

Girl Scouts of San Jacinto Council

Financial Statements
and Independent Auditors' Report
for the years ended August 31, 2022 and 2021

Girl Scouts of San Jacinto Council

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of August 31, 2022 and 2021	3
Statement of Activities for the year ended August 31, 2022	4
Statement of Activities for the year ended August 31, 2021	5
Statement of Functional Expenses for the year ended August 31, 2022	6
Statement of Functional Expenses for the year ended August 31, 2021	7
Statements of Cash Flows for the years ended August 31, 2022 and 2021	8
Notes to Financial Statements for the years ended August 31, 2022 and 2021	9
Supplementary Information:	
Supplemental Statement of Revenue for the year ended August 31, 2022	19
Supplemental Statement of Revenue for the year ended August 31, 2021	20

Independent Auditors' Report

To the Board of Directors of
Girl Scouts of San Jacinto Council:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Girl Scouts of San Jacinto Council, which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Girl Scouts of San Jacinto Council as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Girl Scouts of San Jacinto Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 San Jacinto Council's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 San Jacinto Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Girl Scouts of San Jacinto Council's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the supplemental statements of revenue for the years ended August 31, 2022 and 2021 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Blazek & Vetterling

January 16, 2023

Girl Scouts of San Jacinto Council

Statements of Financial Position as of August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents (<i>Notes 3 and 5</i>)	\$ 1,545,282	\$ 1,505,227
Contributions receivable, net (<i>Note 4</i>):		
United Way allocation	423,850	333,127
Other	178,839	653,385
Prepaid expenses and other receivables	272,840	211,293
Federal COVID relief grants receivable (<i>Note 6</i>)		1,818,861
Short-term investments (<i>Note 5</i>)	23,387,639	18,549,666
Inventory	699,684	634,333
Investments held for endowment (<i>Note 5</i>)	8,746,867	9,693,636
Property and equipment, net (<i>Note 7</i>)	<u>15,297,264</u>	<u>15,633,640</u>
TOTAL ASSETS	<u>\$ 50,552,265</u>	<u>\$ 49,033,168</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 684,839	\$ 851,739
Accrued payroll liabilities	487,231	462,020
Deferred revenue:		
Refundable advance – special event	110,035	145,060
Program service fees	137,939	123,735
Paycheck Protection Program refundable advance (<i>Note 6</i>)	<u> </u>	<u>1,779,361</u>
Total liabilities	<u>1,420,044</u>	<u>3,361,915</u>
Net assets:		
Without donor restrictions	39,292,947	34,735,083
With donor restrictions (<i>Notes 8 and 9</i>)	<u>9,839,274</u>	<u>10,936,170</u>
Total net assets	<u>49,132,221</u>	<u>45,671,253</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 50,552,265</u>	<u>\$ 49,033,168</u>

See accompanying notes to financial statements.

Girl Scouts of San Jacinto Council

Statement of Activities for the year ended August 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Public support contributions:			
Contributions	\$ 4,718,052	\$ 490,573	\$ 5,208,625
United Way allocation	1,160	924,942	926,102
Special events	340,120		340,120
Direct donor benefits – special events	(114,943)		(114,943)
Government grants (<i>Note 6</i>)		2,234,541	2,234,541
Cookie and fall product sales	16,883,328		16,883,328
Cost of cookie and fall product sales	(5,058,938)		(5,058,938)
Shop and trading post sales	878,634		878,634
Cost of shop and trading post sales	(475,388)		(475,388)
Program service fees	1,027,470		1,027,470
Net investment return	(192,582)	(958,444)	(1,151,026)
Gain on sale of property	434,002		434,002
Other revenue	<u>88,031</u>		<u>88,031</u>
Net revenue	18,528,946	2,691,612	21,220,558
Net assets released from restrictions:			
Expenditures for programs	3,722,102	(3,722,102)	
Expenditures for capital projects	<u>66,406</u>	<u>(66,406)</u>	
Total revenue	<u>22,317,454</u>	<u>(1,096,896)</u>	<u>21,220,558</u>
EXPENSES:			
Program services:			
Girl Scout Leadership Experience	<u>15,084,492</u>		<u>15,084,492</u>
Supporting services:			
Management and general	1,787,408		1,787,408
Fundraising	<u>887,690</u>		<u>887,690</u>
Total supporting services	<u>2,675,098</u>		<u>2,675,098</u>
Total expenses	<u>17,759,590</u>		<u>17,759,590</u>
CHANGES IN NET ASSETS	4,557,864	(1,096,896)	3,460,968
Net assets, beginning of year	<u>34,735,083</u>	<u>10,936,170</u>	<u>45,671,253</u>
Net assets, end of year	<u>\$ 39,292,947</u>	<u>\$ 9,839,274</u>	<u>\$ 49,132,221</u>

See accompanying notes to financial statements.

Girl Scouts of San Jacinto Council

Statement of Activities for the year ended August 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Public support contributions:			
Contributions	\$ 746,363	\$ 1,277,927	\$ 2,024,290
United Way allocation	2,185	910,556	912,741
Special events	264,690		264,690
Direct donor benefits – special events	(25,784)		(25,784)
Government grants (<i>Note 6</i>)		4,386,290	4,386,290
Cookie and fall product sales	13,146,890		13,146,890
Cost of cookie and fall product sales	(4,160,174)		(4,160,174)
Shop and trading post sales	590,204		590,204
Cost of shop and trading post sales	(315,177)		(315,177)
Program service fees	870,595		870,595
Net investment return	140,445	1,166,006	1,306,451
Other revenue	<u>392,044</u>		<u>392,044</u>
Net revenue	11,652,281	7,740,779	19,393,060
Net assets released from restrictions:			
Expenditures for programs	5,862,135	(5,862,135)	
Expenditures for capital projects	<u>1,150,854</u>	<u>(1,150,854)</u>	
Total revenue	<u>18,665,270</u>	<u>727,790</u>	<u>19,393,060</u>
EXPENSES:			
Program services:			
Girl Scout Leadership Experience	<u>14,297,419</u>		<u>14,297,419</u>
Supporting services:			
Management and general	1,695,603		1,695,603
Fundraising	<u>927,801</u>		<u>927,801</u>
Total supporting services	<u>2,623,404</u>		<u>2,623,404</u>
Total expenses	<u>16,920,823</u>		<u>16,920,823</u>
CHANGES IN NET ASSETS	1,744,447	727,790	2,472,237
Net assets, beginning of year	<u>32,990,636</u>	<u>10,208,380</u>	<u>43,199,016</u>
Net assets, end of year	<u>\$ 34,735,083</u>	<u>\$ 10,936,170</u>	<u>\$ 45,671,253</u>

See accompanying notes to financial statements.

Girl Scouts of San Jacinto Council

Statement of Functional Expenses for the year ended August 31, 2022

	GIRL SCOUT LEADERSHIP EXPERIENCE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 6,473,142	\$ 1,137,844	\$ 530,514	\$ 8,141,500
Health and retirement benefits	905,984	159,250	74,249	1,139,483
Payroll taxes	583,813	102,622	47,847	734,282
Professional and contractual fees	667,507	101,079	46,748	815,334
Conference and conventions	66,003	1,308	14,695	82,006
Supplies	746,782	3,037	7,589	757,408
Telecommunications	267,004	25,381	12,196	304,581
Postage and shipping	54,721	1,805	4,727	61,253
Occupancy	1,359,986	35,550	25,555	1,421,091
Equipment and software cost	525,906	62,537	30,988	619,431
Printing and publications	292,521	2,676	11,965	307,162
Travel and meetings	134,961	13,189	10,238	158,388
Vehicle costs	109,758	1,088	757	111,603
Specific assistance to individuals	640,371			640,371
Insurance	505,634	16,189	10,074	531,897
Depreciation	1,730,119	52,967	31,003	1,814,089
Other	<u>20,280</u>	<u>70,886</u>	<u>28,545</u>	<u>119,711</u>
Total expenses	<u>\$ 15,084,492</u>	<u>\$ 1,787,408</u>	<u>\$ 887,690</u>	17,759,590
Cost of cookie and fall product sales:				
Materials and supplies				4,335,918
Troop incentives				481,373
Delivery and other costs				241,647
Cost of shop and trading post sales – merchandise				475,388
Direct donor benefits – special events				<u>114,943</u>
Total				<u>\$ 23,408,859</u>

See accompanying notes to financial statements.

Girl Scouts of San Jacinto Council

Statement of Functional Expenses for the year ended August 31, 2021

	GIRL SCOUT LEADERSHIP EXPERIENCE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 6,272,475	\$ 1,106,273	\$ 572,618	\$ 7,951,366
Health and retirement benefits	842,219	148,540	76,886	1,067,645
Payroll taxes	553,094	97,549	50,492	701,135
Professional and contractual fees	417,873	65,475	52,635	535,983
Conference and conventions	46,076	127	4,772	50,975
Supplies	683,531	2,349	6,894	692,774
Telecommunications	251,461	22,672	11,952	286,085
Postage and shipping	24,718	828	4,784	30,330
Occupancy	1,407,460	31,236	22,454	1,461,150
Equipment and software cost	619,263	65,971	35,266	720,500
Printing and publications	185,714	1,759	13,484	200,957
Travel and meetings	63,318	6,974	4,935	75,227
Vehicle costs	88,101	941	655	89,697
Specific assistance to individuals	677,579			677,579
Insurance	456,169	14,977	9,486	480,632
Depreciation	1,689,888	61,875	35,948	1,787,711
Other	<u>18,480</u>	<u>68,057</u>	<u>24,540</u>	<u>111,077</u>
Total expenses	<u>\$ 14,297,419</u>	<u>\$ 1,695,603</u>	<u>\$ 927,801</u>	16,920,823
Cost of cookie and fall product sales:				
Materials and supplies				3,468,144
Troop incentives				441,735
Delivery and other costs				250,295
Cost of shop and trading post sales – merchandise				315,177
Direct donor benefits – special events				<u>25,784</u>
Total				<u>\$ 21,421,958</u>

See accompanying notes to financial statements.

Girl Scouts of San Jacinto Council

Statements of Cash Flows for the years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,460,968	\$ 2,472,237
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,814,089	1,787,711
Contributions restricted for capital projects	(61,910)	(635,717)
(Gain) loss on disposal of property and equipment	(434,002)	1,001
Contributions restricted for endowment	(11,675)	(228,606)
Net realized and unrealized (gain) loss on investments	1,816,769	(1,010,812)
Changes in operating assets and liabilities:		
United Way allocation receivable	(90,723)	99,857
Operating contributions receivable	40,758	127,146
Prepaid expenses and other receivables	(61,547)	12,046
Federal COVID relief grants receivable	1,818,861	(1,818,861)
Inventory	(65,351)	174,362
Accounts payable	(334,668)	(390,531)
Accrued payroll liabilities	25,211	103,644
Deferred revenue	(20,821)	25,371
Paycheck Protection Program refundable advance	<u>(1,779,361)</u>	<u>61</u>
Net cash provided by operating activities	<u>6,116,598</u>	<u>718,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(43,254,995)	(24,099,427)
Proceeds from sale of investments	8,449,562	22,088,138
Proceeds from maturities of investments	30,300,000	
Net change in money market mutual funds held as investments	(1,202,540)	2,526,911
Purchases of property and equipment	(1,347,582)	(2,050,487)
Proceeds from sale of property and equipment	<u>471,639</u>	<u>4,040</u>
Net cash used by investing activities	<u>(6,583,916)</u>	<u>(1,530,825)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital projects	495,698	552,712
Proceeds from contributions restricted for endowment	<u>11,675</u>	<u>228,606</u>
Net cash provided by financing activities	<u>507,373</u>	<u>781,318</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	40,055	(30,598)
Cash and cash equivalents, beginning of year	<u>1,505,227</u>	<u>1,535,825</u>
Cash and cash equivalents, end of year	<u>\$ 1,545,282</u>	<u>\$ 1,505,227</u>

See accompanying notes to financial statements.

Girl Scouts of San Jacinto Council

Notes to Financial Statements for the years ended August 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Girl Scouts of San Jacinto Council (GSSJC) was chartered by Girl Scouts of the USA (GSUSA) in 1922 and is one of the largest Girl Scout councils in the nation with over 35,000 girls served across 26 counties in southeast Texas and 15,000 adult members who gave their time and talents in 2022. Girl Scouting builds girls of courage, confidence and character, who make the world a better place. Girl Scouts also unleashes the potential in every girl, preparing her for a lifetime of leadership. Locally, GSSJC offers outdoor experiences at its 10 camp properties and gives girls the opportunity to develop life, STEM (science, technology, engineering and math) and entrepreneurial skills through engaging, challenging and fun activities. Girls learn to care about, inspire and team with others locally and globally. Through the Girl Scout Leadership Experience, girls in kindergarten through 12th grade learn to understand themselves and their values and use their knowledge and skills to explore the world.

Federal income tax status – GSSJC is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash equivalents are highly liquid financial instruments with original maturities of three months or less which are not restricted for long-term purposes. Cash equivalents that are not needed to meet immediate operating cash requirements or are restricted for long-term purposes are reported as investments.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Amortization of discounts is included in contribution revenue. An allowance for uncollectible contributions is estimated based on management’s periodic evaluation of past loss experience, known adverse situations that may affect the donor’s ability to pay, and current economic conditions.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Inventory is reported at the lower of cost or net realizable value, with cost being determined on a periodic weighted-average basis. Inventory primarily consists of uniforms, badges, handbooks and supplies used by members in their Girl Scout activities. Inventory is primarily purchased from GSUSA.

Property and equipment is reported at cost if purchased and at fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 3 to 40 years. GSSJC capitalizes property and equipment that have a useful life greater than one year and a cost of more than \$2,500.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before GSSJC is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as a refundable advance. At August 31, 2022, approximately 50% of contributions are from one donor.

Nonfinancial asset contributions – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair value of in-kind contributions for rent is estimated using recent comparable rental rates for the area, while supplies and services are based on retail value and prevailing rates for similar services. There were in-kind contributions of approximately \$128,000 and \$160,000 recognized in fiscal years 2022 and 2021, respectively.

A substantial number of volunteers have contributed their time to fill approximately 60 Board of Directors and Board Committee positions, more than 300 community and 50 region positions, and more than 15,000 troop positions. These volunteers, who may fill multiple roles, provide assistance with programs, administration and fundraising. No amount has been recognized in the financial statements for these services because they did not meet the criteria for recognition under generally accepted accounting principles.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Amounts received in advance of an event are reported as deferred revenue. Direct donor benefits represent the cost of goods and services provided to attendees of special events.

Revenue from product sales and program service fees are recognized as the services or products are provided as follows:

- *Cookie and fall product sales* are reflected at the amount of consideration GSSJC expects to receive, which is net of troop bonuses totaling \$3,174,653 and \$2,497,457 for the years ended August 31, 2022 and 2021, respectively. The standard troop revenue share is 15% of the selling price, or in the case of older troops, up to 16.67%. GSSJC recognizes the revenue when the related products are provided to the customer. All payments are due at the time of sale by the troop member.
- *Shop and trading post sales* occur in several locations to provide material and supplies to troop members. Revenue is recognized when the related products are provided, net of discounts. All payments are due at the point of sale.
- *Other program service fees* include camps and other events for troops. These fees are recognized when services are provided to the girl scout member, in an amount that reflects the consideration GSSJC expects to be entitled to in exchange for the residential camp or event. The nature of these services does not give rise to contract costs or any variable considerations, warranties or other obligations. Payments are usually due ahead of the camp or event. Amounts received but unearned are included in the statement of financial position as deferred revenue. At August 31, 2022, 2021 and 2020, deferred revenues were \$137,939, \$123,735 and \$110,254, respectively.

There are no contract receivables at August 31, 2022 or 2021.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. GSSJC is required to adopt this ASU for fiscal year ending August 31, 2023. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of August 31 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,545,282	\$ 1,505,227
Contributions receivable, net	602,689	986,512
Receivables and other assets	18,983	1,840,346
Short-term investments	23,387,639	18,549,666
Inventory	699,684	634,333
Investments held for endowment	<u>8,746,867</u>	<u>9,693,636</u>
Total financial assets	35,001,144	33,209,720
Less financial assets not available for general expenditure:		
Endowment investments (less budgeted appropriations)	(8,726,867)	(9,673,636)
Other donor-restricted contributions not expected to be available	(323,426)	(422,145)
Donor-restricted cash and contributions held for capital expenditures	(133,779)	(138,273)
Board-approved budgeted capital expenditures	(1,003,506)	(1,607,473)
Board-designated cash and contributions held for future operating and capital projects	<u>(6,700,000)</u>	<u>(2,500,000)</u>
Total financial assets available for general expenditure	<u>\$ 18,113,566</u>	<u>\$ 18,868,193</u>

The amount of GSSJC’s financial assets available for general expenditure at fiscal year end 2022 and 2021 includes seasonal cookie program proceeds and residual funding received from Paycheck Protection Program loans and employee retention tax credits (Note 6) earmarked to support GSSJC’s continued efforts to restore its operations to pre-pandemic levels.

Cookie program proceeds (GSSJC’s largest revenue source) are received between February and May each year. The proceeds raised in one fiscal year fund the following year’s budgeted operating and capital expenditures. Annual budgets are developed with a target of 6-12 months of liquid assets available for general expenditures at the end of each fiscal year to support the next year’s operations.

When assessing available liquidity, GSSJC compares its financial assets available for general expenditure to its annual operating expenditure forecast for the upcoming year to support its ongoing mission. Capital campaign proceeds and endowment earnings are excluded from the calculation of liquidity available for operations. GSSJC regularly monitors liquidity available to meet operating needs while striving to maximize the investment of available funds. Financial assets are structured to be available as general expenditures, liabilities, and other obligations become due.

GSSJC's governing board has designated a portion of its resources without donor restrictions to be used for future operating needs and capital projects. Board-designated reserves increased in 2022 due to a large non-recurring unrestricted gift that the board earmarked for support of community outreach programs over several years and initial funding for the planned capital campaign. However, these funds remain available to be spent at the discretion of the governing board.

In 2022, GSSJC was able to take actions to restore normal operations as the impact of the COVID-19 pandemic eased and program participation increased. Continued efforts will be necessary to reach pre-pandemic membership and program participation levels. GSSJC's fiscal year 2023 budget forecasts incremental but not full restoration of pre-pandemic membership and program participation and inflationary impacts across a range of operating costs including variable program expenses, deferred capital projects and use of unrestricted and board-designated reserves. Based on these assumptions, financial assets available for general expenditure in August 2022 meet GSSJC's goal of 6-12 months. In addition to planned liquidity from operations, management also maintains a \$2 million line of credit as a potential source of liquidity, if needed.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 234,647	\$ 533,335
Repurchase agreements (overnight)	<u>1,310,635</u>	<u>971,892</u>
Total cash and cash equivalents	<u>\$ 1,545,282</u>	<u>\$ 1,505,227</u>

Bank deposits exceed the federally insured limit per depositor per institution.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 623,733	\$ 1,011,071
Discount to net present value at rate of 1.50%	(1,044)	(4,559)
Allowance for uncollectible contributions	<u>(20,000)</u>	<u>(20,000)</u>
Contributions receivable, net	<u>\$ 602,689</u>	<u>\$ 986,512</u>

Contributions receivable at August 31, 2022 are expected to be collected as follows:

Receivable in less than one year	\$ 555,033
Receivable in one to five years	<u>68,700</u>
Total contributions receivable	<u>\$ 623,733</u>

As of August 31, 2022, approximately 92% of contributions receivable were from two contributors. As of August 31, 2021, approximately 90% of contributions receivable were from four contributors.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair Value Measurements

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at August 31, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Short-term investments:				
U. S. Treasury bills maturing in less than 90 days		\$ 14,363,858		\$ 14,363,858
Short-term fixed-income mutual fund	\$ 7,884,688			7,884,688
Money market mutual funds	<u>1,139,093</u>			<u>1,139,093</u>
Subtotal	<u>9,023,781</u>	<u>14,363,858</u>		<u>23,387,639</u>
Investments held for endowments:				
Fixed-income mutual funds:				
Intermediate-term	3,159,501			3,159,501
Short-term	1,793,402			1,793,402
Other	152,039			152,039
Equity mutual funds:				
Domestic growth securities	2,782,947			2,782,947
International growth securities	495,143			495,143
Money market mutual funds	<u>363,835</u>			<u>363,835</u>
Subtotal	<u>8,746,867</u>			<u>8,746,867</u>
Total investments	17,770,648	14,363,858		32,134,506
Repurchase agreements held as cash and cash equivalents (overnight)		<u>1,310,635</u>		<u>1,310,635</u>
Total assets measured at fair value	<u>\$ 17,770,648</u>	<u>\$ 15,674,493</u>	<u>\$ 0</u>	<u>\$ 33,445,141</u>

Assets measured at fair value at August 31, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Short-term investments:				
U. S. Treasury bills maturing in less than 90 days		\$ 10,299,054		\$ 10,299,054
Short-term fixed-income mutual fund	\$ 8,222,772			8,222,772
Money market mutual funds	<u>27,840</u>			<u>27,840</u>
Subtotal	<u>8,250,612</u>	<u>10,299,054</u>		<u>18,549,666</u>
Investments held for endowments:				
Fixed-income mutual funds:				
Intermediate-term	2,767,755			2,767,755
Short-term	1,799,549			1,799,549
Other	781,483			781,483
Equity mutual funds:				
Domestic growth securities	3,502,405			3,502,405
International growth securities	569,897			569,897
Money market mutual funds	<u>272,547</u>			<u>272,547</u>
Subtotal	<u>9,693,636</u>			<u>9,693,636</u>
Total investments	17,944,248	10,299,054		28,243,302
Repurchase agreements held as cash and cash equivalents (overnight)		<u>971,892</u>		<u>971,892</u>
Total assets measured at fair value	<u>\$ 17,944,248</u>	<u>\$ 11,270,946</u>	<u>\$ 0</u>	<u>\$ 29,215,194</u>

Valuation methods used for assets measured at fair value are as follows:

- *U. S. Treasury bills* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values, or active market makers and inter-dealer brokers.
- *Mutual funds* are valued at the reported net asset value of shares held.
- *Repurchase agreements* are overnight investments valued at the net present value of future cash flows.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while GSSJC believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investments

Investments are held for the following purposes:

	<u>2022</u>	<u>2021</u>
Operating, including donor-restricted for programs and facility improvements	\$ 16,687,639	\$ 16,049,666
Board-designated	6,700,000	2,500,000
Endowments	<u>8,746,867</u>	<u>9,693,636</u>
Total	<u>\$ 32,134,506</u>	<u>\$ 28,243,302</u>

NOTE 6 – FEDERAL COVID RELIEF GRANTS

Paycheck Protection Program – In March 2021, GSSJC received an unsecured bank loan of \$1,802,225 funded through the Small Business Administration’s (SBA) federal Paycheck Protection Program (PPP). GSSJC met the filing requirements with the SBA prior to August 31, 2022 and was given notice of full forgiveness in June 2022 and recognized \$1,779,361 in government grant revenue in 2022.

Employee Retention Tax Credit and other credits – Section 2301 of the Coronavirus Aid, Relief, and Economic Security Act, with amendments from the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (collectively CARES Act), provides for an employee retention tax credit to eligible employers that pay qualified wages to some or all employees for specified pay periods in calendar years 2020 and 2021. For calendar year 2020 wages, a 50% tax credit can be claimed on qualified wages of up to \$10,000 for each eligible employee. For calendar year 2021 wages, a 70% tax credit can be claimed for up to \$10,000 per quarter for each eligible employee through September 2021. In addition, there were credits available for unemployment insurance costs, COVID-19 leave, and COBRA subsidies under other government relief programs. During 2022 and 2021, GSSJC recognized \$432,316 and \$2,560,660, respectively, in government grant revenue related to credits earned on eligible wages and related expenses.

The government grants require certain eligible expenditures. These contributions are recorded with donor restrictions and then fully released as all eligible expenses have been incurred. Government grants are subject to review by the awarding agencies and could be subject to disallowed costs. Management does not believe any reviews could result in material disallowances.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 20,807,899	\$ 20,252,885
Land improvements and building improvements	25,983,083	25,496,850
Equipment	<u>7,753,772</u>	<u>7,557,314</u>
Total depreciable property and equipment, at cost	54,544,754	53,307,049
Accumulated depreciation	<u>(44,255,258)</u>	<u>(42,497,937)</u>
Net depreciable property	10,289,496	10,809,112
Land	4,665,756	4,467,756
Construction in progress	<u>342,012</u>	<u>356,772</u>
Property and equipment, net	<u>\$ 15,297,264</u>	<u>\$ 15,633,640</u>

Two properties utilized as camps and a service center have reversionary clauses placed on the deeds of the properties, which restrict GSSJC’s ability to sell these properties or use them for purposes other than Girl Scout programs. The properties have a net book value of \$377,000 and \$393,000 at August 31, 2022 and 2021, respectively.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
United Way program allocation	\$ 423,850	\$ 333,126
Facility improvements	133,779	138,273
Community outreach programs	133,358	376,175
Camperships	91,675	105,510
Other	<u>329,745</u>	<u>289,450</u>
Total subject to expenditure for specified purpose	<u>1,112,407</u>	<u>1,242,534</u>
Endowments subject to spending policy and appropriation:		
Camp maintenance	8,192,360	9,073,836
Scholarships	<u>534,507</u>	<u>619,800</u>
Total endowments	<u>8,726,867</u>	<u>9,693,636</u>
Total net assets with donor restrictions	<u>\$ 9,839,274</u>	<u>\$ 10,936,170</u>

NOTE 9 – ENDOWMENT FUNDS

The donor-restricted permanent endowments of GSSJC include two individual funds that were established for camp maintenance and Emerald Circle Gold Award scholarships. The Board of Directors of GSSJC has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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, GSSJC classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment funds are classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure by GSSJC in a manner consistent with the standards of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, GSSJC considers the duration and preservation of the funds and other resources of GSSJC in making a determination to appropriate or accumulate donor-restricted endowment funds.

Endowment net assets consist of the following:

	<u>2022</u>	<u>2021</u>
	<u>WITH DONOR</u>	<u>WITH DONOR</u>
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>
Donor-restricted endowment funds:		
Original donor-restricted gift and amounts required to be maintained in perpetuity	\$ 5,425,784	\$ 5,414,109
Accumulated net investment return	<u>3,301,083</u>	<u>4,279,527</u>
Endowment net assets	<u>\$ 8,726,867</u>	<u>\$ 9,693,636</u>

Changes in donor-restricted endowment funds are as follows:

	<u>WITH DONOR RESTRICTIONS</u>		
	<u>ACCUMULATED</u>	<u>REQUIRED TO BE</u>	
	<u>NET INVESTMENT</u>	<u>MAINTAINED</u>	
	<u>RETURN</u>	<u>IN PERPETUITY</u>	<u>TOTAL</u>
Endowment net assets, August 31, 2020	<u>\$ 3,118,521</u>	<u>\$ 5,185,503</u>	<u>\$ 8,304,024</u>
Contributions and transfers		<u>228,606</u>	<u>228,606</u>
Net investment return	<u>1,166,006</u>		<u>1,166,006</u>
Appropriations	<u>(5,000)</u>		<u>(5,000)</u>
Endowment net assets, August 31, 2021	<u>4,279,527</u>	<u>5,414,109</u>	<u>9,693,636</u>
Contributions and transfers		<u>11,675</u>	<u>11,675</u>
Net investment return	<u>(958,444)</u>		<u>(958,444)</u>
Appropriations	<u>(20,000)</u>		<u>(20,000)</u>
Endowment net assets, August 31, 2022	<u>\$ 3,301,083</u>	<u>\$ 5,425,784</u>	<u>\$ 8,726,867</u>

Investment Objectives and Risk Parameters

GSSJC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and entities supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a portfolio that is invested approximately 40% in equity-based securities and 60% in fixed-income securities while assuming a moderate level of investment risk. GSSJC expects its endowment funds, over time, to provide an average rate-of-return of approximately 5% annually, net of fees and inflation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, GSSJC relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GSSJC targets a diversified asset allocation that places a greater emphasis on fixed-income security investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

GSSJC has a policy of not appropriating more than 95% of the annual real total return, net of investment management fees, of the immediately preceding four quarters. Appropriations are considered annually by the Finance Committee. In establishing this policy, GSSJC considered the long-term expected return and the effects of inflation on its endowments. The policy is consistent with GSSJC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 10 – EMPLOYEE BENEFIT PLAN

Eligible employees of GSSJC may participate in a §401(k) defined contribution retirement plan. GSSJC matched each employee's after tax contribution up to 2% of their salary in 2022 and 2021, and also may make discretionary contributions annually to all employees. GSSJC contributed approximately \$119,000 and \$115,000 to the plan in 2022 and 2021, respectively.

NOTE 11 – AVAILABLE LINE OF CREDIT

GSSJC maintains a \$2,000,000 line of credit agreement with a bank, which bears interest at the bank’s prime rate minus 1%. The line of credit expires on March 30, 2023. There are no amounts outstanding on the line of credit at August 31, 2022 or 2021.

NOTE 12 – LEASE COMMITMENTS

GSSJC leases office and retail space under noncancelable operating leases expiring through April 2033. Rent expense totaled approximately \$265,000 for the years ended August 31, 2022 and 2021. Future minimum lease payments required under the leases at August 31, 2022 are as follows:

2023	\$ 169,721
2024	163,601
2025	166,954
2026	170,387
2027	142,867
Thereafter	<u>520,908</u>
Total	<u>\$ 1,334,438</u>

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 16, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Girl Scouts of San Jacinto Council

Supplemental Statement of Revenue for the year ended August 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
CONTRIBUTIONS:			
General contributions	\$ 4,943,229	\$ 428,663	\$ 5,371,892
United Way allocation	1,160	924,942	926,102
Government grants		2,234,541	2,234,541
Capital contributions		61,910	61,910
Total contributions	<u>4,944,389</u>	<u>3,650,056</u>	<u>8,594,445</u>
PROGRAM SERVICE FEES:			
Resident camp	611,983		611,983
Troop camp, day camp, and other outdoor activities	256,538		256,538
Travel group	26,371		26,371
Adult training fees and other events	30,765		30,765
Visual and performing arts	31,785		31,785
Math, science, and technology events	25,897		25,897
Older Girl Scout events	37,939		37,939
All other events	6,192		6,192
Total program service fees	<u>1,027,470</u>		<u>1,027,470</u>
TROOP SALES:			
Cookie sales	18,472,805		18,472,805
Cost of cookie sales	(4,497,490)		(4,497,490)
Troop bonuses for cookie sales	(2,794,949)		(2,794,949)
Fall product sales	1,585,177		1,585,177
Cost of fall product sales	(561,449)		(561,449)
Troop bonuses for fall product sales	(379,704)		(379,704)
Total troop sales	<u>11,824,390</u>		<u>11,824,390</u>
SHOP AND TRADING POST SALES AND OTHER REVENUE:			
Shop and trading post sales	878,634		878,634
Cost of shop and trading post sales	(475,388)		(475,388)
Interest and dividend income, net	106,692	559,051	665,743
Net realized and unrealized loss on investments	(299,274)	(1,517,495)	(1,816,769)
Gain on sale of property	434,002		434,002
Other	88,031		88,031
Total shop and trading post sales and other revenue	<u>732,697</u>	<u>(958,444)</u>	<u>(225,747)</u>
Net assets released from restrictions	<u>3,788,508</u>	<u>(3,788,508)</u>	
Total	<u>\$ 22,317,454</u>	<u>\$ (1,096,896)</u>	<u>\$ 21,220,558</u>

Girl Scouts of San Jacinto Council

Supplemental Statement of Revenue for the year ended August 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
CONTRIBUTIONS:			
General contributions	\$ 985,269	\$ 642,210	\$ 1,627,479
United Way allocation	2,185	910,556	912,741
Government grants		4,386,290	4,386,290
Capital contributions		635,717	635,717
Total contributions	<u>987,454</u>	<u>6,574,773</u>	<u>7,562,227</u>
PROGRAM SERVICE FEES:			
Resident camp	576,203		576,203
Troop camp, day camp, and other outdoor activities	187,989		187,989
Travel group	1,731		1,731
Adult training fees and other events	18,883		18,883
Visual and performing arts	21,827		21,827
Math, science, and technology events	38,830		38,830
Older Girl Scout events	11,704		11,704
All other events	13,428		13,428
Total program service fees	<u>870,595</u>		<u>870,595</u>
TROOP SALES:			
Cookie sales	14,060,446		14,060,446
Cost of cookie sales	(3,587,405)		(3,587,405)
Troop bonuses for cookie sales	(2,116,471)		(2,116,471)
Fall product sales	1,583,901		1,583,901
Cost of fall product sales	(572,769)		(572,769)
Troop bonuses for fall product sales	(380,986)		(380,986)
Total troop sales	<u>8,986,716</u>		<u>8,986,716</u>
SHOP AND TRADING POST SALES AND OTHER REVENUE:			
Shop and trading post sales	590,204		590,204
Cost of shop and trading post sales	(315,177)		(315,177)
Interest and dividend income, net	78,231	217,408	295,639
Net realized and unrealized gain on investments	62,214	948,598	1,010,812
Other	392,044		392,044
Total shop and trading post sales and other revenue	<u>807,516</u>	<u>1,166,006</u>	<u>1,973,522</u>
Net assets released from restrictions	<u>7,012,989</u>	<u>(7,012,989)</u>	
Total	<u>\$ 18,665,270</u>	<u>\$ 727,790</u>	<u>\$ 19,393,060</u>