



Financial Statements

September 30, 2020 and 2019

**Girl Scouts - Arizona Cactus-Pine  
Council, Inc.**

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## Independent Auditor's Report

The Board of Directors  
Girl Scouts - Arizona Cactus-Pine Council, Inc.  
Phoenix, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts - Arizona Cactus-Pine Council, Inc., which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts - Arizona Cactus-Pine Council, Inc. as of September 30, 2020 and 2019, 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Phoenix, Arizona  
January 21, 2021

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Financial Position

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,918,040	\$ 3,805,760
Short term investments	2,030,228	515,605
Promises to give		
Capital Campaign	-	50,000
United Way	30,113	6,953
Other	64,990	108,670
Accounts receivable, net of allowance for doubtful accounts of \$272,490 and \$279,883, respectively	58,727	64,948
Inventory	222,803	183,440
Prepaid expenses	157,963	131,460
Total current assets	<u>8,482,864</u>	<u>4,866,836</u>
Investments	12,562,480	12,598,213
Property and equipment, net	18,847,238	19,573,562
Total assets	<u>\$ 39,892,582</u>	<u>\$ 37,038,611</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 710,360	\$ 538,085
Deferred income	287,976	184,262
Amount due to affiliated organization	5,480	11,473
Refundable advance - Paycheck Protection Program Award	1,267,000	-
Current portion of capital lease obligation	-	13,294
Current portion of bond payable	368,653	356,789
Total current liabilities	<u>2,639,469</u>	<u>1,103,903</u>
Bond payable, less current portion and unamortized bond issuance costs of \$194,081 and \$204,034, respectively	1,631,128	1,989,805
Total liabilities	<u>4,270,597</u>	<u>3,093,708</u>
Net Assets		
Without donor restrictions		
Board-designated	8,011,548	7,378,891
Undesignated	27,058,643	25,928,804
Total net assets without donor restrictions	<u>35,070,191</u>	<u>33,307,695</u>
With donor restrictions	551,794	637,208
Total net assets	<u>35,621,985</u>	<u>33,944,903</u>
Total liabilities and net assets	<u>\$ 39,892,582</u>	<u>\$ 37,038,611</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Activities

Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Support						
Contributions	\$ 943,364	\$ 396,859	\$ 1,340,223	\$ 1,198,716	\$ 625,430	\$ 1,824,146
United Way	134,870	30,113	164,983	22,005	9,207	31,212
Revenue						
Program service fees, including camp fees	142,950	-	142,950	1,244,611	-	1,244,611
Cookie and product program sales	16,135,694	-	16,135,694	15,187,314	-	15,187,314
Cost of cookie and product program sales	(3,691,923)	-	(3,691,923)	(3,398,902)	-	(3,398,902)
Troop proceeds	(2,790,804)	-	(2,790,804)	(2,653,265)	-	(2,653,265)
Net cookie and product program sales	<u>9,652,967</u>	<u>-</u>	<u>9,652,967</u>	<u>9,135,147</u>	<u>-</u>	<u>9,135,147</u>
Sale of scout merchandise	335,476	-	335,476	780,462	-	780,462
Cost of scout merchandise sales	(168,432)	-	(168,432)	(445,933)	-	(445,933)
Net scout merchandise sales	<u>167,044</u>	<u>-</u>	<u>167,044</u>	<u>334,529</u>	<u>-</u>	<u>334,529</u>
Miscellaneous	32,578	-	32,578	39,381	-	39,381
Net assets released from restrictions	<u>512,386</u>	<u>(512,386)</u>	<u>-</u>	<u>1,276,095</u>	<u>(1,276,095)</u>	<u>-</u>
Total support and revenue	<u>11,586,159</u>	<u>(85,414)</u>	<u>11,500,745</u>	<u>13,250,484</u>	<u>(641,458)</u>	<u>12,609,026</u>
Expenses						
Program services	9,032,530	-	9,032,530	10,654,814	-	10,654,814
Management and general	1,535,907	-	1,535,907	1,337,500	-	1,337,500
Fundraising	731,701	-	731,701	777,000	-	777,000
Total expenses	<u>11,300,138</u>	<u>-</u>	<u>11,300,138</u>	<u>12,769,314</u>	<u>-</u>	<u>12,769,314</u>
Change in Net Assets before Non-Operating Activity	286,021	(85,414)	200,607	481,170	(641,458)	(160,288)
Net investment return	<u>1,476,475</u>	<u>-</u>	<u>1,476,475</u>	<u>509,750</u>	<u>-</u>	<u>509,750</u>
Change in Net Assets	1,762,496	(85,414)	1,677,082	990,920	(641,458)	349,462
Net Assets, Beginning of Year	<u>33,307,695</u>	<u>637,208</u>	<u>33,944,903</u>	<u>32,316,775</u>	<u>1,278,666</u>	<u>33,595,441</u>
Net Assets, End of Year	<u>\$ 35,070,191</u>	<u>\$ 551,794</u>	<u>\$ 35,621,985</u>	<u>\$ 33,307,695</u>	<u>\$ 637,208</u>	<u>\$ 33,944,903</u>

See Notes to Financial Statements

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Functional Expenses  
Years Ended September 30, 2020 and 2019

	2020							
	Program Services				Supporting Services			
	Girl Programs	Membership Support	Volunteer Support	Community Activities	Total	Management and General	Fundraising	Total
Salaries and Related	\$ 2,024,822	\$ 1,281,668	\$ 976,233	\$ 275,703	\$ 4,558,426	\$ 1,044,432	\$ 433,957	\$ 6,036,815
Supplies and Incentives	775,998	29,632	237,014	125,473	1,168,117	5,702	34,687	1,208,506
Professional Services	107,952	55,930	32,366	248,740	444,988	98,893	21,225	565,106
Telephone	43,668	39,257	13,923	9,828	106,676	11,642	6,884	125,202
Postage and Shipping	37,428	11,218	16,503	2,585	67,734	3,268	3,839	74,841
Occupancy	322,325	23,404	21,155	10,800	377,684	18,137	8,640	404,461
Equipment Rental	11,860	1,687	5,502	5,798	24,847	1,386	26,597	52,830
Conferences, Conventions, and Meetings	8,140	4,170	5,277	6,183	23,770	2,933	1,753	28,456
Printing and Publications	117,131	41,149	34,517	26,164	218,961	25,511	27,270	271,742
Depreciation	476,684	198,602	189,500	94,840	959,626	163,176	77,737	1,200,539
Interest	35,493	14,788	14,110	7,062	71,453	17,615	5,788	94,856
Miscellaneous	525,310	167,849	237,582	79,507	1,010,248	143,212	83,324	1,236,784
Cost of Sales - Cookies and Product	3,691,923	-	-	-	3,691,923	-	-	3,691,923
Cost of Sales - Troop Proceeds	2,790,804	-	-	-	2,790,804	-	-	2,790,804
Cost of Sales - Scout Equipment	-	-	168,432	-	168,432	-	-	168,432
	<u>10,969,538</u>	<u>1,869,354</u>	<u>1,952,114</u>	<u>892,683</u>	<u>15,683,689</u>	<u>1,535,907</u>	<u>731,701</u>	<u>17,951,297</u>
Less Expenses Included with Revenues on the Statement of Activities								
Cost of sales - cookies and product	(3,691,923)	-	-	-	(3,691,923)	-	-	(3,691,923)
Cost of sales - troop proceeds	(2,790,804)	-	-	-	(2,790,804)	-	-	(2,790,804)
Cost of sales - scout equipment	-	-	(168,432)	-	(168,432)	-	-	(168,432)
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 4,486,811</u>	<u>\$ 1,869,354</u>	<u>\$ 1,783,682</u>	<u>\$ 892,683</u>	<u>\$ 9,032,530</u>	<u>\$ 1,535,907</u>	<u>\$ 731,701</u>	<u>\$ 11,300,138</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Functional Expenses  
Years Ended September 30, 2020 and 2019

	2019							
	Program Services				Supporting Services			
	Girl Programs	Membership Support	Volunteer Support	Community Activities	Total	Management and General	Fundraising	Total
Salaries and Related	\$ 2,711,055	\$ 1,467,684	\$ 909,961	\$ 436,239	\$ 5,524,939	\$ 983,450	\$ 498,244	\$ 7,006,633
Supplies and Incentives	1,007,657	57,546	347,177	164,739	1,577,119	11,174	50,845	1,639,138
Professional Services	194,736	43,172	36,331	237,625	511,864	100,097	36,794	648,755
Telephone	49,589	38,307	13,076	10,942	111,914	9,507	7,644	129,065
Postage and Shipping	19,910	3,913	4,587	2,867	31,277	2,487	3,273	37,037
Occupancy	434,615	27,217	24,701	13,471	500,004	15,499	9,004	524,507
Equipment Rental	31,931	3,024	7,749	7,536	50,240	2,014	20,422	72,676
Conferences, Conventions, and Meetings	22,884	10,273	7,344	13,291	53,792	6,567	4,912	65,271
Printing and Publications	170,472	66,501	50,012	59,466	346,451	30,095	29,469	406,015
Depreciation	508,465	176,705	155,910	96,664	937,744	117,715	68,385	1,123,844
Interest	45,997	15,985	14,104	8,744	84,830	10,649	6,186	101,665
Miscellaneous	579,950	97,425	200,531	46,734	924,640	48,246	41,822	1,014,708
Cost of Sales - Cookies and Product	3,398,902	-	-	-	3,398,902	-	-	3,398,902
Cost of Sales - Troop Proceeds	2,653,265	-	-	-	2,653,265	-	-	2,653,265
Cost of Sales - Scout Equipment	-	-	445,933	-	445,933	-	-	445,933
	<u>11,829,428</u>	<u>2,007,752</u>	<u>2,217,416</u>	<u>1,098,318</u>	<u>17,152,914</u>	<u>1,337,500</u>	<u>777,000</u>	<u>19,267,414</u>
Less Expenses Included with Revenues on the Statement of Activities								
Cost of sales - cookies and product	(3,398,902)	-	-	-	(3,398,902)	-	-	(3,398,902)
Cost of sales - troop proceeds	(2,653,265)	-	-	-	(2,653,265)	-	-	(2,653,265)
Cost of sales - scout equipment	-	-	(445,933)	-	(445,933)	-	-	(445,933)
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 5,777,261</u>	<u>\$ 2,007,752</u>	<u>\$ 1,771,483</u>	<u>\$ 1,098,318</u>	<u>\$ 10,654,814</u>	<u>\$ 1,337,500</u>	<u>\$ 777,000</u>	<u>\$ 12,769,314</u>



Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 1,677,082	\$ 349,462
Adjustments to reconcile net assets to net cash from operating activities		
Depreciation	1,200,539	1,123,844
Interest expense attributable to amortization of debt issuance costs	9,953	9,953
Net realized and unrealized gain on investments	(1,355,569)	(380,278)
Change in present value of discount on promises to give	-	4,470
Bad debt expense (recovery)	(5,955)	103,102
Change in assets and liabilities		
Promises to give, Capital Campaign	50,000	569,760
Promises to give, United Way	(23,160)	106,331
Promises to give, Other	43,680	3,192
Accounts receivable, net	12,176	(28,222)
Inventory	(39,363)	(44,759)
Prepaid expenses	(26,503)	58,037
Accounts payable and accrued expenses	172,275	(101,044)
Deferred income	103,714	(19,887)
Amount due to affiliated organization	(5,993)	3,244
Refundable advance - Paycheck Protection Program Award	1,267,000	-
Net Cash from Operating Activities	<u>3,079,876</u>	<u>1,757,205</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(474,215)	(497,478)
Purchases of investments	(6,533,684)	(2,102,610)
Proceeds from sale of investments	6,410,363	2,488,652
Net Cash used for Investing Activities	<u>(597,536)</u>	<u>(111,436)</u>
Cash Flows from Financing Activities		
Payments on capital lease obligation	(13,294)	(15,260)
Payments on bond payable	(356,766)	(345,137)
Net Cash used for Financing Activities	<u>(370,060)</u>	<u>(360,397)</u>
Net Change in Cash and Cash Equivalents	2,112,280	1,285,372
Cash and Cash Equivalents, Beginning of Year	3,805,760	2,520,388
Cash and Cash Equivalents, End of Year	<u>\$ 5,918,040</u>	<u>\$ 3,805,760</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for Interest	<u>\$ 84,901</u>	<u>\$ 91,713</u>

**Note 1 - Nature of Operations and Significant Accounting Policies****Nature of Operations**

Girl Scouts - Arizona Cactus-Pine Council, Inc. (the "Council") follows the mission statement of the Girl Scouts of the USA, which is, "Girls Scouting builds girls of courage, confidence, and character who make the world a better place." Through the Girl Scout leadership experience, girls discover their personal best, connect with others, and take action to improve their communities and the world around them. This leadership model is experienced through troops, day and resident camp, program series, signature events, and travel opportunities. At the intersection of what girls want, what girls need, and what society needs, the Council focuses on the four program pillars: Outdoor Experience; Science, Technology, Engineering, and Math (STEM); Entrepreneurship; Life Skills. The Girl Scout Cookie program is the nation's largest girl-run financial literacy enterprise.

The Council's membership is comprised of nearly 17,000 girl members, aged 5 to 17 and more than 8,700 adult members. The Council's jurisdiction includes 2/3 of Arizona with 85% of the girls who benefit from Girl Scout programs residing in Maricopa County. The Council also provides programming to girls living in Apache, Coconino, Gila, La Paz, Mohave, Navajo, and Yavapai counties, the northern half of Pinal and Graham counties, the portion of the Navajo Nation that extends into Utah and New Mexico, and the southern portion of Clark County, Nevada.

As an independent 501(c)(3) nonprofit organization, chartered by Girl Scouts of the USA, the Council is governed and supervised by a volunteer Board of Directors elected by delegate members at an annual meeting.

**Recently Adopted Accounting Standards**

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all Generally Accepted Accounting Principles (GAAP) revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. As of October 1, 2019, the Council has implemented Topic 606 using the modified retrospective approach. The Council has determined that the adoption does not have an impact on the revenue recognition for the Council

The Council has adopted the provisions of Account Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Council in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of October 1, 2019, the Council has implemented ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Council's financial statements.

### **Cash and Cash Equivalents**

The Council considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Council are excluded from this definition.

Cash does not include bank accounts held by Girl Scout troops and other groups such as service units under the federal identification number of the Council. Bank accounts held by troops and groups are under the federal identification number but are not under the control of the Council. The Council has no signature authority over and will not access the funds in these accounts 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 purpose of Girl Scouting as determined by the members and adult volunteers. If a troop or group is about to disband, the troop may use the funds to pay for a final group activity or to donate to groups or projects considered worthwhile. If a troop or group disbands without making a determination as to the final distribution of funds, the funds will revert to the Council for a holding period in case the troop re-forms, or members of the troop join another troop. After this time, if funds are not claimed they will be considered a donation to the Council.

### **Promises to Give**

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At September 30, 2020 and 2019, the Council has determined all outstanding promises to give are collectible and no allowance has been recorded.

### **Inventory**

Inventory is comprised of program-related merchandise held for sale in the Council shop and is stated at the lower of cost, determined on an average cost basis, or net realizable value.

### **Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Council reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2020 and 2019.

### **Bond Issuance Costs**

Bond issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method. Bond issuance costs are included within long-term debt in the statements of financial position. Amortization of bond issuance costs is included in interest expense in the accompanying financial statements.

### **Investments**

The Council records purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for property replacement, future funds, and the pension obligation and succession planning.

**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 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. The Council reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue and Revenue Recognition**

Earned revenue consists primarily of product sales consisting of program cookie and other product sales, contributions, program service fees, and other revenues which includes sale of scout merchandise. Revenue related to program product sales and sale of scout merchandise is recognized at a point in time, when the sale takes place and the performance obligation is satisfied. Revenue related to program service fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, these fees are recognized over time. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Cookie Program Activity Credits**

As a program reward, the Council issues credits to members who sell a certain number of cookies which are redeemable for program and membership fees and Girl Scout merchandise. The value of these credits is recorded as an expense of cookie program sales. Unredeemed and available credits are reflected in the financial statements as accrued expenses. Credits expire within a specified time period and are charged back to accrued expenses upon expiry.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the Council's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Council records donated professional services at the respective fair values of the services received.

**Advertising Costs**

Advertising costs are expensed as incurred and approximated \$105,000 and \$171,000 for the years ended September 30, 2020 and 2019, respectively.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and interest, which are allocated based on the percentage of overall direct expenses. Certain expenses are charged to program services and supporting services categories in the statements of functional expenses based on direct expenditures incurred.

### **Income Tax**

The Council is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The Council is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Council is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Council is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (IRS Form 990-T) with the IRS or the Arizona equivalent, Form 99-T.

Management believes that it has appropriate support for any tax positions taken affecting the Council's annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Council would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

### **Financial Instruments and Credit Risk**

The Council manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Council has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of the Council's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Council. Additionally, a significant portion of the Council's revenues result from the annual cookie program. Loss of this revenue source would have a significant adverse effect upon the Council.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The new standard is effective for the Council beginning October 1, 2022. The Council is currently assessing the impact of the adoption of the standard.

**Subsequent Events**

The Council has evaluated subsequent events through January 21, 2021, the date which the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

The Council regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the return on investment of its available funds. For purposes of analyzing resources available to meet general expenditures over the next 12 months, the Council considers all expenditures related to their ongoing activities, excluding depreciation expense, to be general expenditures. The Council prepares annual budgets to manage liquidity and to determine general expenditures over the next 12 months. The Council anticipates collections of seasonal product sales, program revenues, and donor contributions sufficient to cover general expenditures during that period.

The following table reflects the Council's financial assets as of September 30, 2020 and 2019, reduced by amounts that are not currently available to meet general expenditures within one year of the statement of financial position date due to donor restrictions or internal board designations. Board-designated funds are intended to fund future capital projects, early-stage strategic initiatives, and pension/succession planning, which are Board-approved but not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,918,040	\$ 3,805,760
Short term investments	2,030,228	515,605
Accounts receivable, net	58,727	64,948
Promises to give	95,103	165,623
Investments	12,562,480	12,598,213
Total financial assets	20,664,578	17,150,149
Less: Board-designated net assets	(8,011,548)	(7,378,891)
Less: Net assets with donor restrictions	(551,794)	(637,208)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,101,236</u>	<u>\$ 9,134,050</u>

While the Council's investments are classified as long-term in the accompanying statements of financial position, based on management's intent, the investments could be readily liquidated without significant penalty to fund operating cash flow needs, except as noted above.

**Note 3 - Promises to Give**

Unconditional promises to give are estimated to be collected as follows as of September 30:

	<u>2020</u>	<u>2019</u>
Within one year	<u>\$ 95,103</u>	<u>\$ 165,623</u>
Promises to give		
Capital Campaign	\$ -	\$ 50,000
United Way	30,113	6,953
Other	<u>64,990</u>	<u>108,670</u>
	<u>\$ 95,103</u>	<u>\$ 165,623</u>

At September 30, 2020 and 2019, one donor accounted for 32% and 30% of outstanding promises to give, respectively.

In 2011, the Council began "The Campaign for Girls in Arizona," a capital campaign, to raise funds needed to significantly expand the Girl Scout Leadership Experience, especially in the South Mountain area. This includes not only reaching more girls, developing and supporting more volunteers and expanding programming but also transforming the existing South Mountain facility into The Bob and Renee Parsons Leadership Center for Girls and Women at Camp South Mountain. This campaign was completed in the year ended September 30, 2018.

**Note 4 - Property and Equipment**

Property and equipment consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 28,525,189	\$ 28,096,592
Equipment	1,512,855	1,498,149
Vehicles	282,810	282,810
Computer hardware and software	792,122	761,210
	<u>31,112,976</u>	<u>30,638,761</u>
Accumulated depreciation	<u>(13,009,032)</u>	<u>(11,808,493)</u>
	<u>18,103,944</u>	<u>18,830,268</u>
Land	<u>743,294</u>	<u>743,294</u>
Property and equipment, net	<u>\$ 18,847,238</u>	<u>\$ 19,573,562</u>



**Note 5 - Fair Value Measurements and Disclosure**

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Council develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Council's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Council's investment assets are classified within Level 1 because they are comprised of equity securities, treasury notes, money market funds, mutual funds, and exchange traded funds with readily determinable fair values based on daily redemption values. The Council invests in certificates of deposit traded in the financial markets. Those certificates of deposit are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The fair value of the Council's beneficial interest in assets held by the Arizona Community Foundation is based on the fair value of fund investments as reported by the community foundation. Funds held by the Arizona Community Foundation (the Foundation) are part of pooled investments, invested in debt and equity securities, and are valued at the fair value reported by the Foundation. These funds held by the Foundation can be redeemed by the Council at any time. These are considered to be Level 2 measurements.

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

The following table presents assets measured at fair value on a recurring basis at September 30:

	Total	2020		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equity securities	\$ 6,057,269	\$ 6,057,269	\$ -	\$ -
Treasury notes	3,199,239	3,199,239	-	-
Money market and cash mutual funds	389,119	389,119	-	-
Exchange traded funds				
Equity Securities	133,716	133,716	-	-
Bonds	1,798,354	1,798,354	-	-
Negotiable certificates of deposits	202,735	-	202,735	-
Annuity	46,593	-	46,593	-
	<u>11,827,025</u>	<u>11,577,697</u>	<u>249,328</u>	<u>-</u>
Assets held by community foundation	<u>2,765,683</u>	<u>-</u>	<u>2,765,683</u>	<u>-</u>
Total	<u>\$ 14,592,708</u>	<u>\$ 11,577,697</u>	<u>\$ 3,015,011</u>	<u>\$ -</u>
	Total	2019		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equity securities	\$ 5,166,127	\$ 5,166,127	\$ -	\$ -
Treasury notes	1,241,369	1,241,369	-	-
Money market and cash mutual funds	699,534	699,534	-	-
Exchange traded funds				
Bonds	1,791,552	1,791,552	-	-
Negotiable certificates of deposits	201,513	-	201,513	-
Annuity	42,157	-	42,157	-
	<u>9,142,252</u>	<u>8,898,582</u>	<u>243,670</u>	<u>-</u>
Assets held by community foundation	<u>3,971,566</u>	<u>-</u>	<u>3,971,566</u>	<u>-</u>
Total	<u>\$ 13,113,818</u>	<u>\$ 8,898,582</u>	<u>\$ 4,215,236</u>	<u>\$ -</u>

Net investment return consisted of the following for September 30:

	2020	2019
Dividends and interest	\$ 200,964	\$ 213,131
Net realized and unrealized gains	1,355,569	380,278
Investment fees	(80,058)	(83,659)
	<u>\$ 1,476,475</u>	<u>\$ 509,750</u>

**Note 6 - Due to Affiliated Organization and Related Party Transactions**

The Council collects membership dues from its members for their national affiliate, Girl Scouts of the USA (GSUSA). The membership dues do not benefit the Council. The total amount of dues collected by the Council and not yet submitted to GSUSA was \$1,377 and \$537 as of September 30, 2020 and 2019, respectively.

The Council also holds disbanded troop treasury funds in the amounts of \$4,103 and \$10,936, respectively. These funds are awaiting distribution to new troops in the area of the disbanded troops or being recognized as donations if no troop reforms in the area of the disbanded troops.

The Council pays the membership dues for girls and adult volunteers with a demonstrated need for financial assistance. During the years ended September 30, 2020 and 2019, the Council paid membership dues of \$106,777 and \$148,637, respectively. The Council also received \$114,668 and \$144,117 in grants and other financial assistance from GSUSA for the years ended September 30, 2020 and 2019, respectively.

During the years ended September 30, 2020 and 2019, the Council purchased inventory in the amount of \$146,342 and \$359,259, respectively, from GSUSA. Amounts due to GSUSA that were included in accounts payable related to these purchases totaled \$6,385 and \$31,232, respectively. Additionally, the Council paid software licenses and web hosting fees to GSUSA in the amount of \$85,960 and \$75,523, respectively.

The Council's Board of Directors is committed to the financial success of the Council and regularly makes contributions to the Council. During the years ended September 30, 2020 and 2019, board members gave approximately \$42,000 and \$37,000, respectively.

**Note 7 - Bond Payable**

In March 2015, the Council entered into an agreement with the Industrial Development Authority of the City of Phoenix to issue Direct Purchase Revenue Bonds, Series 2015 (the bond) in the amount of \$10,000,000 for a term of twenty-five years. The bond is collateralized by certain real property as set forth in the agreement. Effective March 29, 2017, the bond agreement was amended to reflect the Council's decision to prepay principal on the bond so that the outstanding principal of the bonds was \$7,000,000, and to cause a corresponding portion of the bond to be optionally redeemed. The repayment schedule was modified to reflect the new

principal balance; however, no changes were made to the bond term. During the year ended September 30, 2018, the Council made an additional principal payment of \$3,600,000. This principal prepayment did not change the bond terms. However, based on the current payment schedule, the bond will be completely paid in 2026.

At September 30, 2020 and 2019, the Council had \$2,193,862 and \$2,550,628, respectively, outstanding on the balance, which is presented net of unamortized bond issuances costs of \$194,801 and \$204,034, respectively. Interest on the bond is payable monthly at a fixed rate of 3.3%, which will continue for the life of the bond. The bond contains certain covenants the Council must comply with.

Annual principal payments on the bond are scheduled for repayment are as follows:

<u>Years Ending September 30</u>	
2021	\$ 368,655
2022	381,180
2023	394,131
2024	407,440
2025	421,365
Thereafter	221,091
Total	<u>2,193,862</u>
Less bond issuance costs	<u>(194,081)</u>
Total bond payable	<u><u>\$ 1,999,781</u></u>

**Note 8 - Paycheck Protection Program Award**

The Council was granted a \$1,267,000 award under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The award is uncollateralized and is fully guaranteed by the Federal government. The Council is eligible for forgiveness up to 100% of the award, upon meeting certain requirements. The Council has initially recorded the award as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP award. Proceeds from the award are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended September 30, 2020. The Council will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

**Note 9 - Board-Designated Net Assets Without Donor Restrictions**

Board-designated net assets without donor restrictions consist of the following balance for the years ended September 30:

	<u>2019</u>	<u>Designated</u>	<u>Expended</u>	<u>2020</u>
Board-designated net assets				
Property replacement	\$ 4,187,764	\$ 1,123,844	\$ (411,187)	\$ 4,900,421
Future funds	1,971,127	-	-	1,971,127
Succession/Pension fund	<u>1,220,000</u>	<u>-</u>	<u>(80,000)</u>	<u>1,140,000</u>
Total	<u>\$ 7,378,891</u>	<u>\$ 1,123,844</u>	<u>\$ (491,187)</u>	<u>\$ 8,011,548</u>

	<u>2018</u>	<u>Designated</u>	<u>Expended</u>	<u>2019</u>
Board-designated net assets				
Property replacement	\$ 3,621,875	\$ 1,083,008	\$ (517,119)	\$ 4,187,764
Future funds	3,252,255	-	(1,281,128)	1,971,127
Seed fund	110,000	-	(110,000)	-
Succession/Pension fund	<u>200,000</u>	<u>1,020,000</u>	<u>-</u>	<u>1,220,000</u>
Total	<u>\$ 7,184,130</u>	<u>\$ 2,103,008</u>	<u>\$ (1,908,247)</u>	<u>\$ 7,378,891</u>

**Note 10 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for a Specified Purpose		
Scholarships and camperships	\$ 37,586	\$ 15,700
Girl programming	245,029	230,593
Recruitment	21,241	21,345
Fellowship	14,097	32,538
Other	<u>65,781</u>	<u>24,165</u>
	<u>383,734</u>	<u>324,341</u>
Subject to the Passage of Time		
Fiscal year operations - United Way	30,113	6,953
Fiscal year operations - future special event	130,480	245,367
Fiscal year operations - general	7,467	10,547
Subject to Both the Passage of Time and a Specified Purpose		
Promises to give - Capital Campaign	<u>-</u>	<u>50,000</u>
	<u>168,060</u>	<u>312,867</u>
Total net assets with donor restrictions	<u>\$ 551,794</u>	<u>\$ 637,208</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Notes to Financial Statements  
September 30, 2020 and 2019

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Scholarships and camperships	\$ -	\$ 600
Girl programming	216,278	330,670
Recruitment	-	1,100
Fellowship	18,441	30,609
Other	15,000	42,515
Expiration of time restrictions		
Fiscal year operations - United Way	6,953	115,602
Fiscal year operations - future special event	195,367	157,684
Fiscal year operations - general	10,347	16,445
Expiration of time restrictions and satisfaction of purpose restrictions		
Promises to give - Capital Campaign	<u>50,000</u>	<u>580,870</u>
Total net assets with donor restrictions released from restriction	<u>\$ 512,386</u>	<u>\$ 1,276,095</u>

**Note 11 - Leases**

The Council leases equipment under various non-cancelable operating lease agreements.

Approximate minimum future rental payments are as follows:

<u>Years Ended September 30</u>	
2021	\$ 47,208
2022	45,585
2023	46,286
2024	36,475
2025	<u>26,940</u>
Total future minimum lease payments	<u>\$ 202,494</u>

Total rental expense paid for the years ended September 30, 2020 and 2019 was \$104,342 and \$93,541, respectively.

**Note 12 - Retirement Plans**Defined Benefit Plan

The Council participates in the National Girl Scout Council Retirement Plan (NGSCR or the Plan), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA. The National Board of Girl Scouts of the USA voted to freeze the plan to new entrants and to freeze future benefit accruals for all current participants under the Plan effective July 31, 2010. The Plan covers substantially all of the employees of various Girl Scout councils who were eligible to participate in the Plan prior to the Plan freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels.

Although net plan assets grew during the year, net plan assets available for plan benefits continue to be less than the actuarial present value of accumulated plan benefits as of January 1, 2020. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (IRS), all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCR the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to PPA. In September 2020, the National Board of Girl Scouts of the USA approved to lower the contributions from \$30 million for calendar years 2021 and 2022 to \$26 million starting in calendar year 2023 until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). Aggregate annual contributions made in fiscal years 2019 and 2020 were \$32.2 million and \$32.2 million, respectively. Aggregate contributions to be made in fiscal 2021 are expected to be \$32.2 million.

The Council's contributions to the Plan and corresponding pension expense for the years ended September 30, 2020 and 2019, were approximately \$383,000 and \$383,000, respectively. Due to the nature of the Plan, it is not practicable to determine the extent to which the assets of the Plan cover the actuarially computed value of vested benefits for the Council as a standalone operation.

403(b) Plan

The Council has a 403(b) retirement plan in which all employees are eligible to participate. Investments in the Plan are participant directed. The Council makes contributions to the Plan on behalf of employees after one year of service when an employee has at least 1,000 hours of service during that year. The Council's contribution to the Plan is equal to 2% of an employee's salary. Additionally, the Council matches 50% of the employee's contributions up to 4% of salary. The Council's contributions to the Plan during the years ended September 30, 2020 and 2019 were \$131,097 and \$132,880, respectively.

**Note 13 - Revenue from Contract with Customers**

The following table disaggregates the Council's revenue based on timing of satisfaction of performance obligations from the year ended September 30, 2020:

Revenue recognized over time	
Program service fees, including camp fees	\$ 142,950
Miscellaneous	32,578
Total revenue recognized over time	<u>175,528</u>
Revenue recognized at a point in time	
Cookie and product program sales	16,135,694
Sale of scout merchandise	335,476
Total revenue recognized at a point in time	<u>16,471,170</u>
 Total revenue from contracts with customers	 <u><u>\$ 16,646,698</u></u>

**Note 14 - Contingencies**

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Council is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future impact to the Council is not known.