



Financial Statements
September 30, 2022 and 2021

**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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Girl Scouts - Arizona Cactus-Pine Council, Inc., which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Girl Scouts - Arizona Cactus-Pine Council, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Eide Bailly LLP

Phoenix, Arizona
January 19, 2023

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Financial Position

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,504,362	\$ 8,208,872
Short-term investments	2,050,248	2,032,946
Promises to give		
United Way	7,500	73,313
Other	882,365	2,076,969
Accounts receivable, net of allowance for doubtful accounts of \$199,411 and \$245,254, respectively	83,107	68,438
Employee retention credit receivable	1,168,363	-
Inventory	197,725	190,794
Prepaid expenses	225,841	227,456
Total current assets	<u>17,119,511</u>	<u>12,878,788</u>
Long-term promises to give, net	1,415,920	-
Investments	11,248,836	12,815,341
Property and equipment, net	17,701,705	18,111,400
Total assets	<u>\$ 47,485,972</u>	<u>\$ 43,805,529</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 598,335	\$ 528,804
Deferred income	439,618	321,218
Amount due to Girl Scouts of the USA	15,872	7,255
Refundable advance - Paycheck Protection Program Award	-	1,275,785
Current portion of capital lease obligation	12,972	7,960
Current portion of bond payable	394,426	381,177
Total current liabilities	<u>1,461,223</u>	<u>2,522,199</u>
Capital lease obligation, less current portion	20,827	7,425
Bond payable, less current portion and unamortized bond issuance costs of \$35,663 and \$184,128, respectively	1,013,977	1,259,927
Total liabilities	<u>2,496,027</u>	<u>3,789,551</u>
Net Assets		
Without donor restrictions		
Board-designated	15,239,450	8,790,652
Undesignated	27,076,289	28,794,930
Total net assets without donor restrictions	<u>42,315,739</u>	<u>37,585,582</u>
With donor restrictions	2,674,206	2,430,396
Total net assets	<u>44,989,945</u>	<u>40,015,978</u>
Total liabilities and net assets	<u>\$ 47,485,972</u>	<u>\$ 43,805,529</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Activities

Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Support						
Contributions	\$ 4,234,344	\$ 2,609,476	\$ 6,843,820	\$ 1,749,124	\$ 2,232,140	\$ 3,981,264
United Way	18,454	10,000	28,454	25,080	141,625	166,705
Revenue						
Program service fees, including camp fees	566,912	-	566,912	680,039	-	680,039
Product program sales	14,397,264	-	14,397,264	10,868,550	-	10,868,550
Cost of product program sales	(3,324,193)	-	(3,324,193)	(2,733,403)	-	(2,733,403)
Allocation to Troops	(2,460,191)	-	(2,460,191)	(1,920,875)	-	(1,920,875)
Net product program sales	8,612,880	-	8,612,880	6,214,272	-	6,214,272
Sale of Girl Scout merchandise	468,666	-	468,666	348,027	-	348,027
Cost of Girl Scout merchandise sales	(275,977)	-	(275,977)	(180,387)	-	(180,387)
Net Girl Scout merchandise sales	192,689	-	192,689	167,640	-	167,640
Miscellaneous	191,247	-	191,247	22,706	-	22,706
Net assets released from restrictions	2,375,666	(2,375,666)	-	495,163	(495,163)	-
Total support and revenue	16,192,192	243,810	16,436,002	9,354,024	1,878,602	11,232,626
Expenses						
Program services	10,051,128	-	10,051,128	8,293,115	-	8,293,115
Management and general	1,744,829	-	1,744,829	1,592,307	-	1,592,307
Fundraising	678,608	-	678,608	538,724	-	538,724
Total expenses	12,474,565	-	12,474,565	10,424,146	-	10,424,146
Change in Net Assets before Non-Operating Activity	3,717,627	243,810	3,961,437	(1,070,122)	1,878,602	808,480
Paycheck Protection Program Award						
Forgiveness	1,282,586	-	1,282,586	1,281,711	-	1,281,711
Employee retention credit contribution	1,168,363	-	1,168,363	-	-	-
Gain on sale of property and equipment	-	-	-	200	-	200
Net investment return (loss)	(1,438,419)	-	(1,438,419)	2,303,602	-	2,303,602
Change in Net Assets	4,730,157	243,810	4,973,967	2,515,391	1,878,602	4,393,993
Net Assets, Beginning of Year	37,585,582	2,430,396	40,015,978	35,070,191	551,794	35,621,985
Net Assets, End of Year	\$ 42,315,739	\$ 2,674,206	\$ 44,989,945	\$ 37,585,582	\$ 2,430,396	\$ 40,015,978

See Notes to Financial Statements

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Functional Expenses
Years Ended September 30, 2022 and 2021

	2022						
	Program Services				Supporting Services		
	Girl Programs	Membership Support	Volunteer Support	Total	Management and General	Fundraising	Total
Salaries and Related	\$ 2,276,685	\$ 1,618,139	\$ 751,908	\$ 4,646,732	\$ 1,192,936	\$ 360,679	\$ 6,200,347
Supplies and Incentives	1,649,518	85,118	201,106	1,935,742	17,861	47,853	2,001,456
Professional Services	241,837	66,041	42,072	349,950	131,098	99,455	580,503
Telephone	54,368	38,627	11,532	104,527	13,894	5,830	124,251
Postage and Shipping	28,981	10,245	5,733	44,959	2,479	3,467	50,905
Occupancy	571,481	30,095	15,536	617,112	19,382	8,288	644,782
Equipment Rental	22,578	1,310	791	24,679	991	386	26,056
Conferences, Conventions, and Meetings	37,082	14,598	7,978	59,658	10,415	4,925	74,998
Printing and Publications	68,051	38,953	14,677	121,681	19,681	9,187	150,549
Depreciation	631,736	229,184	138,327	999,247	173,465	67,465	1,240,177
Interest	103,762	37,643	22,720	164,125	35,293	11,081	210,499
Miscellaneous	668,365	135,343	179,008	982,716	127,334	59,992	1,170,042
Cost of Sales - Product Program	3,324,193	-	-	3,324,193	-	-	3,324,193
Cost of Sales - Allocation to Troops	2,460,191	-	-	2,460,191	-	-	2,460,191
Cost of Sales - Girl Scout Equipment	-	-	275,977	275,977	-	-	275,977
	<u>12,138,828</u>	<u>2,305,296</u>	<u>1,667,365</u>	<u>16,111,489</u>	<u>1,744,829</u>	<u>678,608</u>	<u>18,534,926</u>
Less Expenses Included with Revenues on the Statement of Activities							
Cost of sales - product program	(3,324,193)	-	-	(3,324,193)	-	-	(3,324,193)
Cost of sales - allocation to Troops	(2,460,191)	-	-	(2,460,191)	-	-	(2,460,191)
Cost of sales - Girl Scout equipment	-	-	(275,977)	(275,977)	-	-	(275,977)
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 6,354,444</u>	<u>\$ 2,305,296</u>	<u>\$ 1,391,388</u>	<u>\$ 10,051,128</u>	<u>\$ 1,744,829</u>	<u>\$ 678,608</u>	<u>\$ 12,474,565</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Statements of Functional Expenses
Years Ended September 30, 2022 and 2021

	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 - Product Program	2,733,403	-	-	-	2,733,403	-	-	2,733,403
Cost of Sales - Allocation to Troops	1,920,875	-	-	-	1,920,875	-	-	1,920,875
Cost of Sales - Girl 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 - product program	(2,733,403)	-	-	-	(2,733,403)	-	-	(2,733,403)
Cost of sales - allocation to Troops	(1,920,875)	-	-	-	(1,920,875)	-	-	(1,920,875)
Cost of sales - Girl 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 Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 4,973,967	\$ 4,393,993
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,240,177	1,243,239
Interest expense attributable to amortization of debt issuance costs	148,465	9,953
Net realized and unrealized loss (gain) on investments	1,708,223	(2,116,466)
Interest expense on Paycheck Protection Program Award	6,801	23,466
Forgiveness of Paycheck Protection Program Award	(1,282,586)	(1,281,711)
Bad debt expense	11,317	4,250
Gain on sale of property and equipment	-	(200)
Change in assets and liabilities		
Promises to give, United Way	65,813	(43,200)
Promises to give, Other	(221,316)	(2,011,979)
Accounts receivable, net	(25,986)	(13,961)
Employee retention credit receivable	(1,168,363)	-
Inventory	(6,931)	32,009
Prepaid expenses	1,615	(69,493)
Accounts payable and accrued expenses	69,531	(181,556)
Deferred income	118,400	33,242
Amount due to Girl Scouts of the USA	8,617	1,775
Refundable advance - Paycheck Protection Program Award	-	1,267,030
Net Cash from Operating Activities	<u>5,647,744</u>	<u>1,290,391</u>
Investing Activities		
Purchases of property and equipment	(802,600)	(484,695)
Proceeds from sale of property and equipment	-	200
Purchases of investments	(4,772,269)	(6,096,569)
Proceeds from sale of investments	<u>4,613,249</u>	<u>7,957,456</u>
Net Cash (used for) from Investing Activities	<u>(961,620)</u>	<u>1,376,392</u>
Financing Activities		
Payments on capital lease obligation	(9,468)	(7,321)
Payments on bond payable	<u>(381,166)</u>	<u>(368,630)</u>
Net Cash used for Financing Activities	<u>(390,634)</u>	<u>(375,951)</u>
Net Change in Cash and Cash Equivalents	4,295,490	2,290,832
Cash and Cash Equivalents, Beginning of Year	<u>8,208,872</u>	<u>5,918,040</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,504,362</u>	<u>\$ 8,208,872</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 46,480</u>	<u>\$ 61,950</u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Equipment financed through capital lease arrangement	<u>\$ 27,882</u>	<u>\$ 22,706</u>

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations

Girl Scouts - Arizona Cactus-Pine Council, Inc. (the "Council") shares the mission of Girl Scouts of the USA to "build girls of courage, confidence, and character who make the world a better place." The Girl Scout Movement was founded to help all girls to reach their full potential and to create a safe place for girls to foster their individual growth, self-sufficiency, and leadership.

The Council provides access to skill-building program opportunities and supportive adults through the Girl Scout Leadership Experience—our research-backed learning model that guides girls through discovering, connecting, and taking action. Girls participate through troops, staff-led programs, day and residential camp, council sponsored events, program partnerships, and travel opportunities as they focus on four key areas: Outdoors, STEM (Science, Technology, Engineering, and Math), Entrepreneurship, and Life Skills. The Girl Scout Cookie Program is the nation's largest girl-run financial literacy enterprise.

The Council's membership is comprised of more than 11,500 K-12 girls and more than 6,900 adult volunteers across a jurisdiction that includes two-thirds of Arizona. About 85% of the girls who benefit from the Council's programs reside in Maricopa County, and membership also includes 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.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for membership and cookie programs. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At September 30, 2022 and 2021, the allowance was \$199,411 and \$245,254, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying consolidated statements of financial position.

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, 2022 and 2021, 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, 2022 and 2021.

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 return (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, recovery and 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 Girl Scout merchandise. Revenue related to program product sales and sale of Girl 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 \$62,000 and \$135,000 for the years ended September 30, 2022 and 2021, 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. As of October 1, 2021, the Council has restructured its resources and strategic plan by removing expense allocations towards community activities. The Council has shifted towards regrowing membership and supporting the troops. Community outreach activities are incorporated in all facets of the Council's work and are now being allocated across girl programs, membership support, and volunteer support.

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. Adoption of the standard does not have a material effect on the Council's financial statements.

Subsequent Events

The Council has evaluated subsequent events through January 19, 2023, 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, 2022 and 2021, 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, future membership recovery, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 12,504,362	\$ 8,208,872
Short-term investments	2,050,248	2,032,946
Accounts receivable, net	83,107	68,438
Employee retention credit receivable	1,168,363	-
Promises to give	889,865	2,150,282
Investments	<u>11,248,836</u>	<u>12,815,341</u>
Total financial assets	27,944,781	25,275,879
Less: Board-designated net assets	(15,239,450)	(8,790,652)
Less: Net assets with donor restrictions	<u>(2,674,206)</u>	<u>(2,430,396)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,031,125</u>	<u>\$ 14,054,831</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>2022</u>	<u>2021</u>
Within one year	\$ 889,865	\$ 2,150,282
In one to five years	<u>1,500,000</u>	<u>-</u>
	2,389,865	2,150,282
Less discount to net present value at 3.3%	<u>(84,080)</u>	<u>-</u>
	<u>\$ 2,305,785</u>	<u>\$ 2,150,282</u>

At September 30, 2022, one donor accounted for 94% of the outstanding promises to give and at September 30, 2021 another donor accounted for 93% of the outstanding promises to give. Each accounted for 13% of yearly revenue.

Note 4 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 29,303,070	\$ 28,759,200
Equipment	1,709,855	1,656,534
Vehicles	475,571	338,879
Computer hardware and software	<u>959,950</u>	<u>863,352</u>
	32,448,446	31,617,965
Accumulated depreciation	<u>(15,490,035)</u>	<u>(14,249,859)</u>
	16,958,411	17,368,106
Land	<u>743,294</u>	<u>743,294</u>
	<u>\$ 17,701,705</u>	<u>\$ 18,111,400</u>
Property and equipment, net		

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 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.

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

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	2022		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equity securities	\$ 6,281,133	\$ 6,281,133	\$ -	\$ -
Treasury notes	5,289,808	5,289,808	-	-
Cash and money market funds (at cost)	781,360	-	-	-
Exchange traded funds				
Equity Securities	95,184	95,184	-	-
Annuity	47,620	-	47,620	-
	<u>12,495,105</u>	<u>11,666,125</u>	<u>47,620</u>	<u>-</u>
Assets held by community foundation	<u>803,979</u>	<u>-</u>	<u>803,979</u>	<u>-</u>
Total	<u>\$ 13,299,084</u>	<u>\$ 11,666,125</u>	<u>\$ 851,599</u>	<u>\$ -</u>
	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>

Net investment return (loss) consisted of the following for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 338,423	\$ 258,478
Net realized and unrealized gains	(1,708,223)	2,116,466
Investment fees	<u>(68,619)</u>	<u>(71,342)</u>
Net investment return	<u>\$ (1,438,419)</u>	<u>\$ 2,303,602</u>

Note 6 - Due to Girl Scouts of the USA and Related Party Transactions

The Council holds disbanded troop treasury funds in the amounts of \$15,812 and \$7,345, as of September 30, 2022 and 2021, 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.

During the years ended September 30, 2022 and 2021, the Council made payments to Girl Scouts of the USA (GSUSA), totaling approximately \$353,000 and \$191,000, respectively, for membership dues for girls and adult volunteers with a demonstrated need for financial assistance, inventory, software licenses, and web hosting fees.

During the years ended September 30, 2022 and 2021, the Council received approximately \$194,000 and \$186,000 in grants and other financial assistance from GSUSA, 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, 2022 and 2021, board members gave approximately \$20,000 and \$22,000, 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, 2022 and 2021, the Council had an outstanding principal of the bonds of \$1,444,066 and \$1,825,232, 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 related to a minimum debt service coverage ratio the Council must comply with.

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

<u>Years Ending September 30,</u>	<u>Amount</u>
2023	\$ 394,426
2024	407,440
2025	421,365
2026	<u>220,835</u>
Total	1,444,066
Less bond issuance costs	<u>(35,663)</u>
Total bond payable	<u><u>\$ 1,408,403</u></u>

Note 8 - Paycheck Protection Program (PPP) Awards

During the year ended September 30, 2021, the Council was granted a \$1,267,030 award under the PPP administered by a Small Business Administration (SBA) approved partner. The award was uncollateralized and fully guaranteed by the Federal government. The Council initially recorded a refundable advance and subsequently recorded forgiveness when the obligation was legally released by the SBA. The Council has recognized \$1,282,586 as contribution revenue for the year ended September 30, 2022, consisting of the full award of \$1,267,030 and accrued interest of \$15,556.

During the year ended September 30, 2020, the Council was granted a \$1,267,000 award under the PPP administered by an SBA approved partner. The award was uncollateralized and fully guaranteed by the Federal government. The Council initially recorded a refundable advance and subsequently recorded forgiveness when the obligation was legally released by the SBA. The Council 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.

Note 9 - Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided an employee retention credit (the credit), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at \$10,000 of qualified wages through December 31, 2020.

The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 (collectively the Acts) expanded the availability of the credit and extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. As a result of the changes to the credit, the maximum credit per employee increased from \$10,000 to \$21,000.

The Council has elected to account for the credits by applying FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under this method, the Council records contribution revenue when the contribution is deemed to be unconditional, that is when there is no longer a measurable performance or other barrier and a right of return or release from obligation to pay the contribution. Management has determined that the contribution is unconditional.

The Council's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Note 10 - 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>2021</u>	<u>Designated</u>	<u>Expended</u>	<u>2022</u>
Board-designated net assets				
Property replacement	\$ 5,754,525	\$ 1,243,239	\$ (641,220)	\$ 6,356,544
Future funds	1,971,127	-	(1,479)	1,969,648
Recovery Fund	-	6,071,072	-	6,071,072
Succession/Pension fund	<u>1,065,000</u>	<u>-</u>	<u>(222,814)</u>	<u>842,186</u>
Total	<u>\$ 8,790,652</u>	<u>\$ 7,314,311</u>	<u>\$ (865,513)</u>	<u>\$ 15,239,450</u>

	<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	<u>1,140,000</u>	<u>-</u>	<u>(75,000)</u>	<u>1,065,000</u>
Total	<u>\$ 8,011,548</u>	<u>\$ 1,200,539</u>	<u>\$ (421,435)</u>	<u>\$ 8,790,652</u>

Note 11 - Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for a Specified Purpose		
Scholarships and camperships	\$ 50,599	\$ 29,220
Girl programming	129,987	203,403
Recruitment	22,996	26,692
Other	23,009	71,889
	<u>226,591</u>	<u>331,204</u>
Subject to the Passage of Time		
Fiscal year operations - United Way	7,500	73,313
Fiscal year operations - future special event	119,915	5,779
Fiscal year operations - general	2,320,200	2,020,100
	<u>2,447,615</u>	<u>2,099,192</u>
Total net assets with donor restrictions	<u>\$ 2,674,206</u>	<u>\$ 2,430,396</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:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Scholarships and camperships	\$ -	\$ 10,600
Girl programming	223,791	208,786
Fellowship	-	14,097
Other	50,184	25,408
Expiration of time restrictions		
Fiscal year operations - United Way	75,812	98,425
Fiscal year operations - future special event	5,779	130,480
Fiscal year operations - general	2,020,100	7,367
Total net assets with donor restrictions released from restriction	<u>\$ 2,375,666</u>	<u>\$ 495,163</u>

Note 12 - 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>
2023	\$ 13,751	\$ 38,326
2024	5,791	39,475
2025	5,791	26,940
2026	5,791	-
2027	4,826	-
	<u>\$ 35,950</u>	<u>\$ 104,741</u>
Total minimum lease payments	<u>\$ 35,950</u>	<u>\$ 104,741</u>
Less amount representing interest	<u>(2,151)</u>	
Capital lease obligation	<u>\$ 33,799</u>	

Total rental expense paid for the years ended September 30, 2022 and 2021 was \$64,148 and \$65,488, respectively.

Leased property under capital leases at September 30 includes:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 57,671	\$ 29,789
Less accumulated depreciation	<u>(24,666)</u>	<u>(14,895)</u>
	<u>\$ 33,005</u>	<u>\$ 14,894</u>

Note 13 - 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.

Net plan assets grew during the year and are greater than the actuarial present value of accumulated plan benefits as of January 1, 2022. On April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives 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 2021 and 2022 were \$32.7 million and \$32.2 million, respectively. Aggregate contributions to be made in fiscal 2023 are expected to be \$27.55 million.

The Council's contributions to the Plan and corresponding pension expense for the years ended September 30, 2022 and 2021, were approximately \$383,000 for both years. 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, 2022 and 2021 were \$100,677 and \$114,248, respectively.

Note 14 - Revenue from Contract with Customers

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

	2022	2021
Revenue recognized over time		
Program service fees, including camp fees	\$ 566,912	\$ 680,039
Miscellaneous	191,247	22,706
Total revenue recognized over time	<u>758,159</u>	<u>702,745</u>
Revenue recognized at a point in time		
Product program sales	14,397,264	10,868,550
Sale of Girl Scout merchandise	468,666	348,027
Total revenue recognized at a point in time	<u>14,865,930</u>	<u>11,216,577</u>
Total revenue from contracts with customers	<u>\$ 15,624,089</u>	<u>\$ 11,919,322</u>

Girl Scouts - Arizona Cactus-Pine Council, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

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:

	<u>10/01/21</u>	<u>9/30/2022</u>
Accounts receivable, net	\$ 68,438	\$ 83,107
Deferred income	321,218	439,618
	<u>10/01/20</u>	<u>9/30/2021</u>
Accounts receivable, net	\$ 58,727	\$ 68,438
Deferred income	287,976	321,218