

**Girl Scouts of Greater Los Angeles**

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

**September 30, 2023**

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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

### *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, 2023, 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the 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.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, during the year ended September 30, 2023, Girl Scouts of Greater Los Angeles adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02 (as amended), Leases ("Topic 842"). Our opinion is not modified with respect to this matter.

### *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 available to be 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' September 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 14, 2023. 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, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Angeles, California  
January 31, 2024

**Girl Scouts of Greater Los Angeles**

**Statement of Financial Position  
September 30, 2023  
With Summarized Totals at September 30, 2022**

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 2,006,613	\$ 2,215,884
Short-term investments	15,087,229	14,630,038
Accounts and pledges receivable, current portion, net	484,798	320,878
Inventory, net	353,935	406,399
Prepaid expenses and other current assets	<u>354,870</u>	<u>288,751</u>
Total current assets	18,287,445	17,861,950
Accounts and pledges receivable, net of current portion	-	12,000
Operating right-of-use assets, net	3,482,775	-
Investments	13,883,486	12,673,399
Property and equipment, net	<u>26,792,504</u>	<u>26,917,488</u>
Total assets	<u>\$ 62,446,210</u>	<u>\$ 57,464,837</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 611,616	\$ 614,572
Accrued expenses	1,424,889	1,268,738
Custodial funds, held for others	22,985	128,231
Deferred revenue	691,171	591,269
Note payable, current portion	480,967	480,967
Operating lease liabilities, current portion	530,418	-
Finance lease liability, current portion	<u>5,088</u>	<u>20,352</u>
Total current liabilities	3,767,134	3,104,129
Deferred rent	-	340,118
Note payable, net of current portion	6,162,912	6,643,847
Operating lease liabilities, net of current portion	3,294,080	-
Finance lease liability, net of current portion	<u>-</u>	<u>5,088</u>
Total liabilities	<u>13,224,126</u>	<u>10,093,182</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	48,645,498	46,804,362
With donor restrictions	<u>576,586</u>	<u>567,293</u>
Total net assets	<u>49,222,084</u>	<u>47,371,655</u>
Total liabilities and net assets	<u>\$ 62,446,210</u>	<u>\$ 57,464,837</u>

See Notes to Financial Statements.

## Girl Scouts of Greater Los Angeles

### Statement of Activities Year Ended September 30, 2023 With Summarized Totals for the Year Ended September 30, 2022

	2023			2022
	Without donor restrictions	With donor restrictions	Total	Total
Revenues and support				
Public support	\$ 1,532,771	\$ 8,250	\$ 1,541,021	\$ 5,812,688
Product sales, net of direct costs	20,433,076	-	20,433,076	13,733,008
Merchandise sales, net of direct costs	482,675	-	482,675	530,088
Program fees	1,762,013	-	1,762,013	1,702,750
Property and equipment use fees	526,748	-	526,748	177,908
Interest and dividends, net of fees	737,474	-	737,474	438,729
Realized and unrealized gain (loss) on investments, net	1,549,184	19,987	1,569,171	(2,048,577)
Loss on disposal of property and equipment	(1,141)	-	(1,141)	(4,302)
PPP loan forgiveness	-	-	-	2,000,000
Other income	159,387	-	159,387	8,010
Net assets released from restriction	18,944	(18,944)	-	-
<b>Total revenues and support</b>	<b>27,201,131</b>	<b>9,293</b>	<b>27,210,424</b>	<b>22,350,302</b>
Expenses				
Program expenses	21,419,738	-	21,419,738	18,116,360
Management and general expenses	3,082,570	-	3,082,570	2,922,696
Fundraising expenses	857,687	-	857,687	717,856
<b>Total expenses</b>	<b>25,359,995</b>	<b>-</b>	<b>25,359,995</b>	<b>21,756,912</b>
<b>Change in net assets</b>	<b>1,841,136</b>	<b>9,293</b>	<b>1,850,429</b>	<b>593,390</b>
Net assets, beginning	46,804,362	567,293	47,371,655	46,778,265
<b>Net assets, end</b>	<b>\$ 48,645,498</b>	<b>\$ 576,586</b>	<b>\$ 49,222,084</b>	<b>\$ 47,371,655</b>

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Functional Expenses  
Year Ended September 30, 2023  
With Summarized Totals for the Year Ended September 30, 2022**

	2023			2022	
	Program	Management and general	Fundraising	Total	Total
Personnel	\$ 11,823,818	\$ 1,807,860	\$ 503,014	\$ 14,134,692	\$ 12,255,408
Assistance and grants	498,998	-	-	498,998	392,172
Background check expense	338,147	-	-	338,147	4,061
Credit card processing fees	428,758	-	-	428,758	259,081
Equipment repair and maintenance	531,405	81,252	22,607	635,264	534,371
Insurance	797,980	122,011	33,948	953,939	894,941
Interest expense	207,456	31,720	8,826	248,002	264,695
Occupancy	1,531,676	234,193	65,161	1,831,030	1,673,998
Other expense	245,146	38,535	10,726	294,407	632,767
Printing and promotion	401,748	61,427	17,091	480,266	287,693
Professional services and fees	1,050,910	160,684	44,708	1,256,302	1,093,537
Program supplies and recognition	1,845,041	282,107	78,493	2,205,641	1,707,536
Telecommunications	186,824	28,565	7,948	223,337	253,233
Travel	299,387	45,776	12,737	357,900	189,938
Depreciation and amortization	1,232,444	188,440	52,428	1,473,312	1,313,481
<b>Total</b>	<b>\$ 21,419,738</b>	<b>\$ 3,082,570</b>	<b>\$ 857,687</b>	<b>\$ 25,359,995</b>	<b>\$ 21,756,912</b>
Percent of total expenses	84.5%	12.1%	3.4%	100.0%	

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Cash Flows**  
**Year Ended September 30, 2023**  
**With Summarized Totals for the Year Ended September 30, 2022**

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 1,850,429	\$ 593,390
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,473,312	1,313,481
Bad debt expense	12,462	-
Amortization of operating right-of-use asset	493,485	-
Change in discount of pledges receivable	(462)	(998)
Net realized and unrealized (gain) loss on investments	(1,569,171)	2,048,577
Loss on disposal of property and equipment	1,141	4,302
PPP loan forgiveness	-	(2,000,000)
Deferred rent	-	35,791
Changes in operating assets and liabilities		
Accounts and pledges receivable	(163,920)	40,393
Inventory	52,464	(91,268)
Prepaid expenses and other	(66,119)	(93,759)
Operating lease liabilities	(491,880)	-
Accounts payable	(15,553)	111,655
Accrued expenses	(20,342)	397,798
Custodial funds, held for others	(105,246)	6,522
Deferred revenue	99,902	557,420
	<u>1,550,502</u>	<u>2,923,304</u>
Cash flows from investing activities		
Purchases of investments	(30,707,992)	(19,172,561)
Proceeds from sale of investments	30,609,885	17,323,301
Acquisition of property and equipment	(1,160,379)	(683,867)
	<u>(1,258,486)</u>	<u>(2,533,127)</u>
Cash flows from financing activities		
Payments on notes payable	(480,935)	(464,211)
Payments on finance lease obligations	(20,352)	(31,215)
	<u>(501,287)</u>	<u>(495,426)</u>
Net decrease in cash and cash equivalents	(209,271)	(105,249)
Cash and cash equivalents, beginning	<u>2,215,884</u>	<u>2,321,133</u>
Cash and cash equivalents, end	<u>\$ 2,006,613</u>	<u>\$ 2,215,884</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	<u>\$ 228,624</u>	<u>\$ 243,914</u>
Supplemental disclosure of noncash investing and financing activities		
Property and equipment costs included in accounts payable and accrued expenses	<u>\$ 212,887</u>	<u>\$ 23,797</u>
Right-of-use assets obtained in exchange for lease liabilities	<u>\$ 3,976,260</u>	<u>\$ -</u>



## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements

September 30, 2023

With Summarized Totals at September 30, 2022

#### 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, is the second largest of 111 Girl Scout councils in the nation and the largest girl-serving organization in Southern California. With over 35,500 girl members (grades K-12) and 19,000 dedicated adult volunteers, we span 6,200 square miles of the diverse communities of Los Angeles County and parts of Kern and San Bernardino counties.

In a world where girls are at the epicenter of the youth mental health crisis, experiencing more sadness and hopelessness than ever before, and gender inequity remains, Girl Scouts is an important part of the solution. Girl Scouts offers a one-of-a-kind leadership development program for girls with proven results.

It's based on time-tested methods and research-backed programming that empowers girls to take the lead - in their own lives, in their communities, and in the world. Girl Scouts offers a safe space for girls to be unapologetically themselves, surrounded by supportive peers and trained adult volunteers.

For more than 100 years, GSGLA has prepared girls for lives of purpose, commitment, and success and we are focused on working with girls from more communities as we move into our next 100 years. The Girl Scouts mission is to build girls of courage, confidence, and character who make the world a better place. This generation of girls is growing up with social turmoil, unrepentant mass shootings in schools, racially motivated violence, a pandemic and climate change - it is more vital than ever before to instill girls with courage, confidence, and character.

With one-third of our girl members from under-served communities - with an opportunity to serve thousands more - we strive to provide an equitable experience and remove barriers so all girls have access to the proven Girl Scouts experience.

Our outcomes tell our story - girls who participate in Girl Scouts are more likely to finish high school and attain a higher education degree. Research shows that when a woman has a bachelor's degree, her economic security dramatically increases. By participating in Girl Scouts, girls grow their perseverance, self-esteem, and sociability and are more likely to form healthy relationships and develop community problem-solving skills.

Girl Scouts are more likely than non-Girl Scouts to:

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

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2023 With Summarized Totals at September 30, 2022

Earning any of the highest awards in Girl Scouts — Bronze, Silver, or Gold — is challenging in the best of times. But this year 1,717 Junior, Cadette, Senior and Ambassador Girl Scouts imagined and reimaged ways to make an impact in their community.

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 2023, GSGLA recognized 212 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. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as net assets without donor restrictions.

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

### **Notes to Financial Statements September 30, 2023 With Summarized Totals at September 30, 2022**

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, 2023, the Council did not have any conditional contributions.

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

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

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

Accounts and pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on those pledges receivable due in greater than one year using a discount rate of 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.

#### **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

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

### **Notes to Financial Statements September 30, 2023 With Summarized Totals at September 30, 2022**

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, 2023.

#### **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, 2023.

#### **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.

#### **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 \$7,397 and \$2,024 were recorded for the years ended September 30, 2023 and September 30, 2022, 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 Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2023 With Summarized Totals at September 30, 2022

#### **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.

#### **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 2023, 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 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, 2023, there were no material

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

### **Notes to Financial Statements September 30, 2023 With Summarized Totals at September 30, 2022**

uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Council has no unrecognized tax benefits at September 30, 2023. The Council's federal and state income tax returns prior to the 2020 and 2019 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, 2022, from which the summarized information was derived.

#### **Accounting for leases**

The Council recognizes right of use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term, using the risk-free rate. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Lease expense is recognized on a straight-line basis over the term of the lease. When applicable, the option to extend the lease term is not included in the right of use assets and liabilities recorded, the Council is not reasonably certain to exercise the option to extend the lease. The Council has elected the practical expedient of not separating lease components from nonlease components.

#### **Recently adopted accounting standards updates**

The Council adopted Accounting Standards Update 2016-02 (as amended), Leases ("Topic 842") on October 1, 2022 ("adoption date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for most leases. The Council elected and applied the following transition practical expedients when initially adopting Topic 842:

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2023 With Summarized Totals at September 30, 2022

- To apply the provisions of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the consolidated financial statements.
- The package of practical expedients permitting the Council to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Council recognized the following as of the adoption date in connection with transitioning to Topic 842:

	As of October 1, 2022
Operating lease right-of-use assets	\$ 3,976,260
Finance lease right-of-use assets	25,440
Operating lease liabilities	4,316,378
Finance lease liabilities	25,440

The Council's adoption of Topic 842 also resulted in a decrease of \$340,118 in deferred rent and deferred lease incentives, which was reclassified to operating lease right-of-use assets at adoption. The adoption of Topic 842 did not have a material impact on the Council's net income for the year ended September 30, 2023.

The Council presents its right-of-use assets for finance leases within property, plant, and equipment on the statement of financial position. Further, the Council records its operating right-of-use assets, finance lease liabilities, and operating lease liabilities on the statement of financial position separately as their own line items. See Note 9 regarding the Council's right-of-use assets and lease liabilities.

#### **Subsequent events**

The Council has evaluated the impact of subsequent events through January 31, 2024, 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.

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At September 30, 2023, the Council had the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$ 2,006,613
Short-term investments	15,087,229
Accounts and pledges receivable, current portion, net	<u>484,798</u>
	17,578,640
Less: With donor restrictions	<u>(576,586)</u>
	<u>\$ 17,002,054</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, 2023, there were no concentrations regarding the Council's accounts and pledges receivable.

For the year ended September 30, 2023, approximately 75% of revenues and support was derived from net cookie and fall product programs.



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**Note 4 - Accounts and pledges receivable**

At September 30, 2023 and 2022, accounts and pledges receivable consisted of the following:

	2023			2022
	Accounts receivable	Pledges receivable	Total	Total
Gross amount	\$ 60,653	\$ 424,145	\$ 484,798	\$ 333,340
Present value discount	-	-	-	(462)
 Total	 60,653	 424,145	 484,798	 332,878
Less current portion	(60,653)	(424,145)	(484,798)	(320,878)
	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 12,000</u>

At September 30, 2023, gross undiscounted pledges receivable due in less than one year is \$424,145, and no amounts are due in more than one year. At September 30, 2023, the Council believes that all pledges receivable are collectible.

**Note 5 - Investments**

At September 30, 2023 and 2022, investments consisted of the following:

	2023	2022
Mutual funds		
Equities	\$ 2,977,339	\$ 2,462,059
Bonds	216,052	348,751
Corporate bonds	4,969,642	5,067,930
Treasury notes and bonds	12,615,674	13,245,192
Equities		
Domestic	6,411,509	4,886,829
Cash funds	1,111,201	883,031
Certificates of deposits	650,687	391,034
Annuity	18,611	18,611
 Total investments	 28,970,715	 27,303,437
 Less short-term investments	 15,087,229	 14,630,038
 Long-term investments	 <u>\$ 13,883,486</u>	 <u>\$ 12,673,399</u>

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**Note 6 - Fair value measurements**

Financial assets carried at fair value at September 30, 2023 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	\$ 2,977,339	\$ -	\$ -	\$ 2,977,339
Bonds	216,052	-	-	216,052
Corporate bonds	-	4,969,642	-	4,969,642
Treasury notes and bonds	-	12,615,674	-	12,615,674
Equities				
Domestic	6,411,509	-	-	6,411,509
Cash funds	1,111,201	-	-	1,111,201
Certificates of deposits	-	650,687	-	650,687
Annuity	-	18,611	-	18,611
<b>Total</b>	<b>\$ 10,716,101</b>	<b>\$ 18,254,614</b>	<b>\$ -</b>	<b>\$ 28,970,715</b>

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, 2023, there have been no changes in the valuation methodologies. For the year ended September 30, 2023, 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, 2023 and 2022, property and equipment consisted of the following:

	2023	2022
Land and land improvements	\$ 7,154,912	\$ 7,067,793
Building and improvements, including leasehold improvements	27,625,465	26,808,844
Furniture, fixtures and equipment	1,761,317	1,706,063
Finance lease right-of-use asset	54,927	-
Computer hardware and software	890,563	818,787
	37,487,184	36,401,487
Less accumulated depreciation and amortization	(11,050,809)	(9,740,227)
	26,436,375	26,661,260
Construction in progress	356,129	256,228
	<b>\$ 26,792,504</b>	<b>\$ 26,917,488</b>

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Depreciation and amortization expense for the year ended September 30, 2023 and 2022, was \$1,473,312 and \$1,313,481, 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, 2023, 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, 2023 are as follows:

2024	\$	480,967
2025		516,266
2026		534,887
2027		554,180
2028		573,743
Thereafter		<u>3,983,836</u>
	\$	<u>6,643,879</u>

#### Note 9 - Leases

The Council leases five properties under noncancelable operating leases expiring through October 2029. Certain leases contain renewal options and escalation clauses, and lease equipment under one finance lease agreement.

At lease commencement, the Council recognizes a lease liability, which is measured at the present value of future lease payments and a corresponding right-of-use asset equal to the lease liability. The Council has elected and applies the practical expedient to combine nonlease components with their related lease components and account for them as a single lease component for all its leases. The Council remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract.

The Council determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable for the Council's operating leases, the Council estimates its risk free rate for these leases as the discount rate. The Council has elected to use the risk-free rate, which in the United States is the current yield on U.S. Treasury Securities. This is based on the practical expedient, where a nonpublic entity may elect, by class of underlying asset, to use an appropriate risk-free rate as its discount rate instead of the rate implicit in the lease

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### Notes to Financial Statements September 30, 2023 With Summarized Totals at September 30, 2022

or its incremental borrowing rate. This practical expedient provides nonpublic lessees with a consistent and cost-effective way of determining a discount rate for the lease.

For accounting purposes, the Council's leases commence on the earlier of (i) the date upon which the Council obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of the Council's leases coincides with the contractual effective date.

The Council's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Council and, when exercised, usually provide for rental payments during the extension period at then current market rates or at predetermined rental amounts. Unless the Council determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term. When the exercise of a renewal option or non-exercise of early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

The Council includes variable rental payments based on a rate or an index such as the Consumer Price Index ("CPI") in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

#### Financial information

The following provides information about the Council's right-of-use assets and lease liabilities for its operating leases as of September 30, 2023:

Statement of financial position classification		
Operating leases	Right-of-use asset	<u>\$ 3,482,775</u>
Operating leases	Current portion of operating lease liability	<u>\$ 530,418</u>
Operating leases	Long-term portion of operating lease liability	<u>\$ 3,294,080</u>
Finance lease	Property and equipment	<u>\$ 54,927</u>
Finance lease	Current portion of finance lease liability	<u>\$ 5,088</u>

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The components of the Council's operating lease cost for the year ended September 30, 2023, are as follows:

<u>Statement of functional expenses classification</u>		
Operating lease cost, net		
Rent expense	Occupancy expense, net	<u>\$ 644,660</u>

Weighted average remaining lease term and weighted average discount rate for the Council's operating and finance leases as of September 30, 2023:

	<u>Operating</u>
Weighted average remaining term (in years)	6.2
Weighted average discount rate	3.79%
	<u>Finance</u>
Weighted average remaining term (in years)	0.25
Weighted average discount rate	7.00%

Future minimum lease payments are as follows:

	<u>Operating leases</u>	<u>Finance lease</u>	
	<u>Office space</u>	<u>Equipment</u>	<u>Total</u>
2024	\$ 664,000	\$ 6,237	\$ 670,237
2025	683,920	-	683,920
2026	688,910	-	688,910
2027	701,819	-	701,819
2028	722,874	-	722,874
Thereafter	905,796	-	905,796
	<u>4,367,319</u>	<u>6,237</u>	<u>4,373,556</u>
Less: Interest	<u>(542,821)</u>	<u>(1,149)</u>	<u>(543,970)</u>
	<u>\$ 3,824,498</u>	<u>\$ 5,088</u>	<u>\$ 3,829,586</u>

During the year ended September 30, 2023, the Council recognized lease revenue related to the sublease agreement totaling \$290,386.

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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, 2023 are as follows:

2024	\$	375,147
2025		386,401
2026		397,993
2027		409,933
2028		422,231
Thereafter		<u>434,898</u>
	\$	<u><u>2,426,603</u></u>

**Note 10 - Contingency**

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.

**Note 11 - Net assets with donor restrictions**

At September 30, 2023 and 2022, net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Time or purpose:		
Camperships	\$ 11,142	\$ 10,064
Capital	159,551	158,895
Life Skills	50,000	50,000
Membership Outreach	8,059	8,059
Scholarship	55,997	51,112
Science, Technology, Engineering and Math (STEM)	94,635	94,635
Other	<u>55,593</u>	<u>52,919</u>
	434,977	425,684
Perpetual:		
Endowment investments	<u>141,609</u>	<u>141,609</u>
	<u><u>\$ 576,586</u></u>	<u><u>\$ 567,293</u></u>

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**Note 12 - Program related sales**

The gross revenue and expense of product and merchandise sales for the years ended September 30, 2023 and 2022 are as follows:

	2023		2022	
	Product sales	Merchandise sales	Total	Total
Gross revenue	\$ 33,169,139	\$ 1,115,165	\$ 34,284,304	\$ 25,250,506
Troop proceeds	(5,832,184)	-	(5,832,184)	(4,701,605)
Direct costs	(6,903,879)	(632,490)	(7,536,369)	(6,285,805)
Product and merchandise sales, net	<u>\$ 20,433,076</u>	<u>\$ 482,675</u>	<u>\$ 20,915,751</u>	<u>\$ 14,263,096</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.

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

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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, 2023 and 2022 is as follows:

	2023			2022
	Time or purpose restricted	Perpetually restricted	Total	Total
Camperships	\$ 8,987	\$ 16,414	\$ 25,401	\$ 26,478
General endowment	27,789	50,752	78,541	81,871
Scholarships	37,743	74,443	112,186	120,072
Total	<u>\$ 74,519</u>	<u>\$ 141,609</u>	<u>\$ 216,128</u>	<u>\$ 228,421</u>

Changes in endowment net assets for the years ended September 30, 2023 and 2022 are as follows:

	2023			2022
	Time or purpose restricted	Perpetually restricted	Total	Total
Balance, beginning	\$ 86,812	\$ 141,609	\$ 228,421	\$ 206,205
Investment income (loss)	19,987	-	19,987	(19,689)
(Appropriation) replenishment	(32,280)	-	(32,280)	41,905
Balance, end	<u>\$ 74,519</u>	<u>\$ 141,609</u>	<u>\$ 216,128</u>	<u>\$ 228,421</u>

As of September 30, 2023, 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 declined during the year, and are less than the actuarial present value of accumulated plan benefits as of January 1, 2023. On April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives the Plan the flexibility to adopt the Pension Protection Act of 2006 ("PPA") funding requirements immediately or not at all.



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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 2022 and 2023 were \$32,200,000 and \$27,500,000, respectively. The Council made contributions of \$475,480 for the year ended September 30, 2023. Aggregate contributions to be made in fiscal 2024 are expected to be \$26,000,000.

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, 2023, the Council expensed and accrued contributions of \$293,310.

#### **Note 15 - Related party transactions**

The Council is chartered by GSUSA. During the year ended September 30, 2023, the Council remitted payments for financial assistance of membership dues in the amount of \$301,885 to GSUSA. The Council purchases inventory from GSUSA, of which total purchases amounted to \$778,788 for the year ended September 30, 2023. At September 30, 2023, amounts due to GSUSA and included in accounts payable were \$30,267.



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