

**Girl Scouts of Minnesota and
Wisconsin River Valleys, Inc.
and Affiliate**

Consolidated Financial Statements
September 30, 2023 and 2022

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

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Independent Auditors' Report

To the Board of Directors of
Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

Opinion

We have audited the consolidated financial statements of Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate (River Valleys), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of River Valleys as of September 30, 2023 and 2022, 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 (GAAP).

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of River Valleys 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about River Valleys' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 consolidated 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 River Valleys' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about River Valleys' 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.

Baker Tilly US, LLP

Minneapolis, Minnesota
December 20, 2023

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

Consolidated Statements of Financial Position

September 30, 2023 and 2022

Assets	2023	2022
Current Assets		
Cash and cash equivalents	\$ 846,980	\$ 839,613
Cash held for troops and service units	5,310,000	5,540,000
Investments, current portion	1,644,409	1,489,708
Grants and pledges receivable, current portion, net	199,484	99,116
Other receivables, net	115,030	1,454,725
Inventories	380,082	351,661
Prepaid expenses and other	101,680	136,312
Total current assets	<u>8,597,665</u>	<u>9,911,135</u>
Long-Term Assets		
Investments, long-term portion	32,470,369	31,354,726
Community foundation holdings	314,409	290,679
Grants and pledges receivable, long-term portion, net	629,275	630,165
Unemployment trust receivable	269,273	250,497
Land, buildings and equipment, net	14,017,364	14,307,898
Total long-term assets	<u>47,700,690</u>	<u>46,833,965</u>
Total assets	<u>\$ 56,298,355</u>	<u>\$ 56,745,100</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 675,900	\$ 328,745
Deferred revenue	441,837	361,176
Accrued expenses	633,670	659,072
Cash held for troops and service units	5,310,000	5,540,000
Total liabilities	<u>7,061,407</u>	<u>6,888,993</u>
Net Assets		
Without donor restrictions:		
Undesignated	11,479,075	14,304,592
Board designated, operating reserve	10,373,500	9,716,000
Board designated, land, buildings and equipment reserve	1,967,431	935,330
Board designated, expended on land, buildings and equipment	14,017,364	14,307,898
Board designated, property fund endowment	4,148,356	3,683,061
Board designated, endowment	1,776,814	1,664,903
Total without donor restrictions	<u>43,762,540</u>	<u>44,611,784</u>
With donor restrictions	<u>5,474,408</u>	<u>5,244,323</u>
Total net assets	<u>49,236,948</u>	<u>49,856,107</u>
Total liabilities and net assets	<u>\$ 56,298,355</u>	<u>\$ 56,745,100</u>

See notes to consolidated financial statements

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

Consolidated Statement of Activities

Year Ended September 30, 2023

(With Comparative Totals for September 30, 2022)

	2023					2022 Total
	Without Donor Restrictions			With Donor Restrictions	Total	
	Operations	Board Designated Endowments	Total Without Donor Restrictions			
Support and Revenue						
Public support:						
Contributions and grants	\$ 912,478	\$ -	\$ 912,478	\$ 1,786,588	\$ 2,699,066	\$ 6,752,788
United Way	10,793	-	10,793	10,490	21,283	52,854
Total public support	923,271	-	923,271	1,797,078	2,720,349	6,805,642
Program and other revenue:						
Product sales program						
Gross revenue	19,708,514	-	19,708,514	-	19,708,514	18,487,184
Less direct costs	(8,427,768)	-	(8,427,768)	-	(8,427,768)	(7,396,825)
Net product sales	11,280,746	-	11,280,746	-	11,280,746	11,090,359
Sale of Girl Scout merchandise:						
Gross revenue	690,000	-	690,000	-	690,000	638,610
Less direct costs	(395,277)	-	(395,277)	-	(395,277)	(332,224)
Net sale of Girl Scout merchandise	294,723	-	294,723	-	294,723	306,386
Other:						
Program service fees	1,220,317	-	1,220,317	-	1,220,317	1,135,708
Miscellaneous	96,723	-	96,723	-	96,723	71,442
Total other	1,317,040	-	1,317,040	-	1,317,040	1,207,150
Total program and other revenue	12,892,509	-	12,892,509	-	12,892,509	12,603,895
Net assets released from restrictions	2,124,204	(186,147)	1,938,057	(1,938,057)	-	-
Total support, program and other revenue	15,939,984	(186,147)	15,753,837	(140,979)	15,612,858	19,409,537
Expense						
Program services	14,838,179	-	14,838,179	-	14,838,179	12,942,417
Support services:						
Management and general	2,221,100	-	2,221,100	-	2,221,100	1,819,066
Fundraising	1,721,169	-	1,721,169	-	1,721,169	1,637,336
Total support services	3,942,269	-	3,942,269	-	3,942,269	3,456,402
Total expense	18,780,448	-	18,780,448	-	18,780,448	16,398,819
Support and Revenue Over (in Deficit of)						
Expenses Before Investment and Other Activity	(2,840,464)	(186,147)	(3,026,611)	(140,979)	(3,167,590)	3,010,718
Investment Activity, Realized						
Interest and dividends	635,828	111,040	746,868	83,975	830,843	401,532
Realized (loss) gain on sale of investments	(126,249)	(52,530)	(178,779)	(38,647)	(217,426)	494,014
Gain (loss) disposal of land, buildings and equipment	428,538	-	428,538	-	428,538	(33,430)
Total investment activity, realized	938,117	58,510	996,627	45,328	1,041,955	862,116
Change in Net Assets Before Unrealized Investment Gains (Losses) Activity	(1,902,347)	(127,637)	(2,029,984)	(95,651)	(2,125,635)	3,872,834
Investment Activity, Unrealized						
Change in value of community foundation holdings	-	22,614	22,614	1,116	23,730	(47,165)
Unrealized gain (loss) on investments	716,897	441,229	1,158,126	324,620	1,482,746	(3,644,551)
Total investment activity, unrealized	716,897	463,843	1,180,740	325,736	1,506,476	(3,691,716)
Change in Net Assets Before Other Activity	(1,185,450)	336,206	(849,244)	230,085	(619,159)	181,118
Other Activity						
Paycheck Protection Plan loan forgiveness	-	-	-	-	-	1,422,589
Transfer to property fund endowment	(241,000)	241,000	-	-	-	-
Total other activity	(241,000)	241,000	-	-	-	1,422,589
Change in net assets	(1,426,450)	577,206	(849,244)	230,085	(619,159)	1,603,707
Net Assets, Beginning	39,263,820	5,347,964	44,611,784	5,244,323	49,856,107	48,252,400
Net Assets, Ending	\$ 37,837,370	\$ 5,925,170	\$ 43,762,540	\$ 5,474,408	\$ 49,236,948	\$ 49,856,107

See notes to consolidated financial statements

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

 Consolidated Statement of Activities
 Year Ended September 30, 2022

	2022				
	Without Donor Restrictions				Total
	Operations	Board Designated Endowments	Total Without Donor Restrictions	With Donor Restrictions	
Support and Revenue					
Public support:					
Contributions and grants	\$ 5,211,427	\$ -	\$ 5,211,427	\$ 1,541,361	\$ 6,752,788
United Way	10,352	-	10,352	42,502	52,854
Total public support	5,221,779	-	5,221,779	1,583,863	6,805,642
Program and other revenue:					
Product sales program					
Gross revenue	18,487,184	-	18,487,184	-	18,487,184
Less direct costs	(7,396,825)	-	(7,396,825)	-	(7,396,825)
Net product sales	11,090,359	-	11,090,359	-	11,090,359
Sale of Girl Scout merchandise:					
Gross revenue	638,610	-	638,610	-	638,610
Less direct costs	(332,224)	-	(332,224)	-	(332,224)
Net sale of Girl Scout merchandise	306,386	-	306,386	-	306,386
Other:					
Program service fees	1,135,708	-	1,135,708	-	1,135,708
Miscellaneous	71,442	-	71,442	-	71,442
Total other	1,207,150	-	1,207,150	-	1,207,150
Total program and other revenue	12,603,895	-	12,603,895	-	12,603,895
Net assets released from restrictions	1,826,314	(166,287)	1,660,027	(1,660,027)	-
Total support, program and other revenue	19,651,988	(166,287)	19,485,701	(76,164)	19,409,537
Expense					
Program services	12,942,417	-	12,942,417	-	12,942,417
Support services:					
Management and general	1,819,066	-	1,819,066	-	1,819,066
Fundraising	1,637,336	-	1,637,336	-	1,637,336
Total support services	3,456,402	-	3,456,402	-	3,456,402
Total expense	16,398,819	-	16,398,819	-	16,398,819
Support and Revenue Over (in Deficit of) Expenses Before Investment and Other Activity	3,253,169	(166,287)	3,086,882	(76,164)	3,010,718
Investment Activity, Realized					
Interest and dividends	187,698	117,507	305,205	96,327	401,532
Realized gain on sale of investments	122,492	206,316	328,808	165,206	494,014
Gain on disposal of land, buildings and equipment	(33,430)	-	(33,430)	-	(33,430)
Total investment activity, realized	276,760	323,823	600,583	261,533	862,116
Change in Net Assets Before Unrealized Investment Gains (Losses) Activity	3,529,929	157,536	3,687,465	185,369	3,872,834
Investment Activity, Unrealized					
Change in value of community foundation holdings	-	(38,832)	(38,832)	(8,333)	(47,165)
Unrealized gain on investments	(1,488,939)	(1,197,058)	(2,685,997)	(958,554)	(3,644,551)
Total investment activity, unrealized	(1,488,939)	(1,235,890)	(2,724,829)	(966,887)	(3,691,716)
Change in Net Assets Before Other Activity	2,040,990	(1,078,354)	962,636	(781,518)	181,118
Other Activity					
Paycheck Protection Plan loan forgiveness	1,422,589	-	1,422,589	-	1,422,589
Employee retention credit	-	-	-	-	-
Transfer to property fund endowment	(530,400)	530,400	-	-	-
Total other activity	892,189	530,400	1,422,589	-	1,422,589
Change in net assets	2,933,179	(547,954)	2,385,225	(781,518)	1,603,707
Net Assets, Beginning	36,330,641	5,895,918	42,226,559	6,025,841	48,252,400
Net Assets, Ending	\$ 39,263,820	\$ 5,347,964	\$ 44,611,784	\$ 5,244,323	\$ 49,856,107

See notes to consolidated financial statements

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

Consolidated Statements of Functional Expenses

Years Ended September 30, 2023 and 2022

	2023				
	Program Member Service and Program Delivery	Support Services			
		Management and General	Fund Development	Total Support Services	Total Expenses
Salaries and wages	\$ 6,858,322	\$ 989,024	\$ 950,744	\$ 1,939,768	\$ 8,798,090
Employee benefits	1,202,284	202,537	187,749	390,286	1,592,570
Payroll taxes	573,341	82,680	79,480	162,160	735,501
Personnel	8,633,947	1,274,241	1,217,973	2,492,214	11,126,161
Professional fees	365,512	442,143	91,397	533,540	899,052
Supplies	1,533,765	3,981	3,057	7,038	1,540,803
Telecommunications	189,887	10,443	11,510	21,953	211,840
Postage	221,339	3,147	9,399	12,546	233,885
Occupancy	1,016,133	25,731	26,187	51,918	1,068,051
Equipment	341,607	25,664	102,543	128,207	469,814
Printing and media	392,211	15,078	75,140	90,218	482,429
Transportation	188,650	21,554	11,170	32,724	221,374
Training and conferences	138,818	43,302	94,508	137,810	276,628
Financial assistance	201,031	-	-	-	201,031
Insurance	254,337	42,746	14,642	57,388	311,725
Other	167,248	280,642	27,212	307,854	475,102
Total expenses before depreciation	13,644,485	2,188,672	1,684,738	3,873,410	17,517,895
Depreciation	1,193,694	32,428	36,431	68,859	1,262,553
Total expenses	<u>\$ 14,838,179</u>	<u>\$ 2,221,100</u>	<u>\$ 1,721,169</u>	<u>\$ 3,942,269</u>	<u>\$ 18,780,448</u>
	<u>79.0%</u>	<u>11.8%</u>	<u>9.2%</u>	<u>21.0%</u>	<u>100.0%</u>
	2022				
	Program Member Service and Program Delivery	Support Services			
		Management and General	Fund Development	Total Support Services	Total Expenses
Salaries and wages	\$ 5,835,300	\$ 963,885	\$ 925,013	\$ 1,888,898	\$ 7,724,198
Employee benefits	1,065,183	190,345	182,983	373,328	1,438,511
Payroll taxes	494,715	81,718	78,422	160,140	654,855
Personnel	7,395,198	1,235,948	1,186,418	2,422,366	9,817,564
Professional fees	247,190	251,509	58,716	310,225	557,415
Supplies	1,301,357	5,696	17,514	23,210	1,324,567
Telecommunications	171,184	11,257	11,883	23,140	194,324
Postage	279,666	5,583	14,713	20,296	299,962
Occupancy	809,043	27,505	25,997	53,502	862,545
Equipment	354,356	56,855	118,161	175,016	529,372
Printing and media	411,001	8,958	42,448	51,406	462,407
Transportation	108,923	5,696	4,964	10,660	119,583
Training and conferences	68,756	38,550	90,491	129,041	197,797
Financial assistance	272,210	-	-	-	272,210
Insurance	236,733	43,086	16,521	59,607	296,340
Other	127,795	94,092	9,914	104,006	231,801
Total expenses before depreciation	11,783,412	1,784,735	1,597,740	3,382,475	15,165,887
Depreciation	1,159,005	34,331	39,596	73,927	1,232,932
Total expenses	<u>\$ 12,942,417</u>	<u>\$ 1,819,066</u>	<u>\$ 1,637,336</u>	<u>\$ 3,456,402</u>	<u>\$ 16,398,819</u>
	<u>78.9%</u>	<u>11.1%</u>	<u>10.0%</u>	<u>21.1%</u>	<u>100.0%</u>

See notes to consolidated financial statements

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

Consolidated Statements of Cash Flows

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (619,159)	\$ 1,603,707
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,262,553	1,232,932
(Gain) loss on disposal of land, buildings and equipment	(428,538)	33,430
Forgiveness of PPP loan	-	(1,422,589)
Realized loss (gain) on sale of investments	217,426	(494,014)
Unrealized (gain) loss on investments	(1,482,746)	3,644,551
Investment earnings reinvested	(764,212)	(399,395)
(Increase) decrease in community foundation holdings	(23,730)	47,165
(Increase) decrease in unemployment trust receivable	(6,860)	320,132
Contributions restricted for long-term investment	(8,102)	(16,525)
Decrease (increase) in operating assets:		
Grants and pledges receivable	(99,478)	77,116
Other receivables	1,339,695	999,647
Inventories	(28,421)	(14,882)
Prepaid expenses and other	34,632	53,922
Increase (decrease) in operating liabilities:		
Accounts payable	163,710	(22,478)
Deferred revenue	80,661	27,793
Accrued expenses	(25,402)	(33,498)
Net cash flows from operating activities	<u>(387,971)</u>	<u>5,637,014</u>
Cash Flows From Investing Activities		
Additions to land, buildings and equipment	(807,331)	(591,047)
Proceeds from disposals of land, buildings and equipment	447,295	29,333
Purchase of investments	(6,053,798)	(13,543,375)
Proceeds from sale and maturity of investments	6,801,070	8,980,098
Net cash flows from investing activities	<u>387,236</u>	<u>(5,124,991)</u>
Cash Flows From Financing Activities		
Contributions received restricted for long-term investment	8,102	16,525
Repayment of Unforgiven Paycheck Protection Program 2 Loan	-	(357,031)
Proceeds from borrowing from line of credit	3,500,000	2,000,000
Repayment of borrowing from line of credit	(3,500,000)	(2,000,000)
Net cash flows from financing activities	<u>8,102</u>	<u>(340,506)</u>
Net change in cash and cash equivalents	7,367	171,517
Cash and Cash Equivalents, Beginning	<u>839,613</u>	<u>668,096</u>
Cash and Cash Equivalents, Ending	<u>\$ 846,980</u>	<u>\$ 839,613</u>
Noncash investing and financing activities		
Property, plant and equipment additions funded by accounts payable	<u>\$ 195,207</u>	<u>\$ 11,762</u>

See notes to consolidated financial statements

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

Notes to Consolidated Financial Statements
September 30, 2023 and 2022

1. Significant Accounting Policies

Nature of Activities and Principles of Consolidation

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc.'s (River Valleys) work is supported by 6,300 volunteers who deliver the Girl Scout Leadership Experience to nearly 17,200 girls in southern Minnesota, western Wisconsin, and one county in Iowa. Girl Scouts River Valleys is one of 111 Girl Scout councils that make up the national Girl Scout Movement, sharing the mission to build girls of courage, confidence, and character who make the world a better place.

The consolidated financial statements include the activities of St. Croix Valley Girl Scout Camps, Inc. (Camps), a nonprofit Wisconsin corporation whose sole purpose is to hold title to land used by River Valleys in Wisconsin. River Valleys appoints the Camps' Board of Directors. All significant intercompany balances and transactions have been eliminated in consolidation.

A summary of River Valleys' significant accounting policies follows:

Net Asset Classifications

For the purposes of financial reporting, River Valleys classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of River Valleys are classified in the accompanying consolidated financial statements and reported in the categories that follow:

Without Donor Restrictions - Net Assets Not Subject to Donor-Imposed Stipulations.

- **Board Designated** - operating reserve - Girl Scouts of the USA recommends that each council maintain a six-to-twelve-month operating reserve for emergencies. The reserve for River Valleys is equal to approximately one-half of the annual budget.
- **Board Designated** - land, buildings and equipment reserve - Net assets reserved for normal, on-going, future fixed asset purchases, such as replacing vehicles and equipment and maintaining buildings.
- **Board Designated** - expended on land, buildings and equipment - Land, buildings and equipment (net book value) portion of without donor restricted funds.
- **Board Designated** - property fund endowment - Net proceeds from sales of the board designated assets held for sale. River Valleys' spending policy provides for a percentage of the rolling twelve quarter average of the endowment net assets to be used solely for the support, including operational expenses, renovation and upgrading costs of camp property and for programs carried out by River Valleys at camp. The property fund assets will not be used for any other general operating costs.
- **Board Designated** - endowment - Net assets designated by the Board of Directors to invest long-term with a spending policy that provides for a percentage of the rolling twelve quarter average of the endowment net assets to be used to fund current operations.

Girl Scouts of Minnesota and Wisconsin River Valleys, Inc. and Affiliate

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

The Board of Directors has established policies that affect the presentation of board designations on net assets without donor restrictions. The Board has delegated to management the authority to designate bequests and deferred gifts without donor restrictions received, to operations or the board designated endowment. The board designated endowment is included in Note 9.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met by actions of River Valleys and/or the passage of time. In addition, some net assets are required by donors to be maintained in perpetuity. Accumulated earnings on the with donor restricted endowment net assets are included in net assets with donor restrictions and are released in accordance with the River Valleys' spending policy that provides for a percentage of the rolling twelve quarter average of the endowment net assets to be used for the purposes established by the donors' restrictions and to fund current operations.

Cash and Cash Equivalents

River Valleys considers all highly liquid investments, except for those designated for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Cash Held for Troops and Service Units

River Valleys recognizes an asset and a liability for cash accounts maintained by the troops and service units. The accounts have been opened using River Valleys' tax identification number, but River Valleys does not have direct control over these accounts. Therefore, troop and service unit activity is not included in the consolidated statements of activities.

Investments

Investments are recorded at fair value, in accordance with accounting guidance on fair value measurements. Unrealized gains and losses are recognized in the consolidated statements of activities.

Other Receivables

Other receivables are stated at net realizable value. An allowance for doubtful accounts has been recorded in the amount of \$49,000 and \$30,000 as of September 30, 2023 and 2022, respectively. River Valleys provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. When collection efforts have been exhausted on outstanding receivables, the accounts are written off against the related allowance.

Other receivables are considered delinquent if any portion of the receivable balance is outstanding for more than 90 days after the event date. Interest is not charged on delinquent receivables.

As of September 30, 2022, other receivables included Employee Retention Credit for second and third quarter 2021. See Note 5.

Inventories

Inventories consist of retail merchandise, valued at the lower of cost, on a first-in, first-out (FIFO) basis or market.

Impairment of Long-Lived Assets

River Valleys reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There have been no such losses for the years ended September 30, 2023 and 2022.

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Community Foundation Holdings

River Valleys has funds held at the Minneapolis Foundation and the Saint Paul and Minnesota Foundation. As both the resource provider (the transferor of assets to the community foundations) and the beneficiary, River Valleys recognizes the funds held as long-term other assets. The community foundations hold these assets in donor-advised funds with the income available for distribution to River Valleys subject to the respective Foundation's Board of Trustees approval.

Land, Buildings and Equipment, Net

Land, buildings and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of donated property. All acquisitions of property and equipment in excess of \$2,000 with a useful life of 2 years, and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is computed on the straight-line method over the estimated useful lives as follows: buildings 5 to 40 years; land improvements 10 to 40 years, equipment 3 to 15 years. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Deferred Revenue

Deferred revenue represents payments received for future camp use and programs.

Payroll Protection Program

In April 2020, River Valleys received loan proceeds in the amount of \$1,843,900 under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). In February 2021, the PPP loan was forgiven by the Small Business Administration (SBA) and recorded as revenue in the consolidated statement of activities for the year ended September 30, 2021.

In February 2021, River Valleys received loan proceeds in the amount of \$1,779,620 under the Paycheck Protection Program Second Draw Loans (PPP2), established as part of the Consolidated Appropriations Act, 2021, Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act). In May 2022, \$1,422,589 of the PPP2 loan was forgiven by the SBA and recorded as revenue in the consolidated statement of activities for the year ended September 30, 2022. In June 2022, the remaining principal balance of \$357,031 and accrued interest of \$4,679 was paid in full.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the PPP and Bank Fraud Enforcement Harmonization Act of 2022, all borrowers are required to maintain their PPP loan documentation for ten years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. River Valleys does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

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Revenue Recognition - Product and Merchandise Sales

Product and Merchandise Sales revenue is recognized when River Valleys satisfies its performance obligation(s) by transferring the promised goods to its customers. Customers are deemed to be an individual responsible for accepting the product and merchandise, usually a troop leader, troop product program manager or other adult. A performance obligation is a promise in an agreement to transfer a distinct good to its customers. This transfer of control occurs at a point in time when the revenue is earned. The transaction price is allocated to each distinct performance obligation, however, substantially all of the transactions have only a single performance obligation.

River Valley's policy is to present taxes collected for merchandise sales from customers and remitted to governmental authorities on a net basis. River Valleys records the amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses. Financial assistance provided to Girl Scouts are recorded as a reduction from sale of Girl Scout merchandise at the time the revenue is recognized. Retail financial assistance totaled \$35,247 and \$13,771 for the years ended September 30, 2023 and 2022, respectively.

Revenue Recognition - Program Service Fees

River Valleys recognizes revenue from program service fees during the year in which the related services are provided to Girl Scouts. The performance obligation of delivering programming is simultaneously received and consumed by the Girl Scouts; therefore, the revenue is recognized ratably over the fiscal year. Contracts for program services are combined into a single portfolio of similar contracts. Payment for programs is required before the start of the program. All amounts received prior to the commencement of the program are deferred to the applicable period. Financial assistance provided to Girl Scouts are recorded as a reduction from program service fees at the time revenue is recognized. Financial assistance awarded for program service fees totaled \$173,331 and \$117,023 for the years ended September 30, 2023 and 2022, respectively.

Contributions

River Valleys reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. If there are no donor restrictions, gifts are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Management believes the contributions receivable are fully collectible. Contributions due in more than one year are discounted using a risk-free rate of return appropriate for the expected term of the promise to give. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not included as support until such time as the conditions are met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions on estimation methods that are uncertain and, therefore, the estimates could differ from actual results.

River Valleys receives contributions and grants that are designated for troops and service units. These pass-through contributions are recorded as agency transactions and not recorded in the consolidated statement of activities. Pass-through contributions and grants for troops and service units totaled \$55,808 and \$53,408 for the years ended September 30, 2023 and 2022, respectively.

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Losses and gains on the investments of a donor-restricted endowment fund are recorded in net assets with donor restrictions. Gains and losses on investments of endowment funds created by a board designation of funds without donor restrictions are classified as changes in net assets without donor restrictions.

Functional Allocation of Expense

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of River Valleys. These expenses include information technology, telecommunications, property related expense and depreciation. These expenses are allocated on estimates of time and effort spent. Salaries and related expenses are allocated based on employee's time spent on program or support activities or the best estimate of time spent.

Income Taxes

The Internal Revenue Service has determined that River Valleys and Camps are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. River Valleys and Camps are also exempt from state income taxes. However, any unrelated business income may be subject to taxation. River Valleys and Camps are not considered private foundations; contributions are considered tax deductible.

River Valleys and Camps follow the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by River Valleys' and Camps for uncertain tax positions as of September 30, 2023 and 2022. River Valleys and Camps' tax returns are subject to review and examination by federal and state authorities.

Measure of Operations

In its consolidated statements of activities, River Valleys includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating activity consists primarily of investment activity, including interest and dividends, and net realized and unrealized gains and losses. It also includes other non-operating activity such as the change in community foundation holdings, gain or loss on disposal of land, buildings and equipment, forgiveness of the PPP loan, transfers and releases of net assets from property fund endowment.

Use of Estimates

The preparation of financial statements in conformity with accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain Risks and Uncertainties

River Valleys invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, custodial, credit and overall market volatility. Due to the level of risk associated with certain investments, changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported.

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Concentrations

At times during the year, River Valleys may have cash and/or investments in excess of federally insured limits.

River Valleys purchased their cookie products from ABC Bakers, one of two Girl Scouts of the USA sanctioned bakers.

For the year ended September 30, 2023, 20% of River Valleys' contribution revenue, totaling \$552,837, was from one donor. For the year ended September 30, 2022, 62% of contribution revenue totaling \$4,200,000, was from one donor.

New Accounting Pronouncement Adopted in the Current Year

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU No. 2016-02 increases transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Existing leases as of October 1, 2022, the date of adoption, are not material, therefore lease liabilities and right-of-use assets were not recorded, and the adoption of this standard did not have a significant impact on River Valleys' consolidated financial statements. River Valleys will continue to evaluate the impact of this standard when new leases are entered into by the organization.

New Accounting Pronouncement Not Yet Effective

In June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods beginning after December 15, 2022 (fiscal year 2024). River Valleys is currently assessing the effect this standard will have on its consolidated financial statements.

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2. Liquidity and Availability

The following table reflects River Valleys' financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or River Valleys' Board of Directors and assets held for or by others.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 846,980	\$ 839,613
Investment, current portion	1,644,409	1,489,708
Grants and pledges receivable, current portion	199,484	99,116
Other receivables, net	115,030	1,454,725
Investments, long-term portion	32,470,369	31,354,726
Community foundation holdings	314,409	290,679
Grants and pledges receivable, long-term portion, net	629,275	630,165
Unemployment trust receivable	269,273	250,497
	<u>36,489,229</u>	<u>36,409,229</u>
Financial assets at September 30		
Less those unavailable for general expenditure within one year:		
Grants receivable restricted by donor with time or purpose restrictions	(199,484)	(99,116)
Grants receivable beyond one year	(629,275)	(630,165)
Endowment assets restricted by donors	(4,453,428)	(4,225,282)
Endowment assets designated by Board of Directors	(5,925,170)	(5,347,964)
Assets held in trust by others	(583,682)	(541,176)
	<u>(11,786,039)</u>	<u>(10,843,703)</u>
Financial assets not available for expenditure within one year		
Next fiscal year appropriation	360,636	342,936
	<u>360,636</u>	<u>342,936</u>
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 25,063,826</u>	<u>\$ 25,908,462</u>

River Valleys' practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of 6 months of operating expense coverage at any point in time.

Cash in excess of daily requirements is typically invested in short-term, liquid securities. River Valleys also has a \$2,000,000 line of credit with Wells Fargo. See Note 7 for further line of credit details.

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Notes to Consolidated Financial Statements
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3. Fair Value Measurements and Investments

Investments are comprised of the following at September 30:

	<u>2023</u>	<u>2022</u>
Current Investments:		
Savings account (cost)	\$ 1,627,179	\$ 1,471,402
Common stock (fair value)	17,230	18,306
Total investments (current)	<u>1,644,409</u>	<u>1,489,708</u>
Long-term Investments:		
Money market and cash (cost)	786,472	4,406,243
Common stock (fair value)	1,808,772	1,540,558
Bonds (fair value)	6,234,981	3,194,799
Exchange traded funds (fair value)	10,215,573	7,547,566
Mutual funds (fair value)	13,424,571	14,665,560
Total investments (long term)	<u>32,470,369</u>	<u>31,354,726</u>
Total investments	<u>\$ 34,114,778</u>	<u>\$ 32,844,434</u>
Total Investments:		
Investments at cost	\$ 2,413,651	\$ 5,877,645
Investments at fair value	31,701,128	26,966,789
Total investments	<u>\$ 34,114,778</u>	<u>\$ 32,844,434</u>

Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes 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 or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include the reporting entity's own data.

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Valuation Techniques and Inputs

Level 1 assets include common stocks, municipal bonds, government securities, exchange traded funds and mutual funds for which quoted prices are readily available.

Level 2 assets include corporate bonds for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Level 3 assets include community foundation holdings for which the fair values are based on unobservable inputs (entity specific estimates of cash flows). Since River Valleys has an irrevocable right to receive the income earned from the community foundation holdings, the fair value of River Valleys' interest is estimated to approximate fair value of the trust's assets.

There have been no changes in the techniques and inputs used as of September 30, 2023 and 2022.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While River Valleys believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables summarize financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of September 30, 2023 and 2022:

	2023			
	Market Value Total	Level 1	Level 2	Level 3
Assets:				
Common stock	\$ 1,826,003	\$ 1,826,003	\$ -	\$ -
Municipal bonds	698,947	698,947	-	-
Government securities	3,782,308	3,782,308	-	-
Corporate bonds	1,753,726	-	1,753,726	-
Exchange traded funds, U.S. equities	7,462,138	7,462,138	-	-
Exchange traded funds, U.S. fixed income	2,753,435	2,753,435	-	-
Mutual funds, Equities	1,178,028	1,178,028	-	-
Mutual funds, Cash	11,001,500	11,001,500	-	-
Mutual funds, U.S. fixed income	1,245,043	1,245,043	-	-
Total investments	\$ 31,701,128	\$ 29,947,402	\$ 1,753,726	\$ -
Community foundation holdings	\$ 314,409	\$ -	\$ -	\$ 314,409
Total assets	<u>\$ 32,015,537</u>	<u>\$ 29,947,402</u>	<u>\$ 1,753,726</u>	<u>\$ 314,409</u>

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	2022			
	Market Value Total	Level 1	Level 2	Level 3
Assets:				
Common stock	\$ 1,558,864	\$ 1,558,864	\$ -	\$ -
Municipal bonds	600,596	600,596	-	-
Government securities	1,295,237	1,295,237	-	-
Corporate bonds	1,298,966	-	1,298,966	-
Exchange traded funds, U.S. equities	6,140,475	6,140,475	-	-
Exchange traded funds, U.S. fixed income	1,407,091	1,407,091	-	-
Mutal funds, Cash	5,797,400	5,797,400	-	-
Mutual funds, U.S. fixed income	8,868,160	8,868,160	-	-
Total investments	\$ 26,966,789	\$ 25,667,823	\$ 1,298,966	\$ -
Community foundation holdings	\$ 290,679	\$ -	\$ -	\$ 290,679
Total assets	\$ 27,257,468	\$ 25,667,823	\$ 1,298,966	\$ 290,679

During the years ended September 30, 2023 and 2022, there were \$1,071 and \$1,542 in purchases, respectively, and \$5,255 and \$5,259 in sales, respectively, in community foundation holdings, which are included in level 3 assets above.

4. Grants and Pledges Receivable, Net

Grants and pledges receivable at September 30, 2023 and 2022 are expected to be collected as follows:

	2023	2022
Less than one year	\$ 200,265	\$ 99,316
One to five years	660,740	661,680
Gross unconditional promises to give	861,005	760,996
Less discount to net present value	(31,465)	(31,515)
Less allowance for uncollectible promises to give	(781)	(200)
Net grants and pledges receivable	\$ 828,759	\$ 729,281

Promises due in one to five years were discounted at interest rates ranging from 5% to 8.0%. Promises due in less than one year were not discounted. Two donors, including one donor's planned giving commitment, make up 91% and 97% of the outstanding balances at September 30, 2023 and 2022.

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5. Employee Retention Credit

The Employee Retention Credit (ERC), which was part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan Act (ARPA), incentivized employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise have found it difficult to do so. The fully refundable tax credit was allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 through September 30, 2021. Credits in excess of the tax amounts paid by an employer were treated as overpayments and were also refunded to the employer. The ERC was calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. River Valleys qualified for the ERC as its operations were impacted due to government mandated closures and restrictions for 2021 and experienced a significant decline in gross receipts for 2021 (defined as a 20% decline in gross receipts when compared to the same quarter in 2019). River Valleys averaged more than 100 full-time employees (FTEs), but less than 500 FTEs during 2019, therefore, it was considered a large employer during 2020 and a small employer during 2021. As a small employer, all of River Valleys' otherwise qualified wages were eligible for the ERC.

Laws and regulations concerning government programs, including the Employee Retention Credit established by the Coronavirus Aid, Relief and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge River Valley's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon River Valleys.

River Valleys accounted for this federal funding in accordance with FASB Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues were measured and recognized when barriers were substantially met. River Valleys claimed credits of \$2,380,371 on timely filed form 941s relating to the 2020 ERC credit and the 2021 ERC credit. The amount recorded as an outstanding receivable was \$1,396,943 as of September 30, 2022, which was collected during the year ended September 30, 2023.

6. Land, Buildings and Equipment, Net

Land, buildings and equipment consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 3,818,899	\$ 3,719,642
Buildings and improvements	25,041,046	24,478,313
Equipment	2,837,483	2,666,642
Computers and software	1,211,995	1,101,836
Transportation equipment	684,622	675,011
Construction in progress	173,829	200,468
	<u>33,767,874</u>	<u>32,841,912</u>
Less accumulated depreciation	<u>(19,750,510)</u>	<u>(18,534,014)</u>
	<u>\$ 14,017,364</u>	<u>\$ 14,307,898</u>

Construction in progress at September 30, 2023 consists of information services projects, improvements at the Brooklyn Center and St. Paul Service Centers and various projects at Camps Edith Mayo, Lakamaga, Northwoods and Singing Hills, and are expected to be completed in fiscal year 2024. Construction in progress at September 30, 2022 consisted of improvements at the St. Paul Service Center and various projects at Camps Edith Mayo, Elk River, Lakamaga, Northwoods, Sagata and Singing Hills, and were completed in fiscal year 2023. The projects were funded from donor gifts, general operations and board approved transfers from the board designated - property fund endowment.

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7. Line of Credit

River Valleys has \$2,000,000 available under a line of credit which expires June 10, 2024. The interest rate is equal to Prime less .5%, with a minimum rate of 3.5%. The effective rate was 8% and 5.75% at September 30, 2023 and 2022, respectively. During February through April of each year, the maximum available under the line of credit increases to \$4,000,000. There was no outstanding balance on the line of credit as of September 30, 2023 and 2022. The line of credit is secured by all inventory, equipment and fixtures. Interest expense was \$25,399 and \$8,179 for the years ending September 30, 2023 and 2022, respectively.

8. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions were available for the following purposes at September 30:

	<u>2023</u>	<u>2022</u>
Programs	\$ 328,145	\$ 235,472
Time restricted-other	692,835	783,569
Endowment	<u>4,453,428</u>	<u>4,225,282</u>
Total	<u>\$ 5,474,408</u>	<u>\$ 5,244,323</u>

Net assets were released from restriction during the year ending September 30 for the following reasons:

	<u>2023</u>	<u>2022</u>
Programs	\$ 1,297,494	\$ 1,089,246
Time restrictions met	<u>640,563</u>	<u>570,781</u>
Total	<u>\$ 1,938,057</u>	<u>\$ 1,660,027</u>

9. Endowment

River Valleys' endowment consists of 14 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by accounting standards, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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Interpretation of Relevant Law

The Board of Directors of River Valleys has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Minnesota as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, River Valleys classifies as net assets with donor restrictions (a) the original value of the gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accumulated earning on donor restricted funds held in perpetuity are recorded as net assets with donor restrictions until appropriated for expenditure by River Valleys in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, River Valleys considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of River Valleys and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of River Valleys; and
7. The investment policies of River Valleys.

Endowment net asset composition by type of fund consisted of the following as of September 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 4,453,428	\$ 4,453,428
Board designated endowment funds	5,925,170	-	5,925,170
Total endowment net assets	<u>\$ 5,925,170</u>	<u>\$ 4,453,428</u>	<u>\$ 10,378,598</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 4,225,282	\$ 4,225,282
Board designated endowment funds	5,347,964	-	5,347,964
Total endowment net assets	<u>\$ 5,347,964</u>	<u>\$ 4,225,282</u>	<u>\$ 9,573,246</u>

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2022	\$ 5,347,964	\$ 4,225,282	\$ 9,573,246
Investment return:			
Investment income	111,040	83,975	195,015
Net appreciation, realized and unrealized	388,699	285,973	674,672
Change in value of community foundation holdings	22,614	1,116	23,730
Total investment return	522,353	371,064	893,417
Contributions and other	-	8,102	8,102
Board approved transfer	241,000	-	241,000
Appropriation of endowment assets for expenditure	(186,147)	(151,021)	(337,168)
Endowment net assets, September 30, 2023	<u>\$ 5,925,170</u>	<u>\$ 4,453,427</u>	<u>\$ 10,378,597</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2021	\$ 5,895,918	\$ 5,058,970	\$ 10,954,888
Investment return:			
Investment income	117,507	96,327	213,834
Net appreciation, realized and unrealized	(990,742)	(793,348)	(1,784,090)
Change in value of community foundation holdings	(38,832)	(8,333)	(47,165)
Total investment return	(912,067)	(705,354)	(1,617,421)
Contributions and other	-	16,525	16,525
Board approved transfer	530,400	-	530,400
Appropriation of endowment assets for expenditure	(166,287)	(144,859)	(311,146)
Endowment net assets, September 30, 2022	<u>\$ 5,347,964</u>	<u>\$ 4,225,282</u>	<u>\$ 9,573,246</u>

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires River Valleys to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new donor restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Directors. There were no deficiencies of this nature reported in net assets with donor restrictions as of September 30, 2023 and 2022.

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Return Objectives and Risk Parameters

River Valleys has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that River Valleys must hold in perpetuity or for a donor specified period(s) as well as board-designated funds. The policy identifies asset allocations and performance objectives, including the appropriate return benchmarks, for the growth of principal over a seven-year time horizon, while avoiding excessive risk. Short-term volatility is tolerated in as much as it is consistent with the volatility of the established benchmarks. Actual returns vary in any given year and the spend rate is determined annually by the board.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the years ending September 30, 2023 and 2022, River Valleys appropriated for distribution 3.5% of the three-year average market value of investments, as measured by twelve rolling quarter ends. The spending policy states the spend rate applied to endowment funds is to be determined annually by River Valleys' staff, reviewed by the Investment Subcommittee and Finance Committee and approved by the Board of Directors. In establishing this policy, River Valleys considered the long-term expected return on its endowment. Accordingly, over the long term, River Valleys expects the current spending policy to stabilize annual spending levels and to preserve the real value of the endowment principal. This is consistent with River Valleys' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. Operating Leases

River Valleys leases space in Mankato, Minnesota, under a lease agreement that ends in September 2024. As of September 30, 2023, monthly payments for the leased space are \$2,031. In addition, River Valleys leases office equipment with monthly payments that total \$1,846, under lease agreements in place through September 2026. Total lease expense for the periods ending September 30, 2023 and 2022 was \$58,046 and \$103,330, respectively.

The following is a schedule of the aggregate future minimum lease payments:

Years Ending September 30:		
2024	\$	44,489
2025		6,942
2026		1,872
		<hr/>
Total	\$	53,303
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Notes to Consolidated Financial Statements
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11. Contributed Services and Materials

River Valleys records various types of in-kind support, including certain professional services and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses and land, buildings and equipment.

During 2023 and 2022, River Valleys recognized \$85,062 and \$52,320 respectively, of in-kind donations, which are recorded in contributions and grants revenues in the consolidated statements of activities. Additionally, 6,300 volunteers donated time to provide program services for River Valleys in both years, which is not recognized in the financial statements since the services do not typically meet accounting standards' requirements for recording such contributions.

12. Employee Retirement Plans

River Valleys has two frozen noncontributory retirement plans, of which one was terminated in the year ended September 30, 2020, and one active retirement savings plan for the benefit of its employees.

National Girl Scout Council Retirement Plan

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

River Valleys made contributions into the Plan of \$374,814 and \$383,145 during the years ended September 30, 2023 and 2022, respectively. These contributions represented 1.4% and 1.2% of total contributions into the Plan during the years ended September 30, 2023 and 2022, respectively.

Net Plan assets declined during the year and are less than the actuarial present value of accumulated Plan benefits as of January 1, 2023. On April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives 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 2022 and 2023 were \$32.2 million and \$27.5 million, respectively. Aggregate contributions to be made in fiscal 2024 are expected to be \$26 million.

Twin Cities Nonprofit Partners Pension Plan

In September 2019, River Valleys along with the 15 other participants of the Twin Cities Nonprofit Partners Pension Plan terminated this multiemployer defined benefit pension plan. The termination required agencies to pay their portion of the unfunded liability to provide vested participants either a lump sum distribution or a fully funded annuity contract.

Since this was a multiemployer plan, all participating agencies were required to provide an incremental debt guarantee for the agencies that used bank financing to fund their portion of the unfunded liability to terminate the plan. River Valleys' debt guarantee is \$61,192 and will remain in place until the debt is fully paid.

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403(b) Thrift Plan

River Valleys provides a 403(b) Thrift Plan for the benefit of employees with a match for employees with two months or more of service. Participant contributions up to 8% of qualifying salary and wages are benefited by a 50% match from River Valleys. The plan also includes a discretionary employer base contribution. No discretionary employer base contribution was made for the years ending September 30, 2023 and 2022. Employer matching contributions to the plan totaled \$207,113 and \$195,609 for the years ended September 30, 2023 and 2022, respectively.

13. Related-Party Transactions

Dues collected by River Valleys from its members are transmitted directly to its national organization, Girl Scouts of the USA. River Valleys does not share any of its public support and revenue with the national organization. River Valleys purchases various inventory products and software licenses from the Girl Scouts of the USA. During the years ended September 30, 2023 and 2022, purchases from the national organization totaled \$436,183 and \$405,022, respectively. As of September 30, 2023 and 2022, respectively, accounts payable on the consolidated statements of financial position includes \$30,966 and \$33,329 in dues and other payables due to the Girl Scouts of the USA.

14. Subsequent Events

River Valleys has evaluated subsequent events through December 20, 2023, which is the date that the financial statements were approved and available to be issued.