

Girl Scouts of Greater Los Angeles

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

September 30, 2022

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

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Girl Scouts of Greater Los Angeles' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited Girl Scouts of Greater Los Angeles' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2022. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Angeles, California
February 14, 2023

Girl Scouts of Greater Los Angeles

**Statement of Financial Position
September 30, 2022
With Summarized Totals at September 30, 2021**

Assets

	2022	2021
Current assets		
Cash and cash equivalents	\$ 2,215,884	\$ 2,321,133
Short-term investments	14,630,038	13,508,807
Accounts and pledges receivable, current portion, net	320,878	324,240
Inventory, net	406,399	315,131
Prepaid expenses and other current assets	288,751	194,992
Total current assets	17,861,950	16,664,303
Accounts and pledges receivable, net of current portion	12,000	48,033
Investments	12,673,399	13,993,947
Property and equipment, net	26,917,488	27,676,807
Total assets	\$ 57,464,837	\$ 58,383,090

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 614,572	\$ 490,320
Accrued expenses	1,268,738	1,008,940
Custodial funds, held for others	128,231	121,709
Deferred revenue	591,269	33,849
Note payable, PPP loan	-	2,000,000
Note payable, current portion	480,967	464,223
Capital lease obligations, current portion	20,352	25,921
Total current liabilities	3,104,129	4,144,962
Deferred rent	340,118	304,327
Note payable, net of current portion	6,643,847	7,124,802
Capital lease obligations, net of current portion	5,088	30,734
Total liabilities	10,093,182	11,604,825
Commitments and contingencies		
Net assets		
Without donor restrictions	46,804,362	46,042,395
With donor restrictions	567,293	735,870
Total net assets	47,371,655	46,778,265
Total liabilities and net assets	\$ 57,464,837	\$ 58,383,090

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Activities Year Ended September 30, 2022 With Summarized Totals for the Year Ended September 30, 2021

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Revenues and support				
Public support	\$ 5,681,703	\$ 130,985	\$ 5,812,688	\$ 861,297
Product sales, net of direct costs	13,733,008	-	13,733,008	10,687,444
Merchandise sales, net of direct costs	530,088	-	530,088	488,872
Program fees	1,702,750	-	1,702,750	766,822
Property and equipment use fees	177,908	-	177,908	42,010
Interest and dividends, net of fees	438,729	-	438,729	233,054
Realized and unrealized (loss) gain on investments, net	(2,028,888)	(19,689)	(2,048,577)	1,707,299
(Loss) gain on disposal of property and equipment	(4,302)	-	(4,302)	6,235,915
Employee retention credit	-	-	-	1,846,743
PPP loan forgiveness	2,000,000	-	2,000,000	1,923,000
Other income	8,010	-	8,010	19,841
Net assets released from restriction	279,873	(279,873)	-	-
Total revenues and support	22,518,879	(168,577)	22,350,302	24,812,297
Expenses				
Program expenses	18,116,360	-	18,116,360	15,842,638
Management and general expenses	2,922,696	-	2,922,696	2,241,652
Fundraising expenses	717,856	-	717,856	701,071
Total expenses	21,756,912	-	21,756,912	18,785,361
Change in net assets	761,967	(168,577)	593,390	6,026,936
Net assets, beginning	46,042,395	735,870	46,778,265	40,751,329
Net assets, end	\$ 46,804,362	\$ 567,293	\$ 47,371,655	\$ 46,778,265

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Functional Expenses Year Ended September 30, 2022 With Summarized Totals for the Year Ended September 30, 2021

	2022				2021
	Program	Management and general	Fundraising	Total	Total
Personnel	\$ 10,167,086	\$ 1,676,540	\$ 411,782	\$ 12,255,408	\$ 11,315,649
Assistance and grants	392,172	-	-	392,172	192,574
Product donations	-	-	-	-	844,163
Equipment	443,314	73,102	17,955	534,371	399,306
Insurance	742,443	122,428	30,070	894,941	393,868
Interest expense	219,591	36,210	8,894	264,695	278,864
Occupancy	1,388,749	229,003	56,246	1,673,998	1,340,029
Other expense	743,246	122,560	30,103	895,909	631,460
Printing and promotion	238,670	39,356	9,666	287,693	126,033
Professional services and fees	907,198	149,596	36,743	1,093,537	495,412
Supplies and recognitions	1,416,572	233,591	57,373	1,707,536	953,262
Telecommunications	210,082	34,642	8,509	253,233	244,575
Travel	157,573	25,984	6,382	189,938	105,172
Depreciation and amortization	1,089,664	179,684	44,133	1,313,481	1,464,994
Total	<u>\$ 18,116,360</u>	<u>\$ 2,922,696</u>	<u>\$ 717,856</u>	<u>\$ 21,756,912</u>	<u>\$ 18,785,361</u>
Percent of total expenses	83.3%	13.4%	3.3%	100.0%	

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Cash Flows Year Ended September 30, 2022 With Summarized Totals for the Year Ended September 30, 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 593,390	\$ 6,026,936
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,313,481	1,464,994
Change in discount of pledges receivable	(998)	(200)
Net realized and unrealized loss (gain) on investments	2,048,577	(1,707,299)
Loss (gain) on disposal of property and equipment	4,302	(6,235,915)
PPP loan forgiveness	(2,000,000)	(1,923,000)
Deferred rent	35,791	96,358
Changes in operating assets and liabilities		
Accounts and pledges receivable	40,393	541,705
Inventory	(91,268)	94,569
Prepaid expenses and other	(93,759)	317,624
Accounts payable	111,655	(345,845)
Accrued expenses	397,798	(954,928)
Custodial funds, held for others	6,522	9,076
Deferred revenue	557,420	21,994
Net cash provided by (used in) operating activities	<u>2,923,304</u>	<u>(2,593,931)</u>
Cash flows from investing activities		
Purchases of investments	(19,172,561)	(19,811,073)
Proceeds from sale of investments	17,323,301	16,077,193
Acquisition of property and equipment	(683,867)	(1,489,303)
Proceeds from sale of property and equipment	-	6,801,584
Net cash (used in) provided by investing activities	<u>(2,533,127)</u>	<u>1,578,401</u>
Cash flows from financing activities		
Payments on notes payable	(464,211)	(410,975)
Proceeds from PPP loan	-	2,000,000
Payments on capital lease obligations	(31,215)	(10,625)
Net cash (used in) provided by financing activities	<u>(495,426)</u>	<u>1,578,400</u>
Net (decrease) increase in cash and cash equivalents	(105,249)	562,870
Cash and cash equivalents, beginning	<u>2,321,133</u>	<u>1,758,263</u>
Cash and cash equivalents, end	<u>\$ 2,215,884</u>	<u>\$ 2,321,133</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	<u>\$ 243,914</u>	<u>\$ 256,729</u>
Supplemental disclosure of noncash investing and financing activities		
Equipment acquired under capital lease obligations	<u>\$ -</u>	<u>\$ 54,927</u>
Property and equipment costs included in accounts payable and accrued expenses	<u>\$ 23,797</u>	<u>\$ 149,200</u>

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements

September 30, 2022

With Summarized Totals at September 30, 2021

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 33,200 girls in partnership with nearly 17,300 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 11,000 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 of Greater Los Angeles
Notes to Financial Statements
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With Summarized Totals at September 30, 2021

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.

Earning any of the highest awards in Girl Scouts—Bronze, Silver or Gold—is challenging in the best of times. But this year 1,941 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 2022, GSGLA recognized 239 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

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With Summarized Totals at September 30, 2021

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.

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, 2022, 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") in the year ended September 30, 2021.

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 4%. 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.

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With Summarized Totals at September 30, 2021

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

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, 2022.

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, 2022.

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.

Revenues from product sales that are collected in advance are included in deferred revenue until the products are transferred to the customer.

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.

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Notes to Financial Statements

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With Summarized Totals at September 30, 2021

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. The fair market value was determined through active markets of identical or similar items. 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 \$2,024 and \$7,000 were recorded for the years ended September 30, 2022 and September 30, 2021, respectively, which consists of donated books 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.

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.

Cost of activities that include fundraising

The Council accounts for the cost of an activity that includes fundraising costs as fundraising, including the costs of credit card processing fees. Provided the criteria is met, costs of a joint activity that are identifiable with a particular function are charged to that function and joint costs are allocated between fundraising and the appropriate program or management and general function. During 2022, all costs of activities that included fundraising were reported as fundraising costs.

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

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Notes to Financial Statements September 30, 2022 With Summarized Totals at September 30, 2021

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 tax status

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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Council and recognize a tax liability if the Council has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities. Management has analyzed the tax positions taken by the Council and has determined that as of September 30, 2022, there were no material uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Council has no unrecognized tax benefits at September 30, 2022. The Council's federal and state income tax returns prior to the 2019 and 2018 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.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements

September 30, 2022

With Summarized Totals at September 30, 2021

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, 2021, from which the summarized information was derived.

Adoption of new accounting pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. In June 2020, the FASB issued ASU 2020-05 *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) which allowed entities that had not yet issued their financial statements reflecting the adoption of ASC 842 to defer implementation for one year. ASC 842 will be effective to the Council for the year ending September 30, 2023. The Council is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

For the year ended September 30, 2022, the Council adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial assets. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Council and will not change existing recognition and measurement requirements. The Council has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

Subsequent events

The Council has evaluated the impact of subsequent events through February 14, 2023, 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. The Council has various sources of liquidity at its disposal, including cash and cash equivalents, accounts and pledges receivable, and investments.

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, 2022 With Summarized Totals at September 30, 2021

At September 30, 2022, the Council had the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$ 2,215,884
Short-term investments	14,630,038
Accounts and pledges receivable, current portion, net	<u>320,878</u>
	<u>\$ 17,166,800</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, 2022, there were no concentrations regarding the Council's accounts and pledges receivable.

For the year ended September 30, 2022, approximately 72% of revenues and support was derived from net cookie and fall product programs. For the year ended September 30, 2022, one donor accounted for approximately 84% of the Council's contributions.

Note 4 - Accounts and pledges receivable

At September 30, 2022 and 2021, accounts and pledges receivable consisted of the following:

	2022			2021
	Accounts receivable	Pledges receivable	Total	Total
Gross amount	\$ 255,905	\$ 77,435	\$ 333,340	\$ 373,733
Present value discount	<u>-</u>	<u>(462)</u>	<u>(462)</u>	<u>(1,460)</u>
Total	255,905	76,973	332,878	372,273
Less current portion	<u>(255,905)</u>	<u>(64,973)</u>	<u>(320,878)</u>	<u>(324,240)</u>
	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 48,033</u>

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2022 With Summarized Totals at September 30, 2021

At September 30, 2022, gross undiscounted pledges receivable due in less than one year is \$65,435, gross undiscounted pledges receivable due in two to five years is \$12,000 and no amounts are due in more than five years. At September 30, 2022, the Council believes that all pledges receivable are collectible.

Note 5 - Investments

At September 30, 2022 and 2021, investments consisted of the following:

	2022	2021
Mutual funds		
Equities	\$ 2,462,059	\$ 3,176,411
Bonds	348,751	1,452,290
Corporate bonds	5,067,930	3,431,550
Treasury notes and bonds	13,245,192	9,610,569
Equities		
Domestic	4,886,829	6,383,542
Cash funds	883,031	3,022,355
Certificates of deposits	391,034	407,426
Annuity	18,611	18,611
	<hr/>	<hr/>
Total investments	27,303,437	27,502,754
	<hr/>	<hr/>
Less short-term investments	14,630,038	13,508,807
	<hr/>	<hr/>
Long-term investments	<u>\$ 12,673,399</u>	<u>\$ 13,993,947</u>

Note 6 - Fair value measurements

Financial assets carried at fair value at September 30, 2022 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	\$ 2,462,059	\$ -	\$ -	\$ 2,462,059
Bonds	348,751	-	-	348,751
Corporate bonds	-	5,067,930	-	5,067,930
Treasury notes and bonds	-	13,245,192	-	13,245,192
Equities				
Domestic	4,886,829	-	-	4,886,829
Cash funds	883,031	-	-	883,031
Certificates of deposits	-	391,034	-	391,034
Annuity	-	18,611	-	18,611
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 8,580,670</u>	<u>\$ 18,722,767</u>	<u>\$ -</u>	<u>\$ 27,303,437</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, 2022,

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2022 With Summarized Totals at September 30, 2021

there have been no changes in the valuation methodologies. For the year ended September 30, 2022, there were no transfers between Levels 1 and 2 and no transfers in or out of Level 3.

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, 2022 and 2021, property and equipment consisted of the following:

	2022	2021
Land and land improvements	\$ 7,067,793	\$ 7,122,282
Building and improvements, including leasehold improvements	26,808,844	26,654,209
Furniture, fixtures and equipment	1,706,063	1,690,708
Computer hardware and software	818,787	666,212
	36,401,487	36,133,411
Less accumulated depreciation and amortization	(9,740,227)	(8,638,004)
	26,661,260	27,495,407
Construction in progress	256,228	181,400
	<u>\$ 26,917,488</u>	<u>\$ 27,676,807</u>

Depreciation and amortization expense for the year ended September 30, 2022 and 2021, was \$1,313,481 and \$1,464,994, respectively.

Note 8 - 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 note payable agreement contains covenants regarding certain financial and nonfinancial requirements. At September 30, 2022, the Council was in compliance with or received a waiver for all such covenants.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements

September 30, 2022

With Summarized Totals at September 30, 2021

Principal payments for each of the next five years and thereafter at September 30, 2022 are as follows:

2023	\$	480,967
2024		497,678
2025		516,266
2026		534,887
2027		554,180
Thereafter		<u>4,540,836</u>
	\$	<u><u>7,124,814</u></u>

Note 9 - 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 \$704,265 for the year ended September 30, 2022.

The Council's minimum lease requirements under the noncancelable leases for each of the next five years and thereafter subsequent to September 30, 2022 are as follows:

2023	\$	644,660
2024		664,000
2025		683,920
2026		688,910
2027		487,714
Thereafter		<u>1,689,056</u>
	\$	<u><u>4,858,260</u></u>

In May 2022, the Council entered into a sublease agreement commencing September 1, 2022, through October 31, 2029. Lease payments due to the Council under the sublease agreement for each of the next five years and thereafter at September 30, 2022 are as follows:

2023	\$	364,220
2024		375,147
2025		386,401
2026		397,993
2027		409,933
Thereafter		<u>857,129</u>
	\$	<u><u>2,790,823</u></u>

During the year ended September 30, 2022, the Council recognized lease revenue related to the sublease agreement totaling \$30,276.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2022 With Summarized Totals at September 30, 2021

Capital leases

The Council has certain equipment which is accounted for as capital leases. At September 30, 2022, the net balance of equipment under capital leases is as follows:

Equipment	\$ 54,927
Less accumulated depreciation	<u>(33,801)</u>
Net balance of equipment under capital lease	<u><u>\$ 21,126</u></u>

Minimum future lease payments under the capital lease for each of the next two years subsequent to September 30, 2022 are as follows:

2023	\$ 20,352
2024	<u>6,237</u>
Net minimum lease payments	26,589
Less amount representing interest	<u>(1,149)</u>
	25,440
Less current portion	<u>(20,352)</u>
	<u><u>\$ 5,088</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

The spread of the coronavirus ("COVID-19") globally has caused business disruption domestically in the United States, which is where the Council predominately operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, while the matter has had negative impact on the Council's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Note 10 - PPP loan

Gain on PPP loan forgiveness

In March 2021, the Council received a Small Business Administration ("SBA") loan in the amount of \$2,000,000. 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, 2022, the Council submitted its application for loan forgiveness and received notice from the SBA in July 2022 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.

Girl Scouts of Greater Los Angeles

**Notes to Financial Statements
September 30, 2022
With Summarized Totals at September 30, 2021**

Note 11 - Net assets with donor restrictions

At September 30, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Time or purpose:		
Camperships	\$ 10,064	\$ 7,489
Capital	158,895	157,326
Life Skills	50,000	30,000
Membership Outreach	8,059	8,059
Outdoor	-	62,793
Scholarship	51,112	39,434
Science, Technology, Engineering and Math (STEM)	94,635	94,635
Other	<u>52,919</u>	<u>194,525</u>
	425,684	594,261
Perpetual:		
Endowment investments	<u>141,609</u>	<u>141,609</u>
	<u><u>\$ 567,293</u></u>	<u><u>\$ 735,870</u></u>

Note 12 - Program related sales

The gross revenue and expense of product and merchandise sales for the years ended September 30, 2022 and 2021 are as follows:

	2022			2021
	Product sales	Merchandise sales	Total	Total
Gross revenue	\$ 24,155,932	\$ 1,094,574	\$ 25,250,506	\$ 19,708,603
Troop proceeds	(4,701,605)	-	(4,701,605)	(3,703,004)
Direct costs	<u>(5,721,319)</u>	<u>(564,486)</u>	<u>(6,285,805)</u>	<u>(4,829,283)</u>
Product and merchandise sales, net	<u>\$ 13,733,008</u>	<u>\$ 530,088</u>	<u>\$ 14,263,096</u>	<u>\$ 11,176,316</u>

Note 13 - 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, 2022

With Summarized Totals at September 30, 2021

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, 2022 and 2021 is as follows:

	2022			2021
	Time or purpose restricted	Perpetually restricted	Total	Total
Camperships	\$ 10,064	\$ 16,414	\$ 26,478	\$ 23,903
General endowment	31,119	50,752	81,871	73,908
Scholarships	45,629	74,443	120,072	108,394
Total	<u>\$ 86,812</u>	<u>\$ 141,609</u>	<u>\$ 228,421</u>	<u>\$ 206,205</u>

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2022 With Summarized Totals at September 30, 2021

Changes in endowment net assets for the years ended September 30, 2022 and 2021 are as follows:

	2022			2021
	Time or purpose restricted	Perpetually restricted	Total	Total
Balance, beginning	\$ 64,596	\$ 141,609	\$ 206,205	\$ 192,817
Investment income (loss)	(19,689)	-	(19,689)	22,503
Replenishment (appropriation)	41,905	-	41,905	(9,115)
Balance, end	<u>\$ 86,812</u>	<u>\$ 141,609</u>	<u>\$ 228,421</u>	<u>\$ 206,205</u>

As of September 30, 2022, there were no deficiencies of donor-restricted endowment funds.

Note 14 - 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.

Net plan assets grew during the year, and are greater than the actuarial present value of accumulated plan benefits as of January 1, 2022. On April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives the Plan the flexibility to adopt the Pension Protection Act of 2006 ("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 years 2021 and 2022 were \$32,700,000 and \$32,200,000, respectively. The Council made contributions of \$576,324 for the year ended September 30, 2022. Aggregate contributions to be made in fiscal 2023 are expected to be \$27,550,000.

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, 2022, the Council expensed and accrued contributions of \$47,622.

Note 15 - Related party transactions

The Council is chartered by GSUSA. During the year ended September 30, 2022, the Council remitted payments for financial assistance of membership dues in the amount of \$261,750 to GSUSA. The Council purchases inventory from GSUSA, of which total purchases amounted to \$837,889 for the year ended September 30, 2022. At September 30, 2022, amounts due to GSUSA and included in accounts payable were \$58,223.



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