	6,383,542
Cash funds	3,022,355	-	-	3,022,355
Certificates of deposits	-	407,426	-	407,426
Annuity	-	18,611	-	18,611
	\$ 14,034,598	\$ 13,468,156	\$ -	\$ 27,502,754
Total	\$ 14,034,598	\$ 13,468,156	\$ -	\$ 27,502,754

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



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are based on the present value of expected cash flows. For the year ended September 30, 2021, 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, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 7,122,282	\$ 7,579,308
Building and improvements, including leasehold improvements	26,654,209	12,171,979
Furniture, fixtures and equipment	1,690,708	1,550,853
Computer hardware and software	<u>666,212</u>	<u>602,660</u>
	36,133,411	21,904,800
Less accumulated depreciation and amortization	<u>(8,638,004)</u>	<u>(8,248,054)</u>
	27,495,407	13,656,746
Construction in progress	<u>181,400</u>	<u>15,789,916</u>
	<u>\$ 27,676,807</u>	<u>\$ 29,446,662</u>

Depreciation and amortization expense for the year ended September 30, 2021 was \$1,464,994.

In June 2021, the Council sold the Arcadia service center property and received proceeds of \$6,801,584. The gain on the sale was \$6,250,665. The Council recorded a loss of \$14,750 related to the disposal of other fixed assets.

#### 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, 2021, 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.

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The line of credit and note payable agreements contain covenants regarding certain financial and nonfinancial requirements. At September 30, 2021, the Council was in compliance with or received a waiver for all such covenants.

Principal payments for each of the next five years and thereafter at September 30, 2021 are as follows:

2022	\$	464,223
2023		480,967
2024		497,678
2025		516,266
2026		534,887
Thereafter		<u>5,095,004</u>
	\$	<u>7,589,025</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 \$629,063 for the year ended September 30, 2021.

The Council's minimum lease requirements under the noncancelable leases for each of the next five years and thereafter subsequent to September 30, 2021 are as follows:

2022	\$	572,810
2023		589,392
2024		606,471
2025		624,062
2026		628,789
Thereafter		<u>1,823,194</u>
	\$	<u>4,844,718</u>

**Capital leases**

The Council has certain equipment which is accounted for as capital leases. At September 30, 2021, the net balance of equipment under capital leases is as follows:

Equipment	\$	66,111
Less accumulated depreciation		<u>(26,664)</u>
Net balance of equipment under capital lease	\$	<u>39,447</u>

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Minimum future lease payments under the capital lease for each of the next three years subsequent to September 30, 2021 are as follows:

2022	\$	26,630
2023		20,044
2024		<u>11,608</u>
Net minimum lease payments		58,282
Less amount representing interest		<u>(1,627)</u>
		56,655
Less current portion		<u>(25,921)</u>
	\$	<u><u>30,734</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.

#### 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 - PPP loan

##### Gain on PPP loan forgiveness

In April 2020, the Council received a Small Business Administration ("SBA") loan in the amount of \$1,923,000. Under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Paycheck Protection Program ("PPP") loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. During the year ended September 30, 2021, the Council submitted its application for loan forgiveness and received notice from the SBA in March 2021 that the SBA approved forgiveness of the full amount of the loan and the related interest thereon. Accordingly, the Council recognized a gain on loan forgiveness on the statement of activities.

##### PPP loan

In March 2021, the SBA approved a second draw PPP loan amount of \$2,000,000, for the Council. The loan has a five-year maturity and includes a fixed interest rate of 1% per year until the maturity date. Under the CARES Act, PPP loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. The Council has not submitted its application for

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PPP loan forgiveness as of September 30, 2021, but expects to do so in 2022 and believes it will qualify for full or partial forgiveness.

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

At September 30, 2021 and 2020, net assets with donor restrictions consisted of the following:

	2021	2020
Time or purpose:		
Camperships	\$ 7,489	\$ 13,266
Capital	157,326	453,287
Life Skills	30,000	30,000
Membership Outreach	8,059	20,834
Outdoor	62,793	210,793
Scholarship	39,434	32,396
Science, Technology, Engineering and Math (STEM)	94,635	94,635
Other	194,525	52,255
	594,261	907,466
Perpetual:		
Endowment investments	141,609	141,609
	\$ 735,870	\$ 1,049,075

**Note 13 - Program related sales**

The gross revenue and expense of product and merchandise sales for the years ended September 30, 2021 and 2020 are as follows:

	2021		2020	
	Product sales	Merchandise sales	Total	Total
Gross revenue	\$ 19,017,064	\$ 691,539	\$ 19,708,603	\$ 34,582,501
Troop proceeds	(3,703,004)	-	(3,703,004)	(6,546,711)
Direct costs	(4,626,616)	(202,667)	(4,829,283)	(8,393,019)
Product and merchandise sales, net	\$ 10,687,444	\$ 488,872	\$ 11,176,316	\$ 19,642,771

**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, 2021 With Summarized Totals at September 30, 2020

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, 2021 and 2020 is as follows:

	2021			2020
	Time or purpose restricted	Perpetually restricted	Total	Total
Camperships	\$ 7,489	\$ 16,414	\$ 23,903	\$ 22,351
General endowment	23,156	50,752	73,908	69,109
Scholarships	33,951	74,443	108,394	101,357
Total	<u>\$ 64,596</u>	<u>\$ 141,609</u>	<u>\$ 206,205</u>	<u>\$ 192,817</u>

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Changes in endowment net assets for the years ended September 30, 2021 and 2020 are as follows:

	2021			2020
	Time or purpose restricted	Perpetually restricted	Total	Total
Balance, beginning	\$ 51,208	\$ 141,609	\$ 192,817	\$ 189,530
Investment income	22,503	-	22,503	8,689
Appropriation	(9,115)	-	(9,115)	(5,402)
Balance, end	<u>\$ 64,596</u>	<u>\$ 141,609</u>	<u>\$ 206,205</u>	<u>\$ 192,817</u>

As of September 30, 2021, 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, 2021. 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 2021, the funded status of the Plan increased, and the \$30,000,000 minimum will no longer apply. In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives 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, the National Board of GSUSA approved to lower the contributions from \$30,000,000 to \$26,000,000 starting in calendar year 2023 until the Plan is fully funded on a market basis. Aggregate annual contributions made in fiscal year 2021 were \$32,900,000. The Council made contributions of \$576,324 for the year ended September 30, 2021. Aggregate contributions to be made in fiscal 2022 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, 2021, the Council expensed and accrued contributions of \$47,622.

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**Notes to Financial Statements**

**September 30, 2021**

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**Note 16 - Related party transactions**

The Council is chartered by GSUSA. During the year ended September 30, 2021, the Council remitted payments for financial assistance of membership dues in the amount of \$117,660 to GSUSA. The Council purchases inventory from GSUSA, of which total purchases amounted to \$388,950 for the year ended September 30, 2021. At September 30, 2021, amounts due to GSUSA and included in accounts payable were \$14,354.

**Note 17 - Employee retention credit**

Under the provisions of the CARES Act, the ERC provides eligible employers with less than 500 employees a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 70% of qualified wages paid to employees during calendar year 2021 for a maximum credit of \$7,000 per employee for each calendar quarter through September 30, 2021. During the year ended September 30, 2021, the Council recognized \$1,846,743 related to the ERC on the statement of activities.

**Note 18 - Subsequent event**

In October 2021, the Council entered into a ten years and four months property lease agreement, which will commence during fiscal year 2022. The lease contains renewal options and base rent escalation.



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