



Financial Statements  
September 30, 2021 and 2020  
**Girl Scouts - Arizona Cactus-Pine  
Council, Inc.**

Girl Scouts - Arizona Cactus-Pine Council, Inc.

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September 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona  
January 20, 2022

Girl Scouts - Arizona Cactus-Pine Council, Inc.  
 Statements of Financial Position  
 September 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,208,872	\$ 5,918,040
Short term investments	2,032,946	2,030,228
Promises to give		
United Way	73,313	30,113
Other	2,076,969	64,990
Accounts receivable, net of allowance for doubtful accounts of \$245,254 and \$272,490, respectively	68,438	58,727
Inventory	190,794	222,803
Prepaid expenses	227,456	157,963
Total current assets	12,878,788	8,482,864
Investments	12,815,341	12,562,480
Property and equipment, net	18,111,400	18,847,238
Total assets	\$ 43,805,529	\$ 39,892,582
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 528,804	\$ 710,360
Deferred income	321,218	287,976
Amount due to affiliated organization	7,255	5,480
Refundable advance - Paycheck Protection Program Award	1,275,785	1,267,000
Current portion of capital lease obligation	7,960	-
Current portion of bond payable	381,177	368,653
Total current liabilities	2,522,199	2,639,469
Capital lease obligation, less current portion	7,425	-
Bond payable, less current portion and unamortized bond issuance costs of \$184,128 and \$194,081, respectively	1,259,927	1,631,128
Total liabilities	3,789,551	4,270,597
Net Assets		
Without donor restrictions		
Board-designated	8,790,652	8,011,548
Undesignated	28,794,930	27,058,643
Total net assets without donor restrictions	37,585,582	35,070,191
With donor restrictions	2,430,396	551,794
Total net assets	40,015,978	35,621,985
Total liabilities and net assets	\$ 43,805,529	\$ 39,892,582

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Activities

Years Ended September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Support						
Contributions	\$ 1,749,124	\$ 2,232,140	\$ 3,981,264	\$ 943,364	\$ 396,859	\$ 1,340,223
United Way	25,080	141,625	166,705	134,870	30,113	164,983
Revenue						
Program service fees, including camp fees	680,039	-	680,039	142,950	-	142,950
Cookie and product program sales	10,868,550	-	10,868,550	16,135,694	-	16,135,694
Cost of cookie and product program sales	(2,733,403)	-	(2,733,403)	(3,691,923)	-	(3,691,923)
Troop proceeds	(1,920,875)	-	(1,920,875)	(2,790,804)	-	(2,790,804)
Net cookie and product program sales	6,214,272	-	6,214,272	9,652,967	-	9,652,967
Sale of scout merchandise	348,027	-	348,027	335,476	-	335,476
Cost of scout merchandise sales	(180,387)	-	(180,387)	(168,432)	-	(168,432)
Net scout merchandise sales	167,640	-	167,640	167,044	-	167,044
Miscellaneous	22,706	-	22,706	32,578	-	32,578
Net assets released from restrictions	495,163	(495,163)	-	512,386	(512,386)	-
Total support and revenue	9,354,024	1,878,602	11,232,626	11,586,159	(85,414)	11,500,745
Expenses						
Program services	8,293,115	-	8,293,115	9,032,530	-	9,032,530
Management and general	1,592,307	-	1,592,307	1,535,907	-	1,535,907
Fundraising	538,724	-	538,724	731,701	-	731,701
Total expenses	10,424,146	-	10,424,146	11,300,138	-	11,300,138
Change in Net Assets before Non-Operating Activity	(1,070,122)	1,878,602	808,480	286,021	(85,414)	200,607
Paycheck Protection Program Award						
Forgiveness	1,281,711	-	1,281,711	-	-	-
Gain on sale of property and equipment	200	-	200	-	-	-
Net investment return	2,303,602	-	2,303,602	1,476,475	-	1,476,475
Change in Net Assets	2,515,391	1,878,602	4,393,993	1,762,496	(85,414)	1,677,082
Net Assets, Beginning of Year	35,070,191	551,794	35,621,985	33,307,695	637,208	33,944,903
Net Assets, End of Year	\$ 37,585,582	\$ 2,430,396	\$ 40,015,978	\$ 35,070,191	\$ 551,794	\$ 35,621,985

See Notes to Financial Statements

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Functional Expenses  
Years Ended September 30, 2021 and 2020

	2021							
	Program Services				Supporting Services			
	Girl Programs	Membership Support	Volunteer Support	Community Activities	Total	Management and General	Fundraising	Total
Salaries and Related	\$ 2,291,993	\$ 888,884	\$ 941,283	\$ 203,339	\$ 4,325,499	\$ 1,087,925	\$ 343,325	\$ 5,756,749
Supplies and Incentives	907,282	13,392	98,801	58,117	1,077,592	3,056	25,352	1,106,000
Professional Services	141,457	22,226	34,367	44,608	242,658	106,472	12,207	361,337
Telephone	50,584	25,542	13,876	5,128	95,130	14,301	5,640	115,071
Postage and Shipping	33,238	5,932	9,882	1,776	50,828	3,422	3,667	57,917
Occupancy	371,638	16,151	19,438	5,628	412,855	20,718	7,009	440,582
Equipment Rental	13,443	300	364	5,544	19,651	389	132	20,172
Conferences, Conventions, and Meetings	11,678	2,906	5,707	11,694	31,985	5,010	1,381	38,376
Printing and Publications	126,504	40,147	36,584	13,565	216,800	35,468	18,251	270,519
Depreciation	613,719	146,428	177,794	51,140	989,081	189,907	64,251	1,243,239
Interest	38,192	9,112	11,064	3,182	61,550	29,820	3,998	95,368
Miscellaneous	546,094	56,732	141,588	25,072	769,486	95,819	53,511	918,816
Cost of Sales - Cookies and Product	2,733,403	-	-	-	2,733,403	-	-	2,733,403
Cost of Sales - Troop Proceeds	1,920,875	-	-	-	1,920,875	-	-	1,920,875
Cost of Sales - Scout Equipment	-	-	180,387	-	180,387	-	-	180,387
	<u>9,800,100</u>	<u>1,227,752</u>	<u>1,671,135</u>	<u>428,793</u>	<u>13,127,780</u>	<u>1,592,307</u>	<u>538,724</u>	<u>15,258,811</u>
Less Expenses Included with Revenues on the Statement of Activities								
Cost of sales - cookies and product	(2,733,403)	-	-	-	(2,733,403)	-	-	(2,733,403)
Cost of sales - troop proceeds	(1,920,875)	-	-	-	(1,920,875)	-	-	(1,920,875)
Cost of sales - scout equipment	-	-	(180,387)	-	(180,387)	-	-	(180,387)
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 5,145,822</u>	<u>\$ 1,227,752</u>	<u>\$ 1,490,748</u>	<u>\$ 428,793</u>	<u>\$ 8,293,115</u>	<u>\$ 1,592,307</u>	<u>\$ 538,724</u>	<u>\$ 10,424,146</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Functional Expenses  
Years Ended September 30, 2021 and 2020

	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 Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 4,393,993	\$ 1,677,082
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,243,239	1,200,539
Interest expense attributable to amortization of debt issuance costs	9,953	9,953
Net realized and unrealized gain on investments	(2,116,466)	(1,355,569)
Interest expense on Paycheck Protection Program Award	23,466	-
Forgiveness of Paycheck Protection Program Award	(1,281,711)	-
Bad debt expense (recovery)	4,250	(5,955)
Gain on sale of property and equipment	(200)	-
Change in assets and liabilities		
Promises to give, Capital Campaign	-	50,000
Promises to give, United Way	(43,200)	(23,160)
Promises to give, Other	(2,011,979)	43,680
Accounts receivable, net	(13,961)	12,176
Inventory	32,009	(39,363)
Prepaid expenses	(69,493)	(26,503)
Accounts payable and accrued expenses	(181,556)	172,275
Deferred income	33,242	103,714
Amount due to affiliated organization	1,775	(5,993)
Refundable advance - Paycheck Protection Program Award	1,267,030	1,267,000
Net Cash from Operating Activities	<u>1,290,391</u>	<u>3,079,876</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(484,695)	(474,215)
Proceeds from sale of property and equipment	200	-
Purchases of investments	(6,096,569)	(6,533,684)
Proceeds from sale of investments	<u>7,957,456</u>	<u>6,410,363</u>
Net Cash from (used for) Investing Activities	<u>1,376,392</u>	<u>(597,536)</u>
Cash Flows from Financing Activities		
Payments on capital lease obligation	(7,321)	(13,294)
Payments on bond payable	<u>(368,630)</u>	<u>(356,766)</u>
Net Cash used for Financing Activities	<u>(375,951)</u>	<u>(370,060)</u>
Net Change in Cash and Cash Equivalents	2,290,832	2,112,280
Cash and Cash Equivalents, Beginning of Year	<u>5,918,040</u>	<u>3,805,760</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,208,872</u>	<u>\$ 5,918,040</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for Interest	<u>\$ 61,950</u>	<u>\$ 84,901</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.  
Statements of Cash Flows  
Years Ended September 30, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Equipment financed through capital lease arrangement	<u>\$ 22,706</u>	<u>\$ -</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 12,000 girl members, aged 5 to 17 and more than 6,300 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.

### **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, 2021 and 2020, 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, 2021 and 2020.

### **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 deferred income. 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 \$135,000 and \$105,000 for the years ended September 30, 2021 and 2020, 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 Financial Accounting Standards Board issued Accounting Standards Update 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 20, 2022, 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, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,208,872	\$ 5,918,040
Short term investments	2,032,946	2,030,228
Accounts receivable, net	68,438	58,727
Promises to give	2,150,282	95,103
Investments	<u>12,815,341</u>	<u>12,562,480</u>
Total financial assets	25,275,879	20,664,578
Less: Board-designated net assets	(8,790,652)	(8,011,548)
Less: Net assets with donor restrictions	<u>(2,430,396)</u>	<u>(551,794)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,054,831</u>	<u>\$ 12,101,236</u>

While a portion of 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.

**Note 3 - Promises to Give**

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

	<u>2021</u>	<u>2020</u>
Within one year	<u>\$ 2,150,282</u>	<u>\$ 95,103</u>

At September 30, 2021 and 2020, one donor accounted for 93% and 32% of outstanding promises to give, respectively.



**Note 4 - Property and Equipment**

Property and equipment consist of the following at September 30:

	2021	2020
Buildings and improvements	\$ 28,759,200	\$ 28,525,189
Equipment	1,656,534	1,512,855
Vehicles	338,879	282,810
Computer hardware and software	863,352	792,122
	<u>31,617,965</u>	<u>31,112,976</u>
Accumulated depreciation	(14,249,859)	(13,009,032)
	<u>17,368,106</u>	<u>18,103,944</u>
Land	743,294	743,294
	<u>743,294</u>	<u>743,294</u>
Property and equipment, net	<u>\$ 18,111,400</u>	<u>\$ 18,847,238</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.

Girl Scouts - Arizona Cactus-Pine Council, Inc.

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A significant portion of the Council's investment assets are classified within Level 1 because they comprise equity securities, treasury notes, 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 as well as an annuity. Those certificates of deposit and the annuity 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.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified in the following, at September 30:

	Total	2021		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equity securities	\$ 7,637,188	\$ 7,637,188	\$ -	\$ -
Treasury notes	2,614,228	2,614,228	-	-
Cash and money market funds (at cost)	3,420,628	-	-	-
Exchange traded funds				
Equity Securities	150,852	150,852	-	-
Annuity	59,100	-	59,100	-
	<u>13,881,996</u>	<u>10,402,268</u>	<u>59,100</u>	<u>-</u>
Assets held by community foundation	<u>966,291</u>	<u>-</u>	<u>966,291</u>	<u>-</u>
Total	<u>\$ 14,848,287</u>	<u>\$ 10,402,268</u>	<u>\$ 1,025,391</u>	<u>\$ -</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.

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	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	-	-
Cash and money market funds (at cost)	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>11,188,578</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>\$ 11,188,578</u>	<u>\$ 3,015,011</u>	<u>\$ -</u>

Net investment return consisted of the following for September 30:

	2021	2020
Dividends and interest	\$ 258,478	\$ 200,964
Net realized and unrealized gains	2,116,466	1,355,569
Investment fees	<u>(71,342)</u>	<u>(80,058)</u>
Net investment return	<u>\$ 2,303,602</u>	<u>\$ 1,476,475</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 \$0 and \$1,377 as of September 30, 2021 and 2020, respectively.

The Council also holds disbanded troop treasury funds in the amounts of \$7,345 and \$4,103, 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, 2021 and 2020, the Council paid membership dues of \$24,202 and \$106,777, respectively. The Council also received \$185,762 and \$114,668 in grants and other financial assistance from GSUSA for the years ended September 30, 2021 and 2020, respectively.

During the years ended September 30, 2021 and 2020, the Council purchased inventory in the amount of \$96,204 and \$146,342, respectively, from GSUSA. Amounts due to GSUSA that were included in accounts payable related to these purchases totaled \$13,672 and \$6,385, respectively. Additionally, the Council paid software licenses and web hosting fees to GSUSA in the amount of \$70,506 and \$85,960, 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, 2021 and 2020, board members gave approximately \$22,000 and \$42,000, 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, 2021 and 2020, the Council had \$1,825,232 and \$2,193,862, respectively, outstanding on the balance, which is presented net of unamortized bond issuance costs of \$184,128 and \$194,801, 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>	
2022	\$ 381,177
2023	394,131
2024	407,440
2025	421,365
2026	<u>221,119</u>
Total	1,825,232
Less bond issuance costs	<u>(184,128)</u>
Total bond payable	<u><u>\$ 1,641,104</u></u>

**Note 8 - Paycheck Protection Program (PPP) Award**

During the year ended September 30, 2020, the Council was granted a \$1,267,000 award under the PPP administered by a Small Business Administration (SBA) approved partner. The award is uncollateralized and is fully guaranteed by the Federal government. The Council has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Council initially recorded the award as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP award no longer existed. The Council has recognized \$1,281,711 as contribution revenue for the year ended September 30, 2021, consisting of the full award of \$1,267,000 and accrued interest of \$14,711.

During the year ended September 30, 2021, the Council was granted a second PPP award in the amount of \$1,267,030. The award is uncollateralized and is fully guaranteed by the Federal government. The Council is eligible for forgiveness of up to 100% of the award, upon meeting certain requirements. The Council has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Council 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 or when such conditions are explicitly waived. Proceeds from the award are eligible for forgiveness if the Council maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended September 30, 2021 for the second PPP award. The Council will be required to repay any remaining balance, plus interest accrued at 1 percent in monthly payments commencing in March 2022, principal and interest payments will be required through the maturity date of March 31, 2026. The terms of the award provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The award may be accelerated upon the occurrence of an event of default. During the year ended September 30, 2021, the Council has accrued \$8,755 of accrued interest on the second PPP award.

**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>2020</u>	<u>Designated</u>	<u>Expended</u>	<u>2021</u>
Board-designated net assets				
Property replacement	\$ 4,900,421	\$ 1,200,539	\$ (346,435)	\$ 5,754,525
Future funds	1,971,127	-	-	1,971,127
Succession/Pension fund	1,140,000	-	(75,000)	1,065,000
	<u>\$ 8,011,548</u>	<u>\$ 1,200,539</u>	<u>\$ (421,435)</u>	<u>\$ 8,790,652</u>

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	2019	Designated	Expended	2020
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	1,220,000	-	(80,000)	1,140,000
Total	<u>\$ 7,378,891</u>	<u>\$ 1,123,844</u>	<u>\$ (491,187)</u>	<u>\$ 8,011,548</u>

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

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

	2021	2020
Subject to Expenditure for a Specified Purpose		
Scholarships and camperships	\$ 29,220	\$ 37,586
Girl programming	203,403	245,029
Recruitment	26,692	21,241
Fellowship	-	14,097
Other	71,889	65,781
	<u>331,204</u>	<u>383,734</u>
Subject to the Passage of Time		
Fiscal year operations - United Way	73,313	30,113
Fiscal year operations - future special event	5,779	130,480
Fiscal year operations - general	2,020,100	7,467
	<u>2,099,192</u>	<u>168,060</u>
Total net assets with donor restrictions	<u>\$ 2,430,396</u>	<u>\$ 551,794</u>

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:

	2021	2020
Satisfaction of purpose restrictions		
Scholarships and camperships	\$ 10,600	\$ -
Girl programming	208,786	216,278
Fellowship	14,097	18,441
Other	25,408	15,000
Expiration of time restrictions		
Fiscal year operations - United Way	98,425	6,953
Fiscal year operations - future special event	130,480	195,367
Fiscal year operations - general	7,367	10,347
Expiration of time restrictions and satisfaction of purpose restrictions		
Promises to give - Capital Campaign	-	50,000
Total net assets with donor restrictions released from restriction	<u>\$ 495,163</u>	<u>\$ 512,386</u>

**Note 11 - Leases**

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

Approximate minimum future rental payments are as follows:

<u>Years Ended September 30,</u>	<u>Capital Lease</u>	<u>Operating Leases</u>
2022	\$ 7,960	\$ 39,304
2023	7,960	38,326
2024	-	39,475
2025	-	26,940
	<hr/>	<hr/>
Total minimum lease payments	\$ 15,920	<u>\$ 144,045</u>
Less amount representing interest	<hr/> (535)	
Capital lease obligation	<u>\$ 15,385</u>	

Total rental expense paid for the years ended September 30, 2021 and 2020 was \$65,488 and \$104,342, respectively.

Leased property under capital leases at September 30 includes:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 29,789	\$ -
Less accumulated depreciation	<hr/> (14,895)	<hr/> -
	<hr/>	<hr/>
	<u>\$ 14,894</u>	<u>\$ -</u>

**Note 12 - Retirement Plans**

Defined Benefit Plan

The council participates in the National Girl Scout Council Retirement Plan (NGSCR), 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, 2021. 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 million is remitted. The \$30 million calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). In 2021, the funded status of the plan increased and the \$30 million minimum will no longer apply. In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives 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 to \$26 million starting in calendar year 2023 until the Plan is fully funded on a market basis. Aggregate annual contributions made in fiscal years 2020 and 2021 were \$32.2 million and \$32.9 million, respectively. Aggregate contributions to be made in fiscal 2022 are expected to be \$32.2 million.

The Council's contributions to the Plan and corresponding pension expense for the years ended September 30, 2021 and 2020, 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, 2021 and 2020 were \$114,248 and \$131,097, 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, 2021:

	<u>2021</u>	<u>2020</u>
Revenue recognized over time		
Program service fees, including camp fees	\$ 680,039	\$ 142,950
Miscellaneous	22,706	32,578
Total revenue recognized over time	<u>702,745</u>	<u>175,528</u>
Revenue recognized at a point in time		
Cookie and product program sales	10,868,550	16,135,694
Sale of scout merchandise	348,027	335,476
Total revenue recognized at a point in time	<u>11,216,577</u>	<u>16,471,170</u>
Total revenue from contracts with customers	<u>\$ 11,919,322</u>	<u>\$ 16,646,698</u>

Deferred income consists of contract liabilities for gift cards, advance program service fees and other deferred revenue. The beginning and ending balances for accounts receivable and deferred income were as follows for the years ended September 30, 2021 and 2020:

	<u>2021</u>	
	<u>October 1</u>	<u>September 30</u>
Accounts receivable	\$ 58,727	\$ 68,438
Deferred income	287,976	321,218
	<u>2020</u>	
	<u>October 1</u>	<u>September 30</u>
Accounts receivable	\$ 64,948	\$ 58,727
Deferred income	184,262	287,976

**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.