

GIRL SCOUTS HEART OF THE HUDSON, INC.
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023
(with comparative information for the year ended
September 30, 2022)

GIRL SCOUTS HEART OF THE HUDSON, INC.
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(with comparative information for the year ended September 30, 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girl Scouts Heart of the Hudson, Inc.

Opinion

We have audited the accompanying financial statements of Girl Scouts Heart of the Hudson, Inc., which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts Heart of the Hudson, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, Girl Scouts Heart of the Hudson, Inc. adopted Accounting Standards Codification Topic 842, *Leases*, as of October 1, 2022, using the modified retrospective method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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 Heart of the Hudson, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

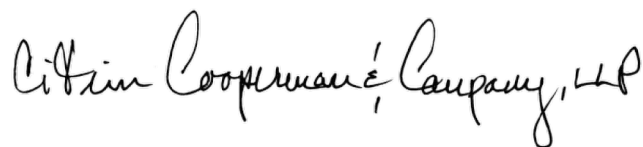
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Girl Scouts Heart of the Hudson, 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 Heart of the Hudson, 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.

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Report on Summarized Comparative Information

We have previously audited the Girl Scouts Heart of the Hudson, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Braintree, Massachusetts
February 13, 2024

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GIRL SCOUTS HEART OF THE HUDSON, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023
(with comparative information as of September 30, 2022)

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,890,592	\$ 3,118,276
Accounts receivable, net	23,793	44,367
Investments	4,429,742	1,735,818
Beneficial interest in perpetual trust	113,625	107,473
Inventory	455,062	434,247
Prepaid expenses and other current assets	101,275	91,387
Employee retention tax credit	765,564	765,564
Property and equipment, net	5,481,695	5,887,996
Property held-for-sale, net	-	104,542
Operating lease right-of-use assets	<u>95,042</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 13,356,390</u>	<u>\$ 12,289,670</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 383,429	\$ 475,551
Accrued salaries and vacation payable	164,721	122,663
Program credits payable	432,055	351,145
Deferred income	8,174	9,410
Operating lease liabilities	<u>96,013</u>	<u>-</u>
Total liabilities	<u>1,084,392</u>	<u>958,769</u>
Commitments and contingencies (Notes 9, 11, 12, 15 and 16)		
Net assets:		
Without donor restrictions	<u>10,494,854</u>	<u>10,015,589</u>
With donor restrictions:		
Purpose restrictions	1,251,429	795,749
Donor-restricted endowment fund and beneficial interest in perpetual trust	<u>525,715</u>	<u>519,563</u>
Total net assets with donor restrictions	<u>1,777,144</u>	<u>1,315,312</u>
Total net assets	<u>12,271,998</u>	<u>11,330,901</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,356,390</u>	<u>\$ 12,289,670</u>

See accompanying notes to financial statements.

GIRL SCOUTS HEART OF THE HUDSON, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(with summarized comparative financial information for the year ended September 30, 2022)

	2023			2022
	Without donor restrictions	With donor restrictions	Total	Summarized Total
Public support:				
Annual giving, contributions and bequests	\$ 435,834	\$ 316,920	\$ 752,754	\$ 303,070
Grants and contracts	2,023	-	2,023	23,950
In-kind contributions	<u>450</u>	<u>-</u>	<u>450</u>	<u>25,797</u>
Total public support	438,307	316,920	755,227	352,817
Revenues:				
Program-related revenues:				
Product sales, net of costs of \$2,397,695 in 2023 and \$2,146,153 in 2022	5,001,405	-	5,001,405	4,833,649
Sale of merchandise, net of costs of \$221,307 in 2023 and \$225,651 in 2022	164,044	-	164,044	186,907
Program service fees	280,805	-	280,805	211,094
Investment income (loss)	122,256	214,567	336,823	(308,725)
Rental income	96,638	-	96,638	129,400
Gain on sale of property and equipment	821,432	-	821,432	-
Change in fair value of beneficial interest in perpetual trust	-	6,152	6,152	(29,714)
Forgiveness of Paycheck Protection Program loan payable	-	-	-	651,620
Miscellaneous income	168,988	-	168,988	134,837
Net assets released from restrictions	<u>75,807</u>	<u>(75,807)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>7,169,682</u>	<u>461,832</u>	<u>7,631,514</u>	<u>6,161,885</u>
Expenses:				
Program services:				
Membership services	2,868,453	-	2,868,453	2,175,768
Girl program services	2,735,114	-	2,735,114	2,070,017
Public information	<u>73,539</u>	<u>-</u>	<u>73,539</u>	<u>142,425</u>
Total program services	<u>5,677,106</u>	<u>-</u>	<u>5,677,106</u>	<u>4,388,210</u>
Supporting services:				
Management and general	858,842	-	858,842	940,301
Fundraising	<u>154,469</u>	<u>-</u>	<u>154,469</u>	<u>137,875</u>
Total supporting services	<u>1,013,311</u>	<u>-</u>	<u>1,013,311</u>	<u>1,078,176</u>
Total expenses	<u>6,690,417</u>	<u>-</u>	<u>6,690,417</u>	<u>5,466,386</u>
Changes in net assets	479,265	461,832	941,097	695,499
Net assets - beginning	<u>10,015,589</u>	<u>1,315,312</u>	<u>11,330,901</u>	<u>10,635,402</u>
NET ASSETS - ENDING	<u>\$ 10,494,854</u>	<u>\$ 1,777,144</u>	<u>\$ 12,271,998</u>	<u>\$ 11,330,901</u>

See accompanying notes to financial statements.

GIRL SCOUTS HEART OF THE HUDSON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(with summarized comparative financial information for the year ended September 30, 2022)

	2023								2022
	Program Services				Supporting Services				Summarized Total
	Membership Services	Girl Program Services	Public Information	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
Salaries	\$ 1,381,216	\$ 731,643	\$ 36,422	\$ 2,149,281	\$ 376,040	\$ 137,921	\$ 513,961	\$ 2,663,242	\$ 2,245,974
Employee health and retirement benefits	416,606	95,539	3,931	516,076	21,718	4,402	26,120	542,196	534,405
Payroll taxes	<u>108,100</u>	<u>51,993</u>	<u>2,808</u>	<u>162,901</u>	<u>20,112</u>	<u>9,150</u>	<u>29,262</u>	<u>192,163</u>	<u>162,076</u>
Total salaries and related expenses	1,905,922	879,175	43,161	2,828,258	417,870	151,473	569,343	3,397,601	2,942,455
Supplies	169,657	313,180	7,054	489,891	3,141	-	3,141	493,032	198,784
Maintenance and repairs	62,231	314,464	1,404	378,099	3,506	-	3,506	381,605	261,502
Insurance	109,267	127,373	-	236,640	60	-	60	236,700	233,029
Professional fees	132,656	86,615	3,179	222,450	353,451	-	353,451	575,901	571,492
Utilities	20,171	161,239	402	181,812	-	-	-	181,812	186,993
Travel and transportation	48,420	97,174	750	146,344	8,793	-	8,793	155,137	101,593
Equipment and maintenance	107,512	88,359	11,444	207,315	9,327	-	9,327	216,642	131,645
Assistance to individuals	20,325	10,980	-	31,305	-	-	-	31,305	23,950
Miscellaneous	64,434	32,062	1,093	97,589	50,701	777	51,478	149,067	41,855
Occupancy	12,068	112,878	250	125,196	-	-	-	125,196	111,758
Bad debt	78,170	36,060	1,770	116,000	-	-	-	116,000	-
Communication	31,957	34,043	654	66,654	721	-	721	67,375	64,695
Conferences, conventions and meetings	85,883	49,853	1,860	137,596	11,134	2,189	13,323	150,919	31,756
Postage	6,640	3,368	149	10,157	68	-	68	10,225	39,632
Printing and publications	11,204	4,907	325	16,436	70	-	70	16,506	41,834
Merchandise and cookie expense	-	2,619,002	-	2,619,002	-	-	-	2,619,002	2,371,804
Dues and subscriptions	<u>1,936</u>	<u>2,747</u>	<u>44</u>	<u>4,727</u>	<u>-</u>	<u>30</u>	<u>30</u>	<u>4,757</u>	<u>3,413</u>
Total expenses before depreciation and amortization	2,868,453	4,973,479	73,539	7,915,471	858,842	154,469	1,013,311	8,928,782	7,358,190
Depreciation and amortization	-	380,637	-	380,637	-	-	-	380,637	480,000
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>2,619,002</u>	<u>-</u>	<u>2,619,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,619,002</u>	<u>2,371,804</u>
TOTAL EXPENSES REPORTED BY FUNCTION	<u>\$ 2,868,453</u>	<u>\$ 2,735,114</u>	<u>\$ 73,539</u>	<u>\$ 5,677,106</u>	<u>\$ 858,842</u>	<u>\$ 154,469</u>	<u>\$ 1,013,311</u>	<u>\$ 6,690,417</u>	<u>\$ 5,466,386</u>

See accompanying notes to financial statements.

GIRL SCOUTS HEART OF THE HUDSON, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(with comparative information as of September 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Changes in net assets	\$ 941,097	\$ 695,499
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness	-	(651,620)
Depreciation and amortization	380,637	480,000
Bad debt expense	116,000	-
Net realized and unrealized loss (gain) on investment	(217,421)	341,903
Donated securities	-	(25,797)
Gain on sale of property and equipment	(821,432)	-
Change in fair value of beneficial interest in perpetual trust	(6,152)	29,714
Non-cash lease expense	52,789	-
Changes in operating assets and liabilities:		
Accounts receivable	(95,426)	54,594
Inventory	(20,815)	(63,248)
Prepaid expenses and other current assets	(9,888)	(63,857)
Accounts payable and accrued expenses	(92,122)	191,793
Accrued salaries and vacation payable	42,058	4,707
Program credits payable	80,910	(99,639)
Deferred income	(1,236)	(1,507)
Operating lease liabilities	<u>(51,818)</u>	<u>-</u>
Net cash provided by operating activities	<u>297,181</u>	<u>892,542</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(321,244)	(275,179)
Proceeds from sale of property and equipment	1,272,882	-
Purchase of investments	(4,876,017)	(297,225)
Proceeds from sale of investments	<u>2,399,514</u>	<u>135,672</u>
Net cash used in investing activities	<u>(1,524,865)</u>	<u>(436,732)</u>
Net increase (decrease) in cash and cash equivalents	(1,227,684)	455,810
Cash and cash equivalents - beginning	<u>3,118,276</u>	<u>2,662,466</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,890,592</u>	<u>\$ 3,118,276</u>
Supplemental disclosures of cash flow information:		
Supplemental schedules for non-cash investing and financing activities:		
Operating lease liability and right-of-use assets recognized in connection with implementation of ASC 842 on October 1, 2022	<u>\$ 147,831</u>	<u>\$ -</u>

See accompanying notes to financial statements.

GIRL SCOUTS HEART OF THE HUDSON, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(with comparative information for September 30, 2022)

NOTE 1. ORGANIZATION

Girl Scouts Heart of the Hudson, Inc. ("GSHH" or the "Organization") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code ("IRC"). GSHH is chartered by the Girl Scouts of the USA and is governed by a maximum 18-member volunteer board of directors and an experienced management staff. GSHH's central administrative office is located in Montgomery, New York effective December 10, 2022, with regional offices in New City, Wappinger Falls, Eastchester and New Rochelle. GSHH serves girls in a seven-county region (Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster, and Westchester Counties).

GSHH has been providing girls with extraordinary programming throughout the region. Currently, GSHH serves approximately 14,500 girls between the ages of five and 18 and over 7,500 adult members. In addition to the administrative office and the regional offices, GSHH also maintains nine Girl Scout houses and four camp properties. GSHH is committed to providing Girl Scouting to as many girls as possible throughout the lower Hudson Valley region all year round.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor-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. 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, and reported in the accompanying statement of activities as "Net assets released from restrictions."

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

GIRL SCOUTS HEART OF THE HUDSON, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(with comparative information for September 30, 2022)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization derives revenue and support primarily from grants, contributions, sales and program services.

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The majority of the Organization's products or services are treated as a single performance obligation that is satisfied as the products or services are rendered. The Organization determines the transaction price based on contractually agreed upon rates, adjusted for any variable consideration, if any.

The Organization recognizes revenue relating to the sale of products and merchandise, when shipped or picked up by the customer, at which point control passes to the customer. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, and that are collected by the Organization from a customer are excluded from revenue.

Program services consist of camp fees, training, and other Girl Scout events and are offered by the Organization throughout the course of the year. Revenues from these services are recognized at the point at which services are rendered. Event revenue is recognized over the period the event takes place.

The Organization records a contract asset when it has a right to payment from a customer that is conditional on events other than the passage of time. The Organization also records a contract liability when a customer prepays but the Organization has not fulfilled its performance obligation. The Organization did not have any material unsatisfied performance obligations or contract assets as of September 30, 2022. Contract liabilities are presented as "deferred income" on the accompanying statement of financial position. At September 30, 2023 and 2022, deferred income was \$8,174 and \$9,410, respectively.

Grants and Contributions

Contributions, including unconditional promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either with or without donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Conditional contributions are recorded when the specified conditions have been met. Contributions received with donor-imposed restrictions that are met in the same fiscal year in which the contributions are received are classified as contributions without donor restrictions.

Revenue from cost-reimbursement grants is recognized when the Organization has expended the program costs in accordance with the grant agreements. Revenue from this source is subject to audits and possible adjustments by the funding agencies. The effects of any such adjustments are recorded when reasonably determinable. Management believes that the effect of audit adjustments, if any, will not have a material effect on the accompanying financial statements.

GIRL SCOUTS HEART OF THE HUDSON, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(with comparative information for September 30, 2022)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

GSHH considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable from sale of products and other sources of income are recorded when services are rendered. Accounts receivable are reported at their outstanding unpaid principal balances net of allowances for doubtful accounts. GSHH estimates doubtful accounts based on historical bad debts, factors related to specific members and customers' ability to pay, and current economic trends. GSHH writes off accounts receivable against the allowance when a balance is determined to be uncollectible. At September 30, 2023 and 2022, accounts receivable was \$179,368 and \$87,108, respectively. At September 30, 2023 and 2022, the allowance for doubtful accounts was \$155,575 and \$42,741, respectively. Interest is not accrued on outstanding receivables.

Investments and Investment Income

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Income from investments, including both realized and unrealized gains and losses, is treated as an increase in net assets without donor restrictions unless otherwise specified by donors.

Donated securities are recorded at their fair value on the date they are received.

GSHH holds certain investments with and without donor restrictions. Investment income and appreciation are allocated quarterly based on the percentage of each fund's net asset balance to the total, adjusted for additions to and withdrawals from the investment pool.

Investment balances at the brokerage firms are insured up to \$500,000 by the Securities Investor Protection Corporation ("SIPC").

The investments in marketable securities are subject to inherent market risk since their fair values fluctuate based on market demand, economic conditions, and interest rates.

GIRL SCOUTS HEART OF THE HUDSON, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(with comparative information for September 30, 2022)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, temporary cash investments, and accounts receivable. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization believes that it is not exposed to any significant credit risk on cash. The Organization routinely assesses the collectibility of accounts receivable and believes that its accounts receivable credit risk exposure is limited.

Inventory

Inventory, consisting primarily of Girl Scout merchandise, is stated at lower-of-cost or net realizable value. Cost is determined using the weighted-average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of disposal and transportation.

GIRL SCOUTS HEART OF THE HUDSON, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(with comparative information for September 30, 2022)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost if purchased by GSHH, or at fair value at the date of donation. GSHH capitalizes expenditures for property and equipment in excess of \$2,500 with an estimated useful life in excess of one year. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income. Land is not subject to depreciation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets as described below:

	<u>Years</u>
Building and improvements	10 - 40
Land improvements	10 - 40
Furniture and fixtures	5 - 20
Vehicles	5 - 20
Computer and software	5 - 20
Leasehold improvements	Shorter of the useful life or the lease term

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including the Organization's right of use assets, for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Organization assesses recoverability by determining whether the net book value of the related asset will be recovered through the projected undiscounted future cash flows of the asset. If the Organization determines the carrying value of the asset may not be recoverable, it measures any impairment based on the asset's fair value as compared to the asset's carrying value. Management determined that no long-lived assets were impaired at September 30, 2023 and 2022.

Leases

The Organization has operating lease agreements for storefronts under contractual terms ranging up to two years. The Organization determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the statement of financial position.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. The Organization uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

The leases contain fixed and determinable escalation clauses for which the Organization recognizes rental expense under the lease on the straight-line basis over the lease term, which includes the period of time from when the Organization takes possession of the leased space. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases with an initial term of 12 months or less are not recorded on the statement of financial position; the Organization recognizes lease expense for these leases on a straight-line basis over the lease term.

Program Credits Payable

GSHH rewards program credits to eligible Girl Scouts for their participation in the Product Sales program. All rewards earned through the Product Sales program must fund legitimate program experiences and can be used to offset the cost to participate in programs offered by GSHH. Rewards are not based on a dollar per dollar calculation, but instead are based on bands or ranges. Each year these credits are awarded with an expiration of three years from the original date of issuance. Program credits are recorded as revenue if not used by the Girl Scouts in the year of expiration.

Tax Status

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The Organization is subject to federal and state income taxes on unrelated business income, if any.

The Organization accounts for uncertain tax positions in accordance with FASB ASC 740, *Income Taxes* ("Topic"). This Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. This Topic also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At September 30, 2023 and 2022, management believes that the Organization has no material uncertain tax positions.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. Specifically, salaries and related expenses, supplies, insurance, professional fees, travel and transportation, equipment and maintenance, assistance to individuals, occupancy, communication, conferences, conventions and meetings, and other miscellaneous expenses which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on estimates of time and effort incurred by personnel.

Girl Scout Troop Activity

Cash is held by troops and groups under GSHH's federal identification number but not under its control. GSHH has no signature authority over the accounts and will not access the funds as long as a troop or group is functioning according to Girl Scout policies and procedures. Individual troops and groups have the responsibility to use funds in their control for the purposes of Girl Scouting as determined by the members and adult volunteers.

The accompanying financial statements do not include financial data for individual Girl Scout troops and other groups such as service units and committees.

Prior-Year Summarized Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense classifications. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with GSHH's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Recently Adopted Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASC 842"), as amended, which requires the recording of operating lease right-of-use assets and lease liabilities and expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Organization adopted ASC 842 under the modified retrospective method as of October 1, 2022.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncement (Continued)

The Organization adopted the package of practical expedients available at transition that retained the lease classification under ASC 840 and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. In addition, the Organization used hindsight in determining lease term and considerations for impairment. The Organization made the accounting policy elections to not recognize short-term leases on the statement of financial position and to utilize the risk-free discount rate when the rate implicit in the lease is not readily determinable.

In addition, at the date of initial application, the Organization recorded operating lease right-of-use assets and operating lease liabilities in the amount of \$147,831.

Recently Issued but not yet Effective Accounting Standard

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). Under current U.S. GAAP, entities generally recognize credit losses when it is probable that the loss has been incurred. The guidance under ASU 2016-13 will remove all current recognition thresholds and will require entities under the new current expected credit loss ("CECL") model to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that an entity expects to collect over the instrument's contractual life. The new CECL model is based upon expected losses rather than incurred losses. The ASU is effective for fiscal years beginning after December 15, 2022. The Organization is evaluating the effect that ASU 2016-13 will have on its financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events through February 13, 2024, the date on which these financial statements were available to be issued. The Organization did not identify any material subsequent events requiring adjustment to or disclosure in its financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of September 30, 2023:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,890,592
Accounts receivable, net	23,793
Investments	4,429,742
Beneficial interest in perpetual trust	113,625
Employee retention tax credit	<u>765,564</u>
Total financial assets at year end	7,223,316
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(1,777,144)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,446,172</u>

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NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

As part of the Organization's liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, excess cash is invested in short-term investments, including equities and mutual funds. In the event of an unanticipated liquidity need, the Organization can also draw upon the line of credit (see Note 9).

NOTE 4. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the Organization's assets measured at fair value on a recurring basis, categorized by U.S. GAAP's valuation hierarchy as of September 30, 2023 and 2022:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at September 30, 2023	Valuation Technique
Equities - consumer goods	\$ 1,989	\$ -	\$ -	\$ 1,989	(a)
Mutual funds - bonds	744,826	-	-	744,826	(a)
Mutual funds - equity funds	1,185,902	-	-	1,185,902	(a)
Bonds	<u>-</u>	<u>2,497,025</u>	<u>-</u>	<u>2,497,025</u>	(a)
Total investments	<u>\$ 1,932,717</u>	<u>\$ 2,497,025</u>	<u>\$ -</u>	<u>\$ 4,429,742</u>	
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,625</u>	<u>\$ 113,625</u>	(c)

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at September 30, 2022	Valuation Technique
Equities - consumer goods	\$ 991,828	\$ -	\$ -	\$ 991,828	(a)
Mutual funds - bonds	742,001	-	-	742,001	(a)
Mutual funds - equity funds	<u>1,989</u>	<u>-</u>	<u>-</u>	<u>1,989</u>	(a)
Total investments	<u>\$ 1,735,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,735,818</u>	
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,473</u>	<u>\$ 107,473</u>	(c)

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NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

Investment return for the years ended September 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net	\$ 113,828	\$ 32,190
Realized gain on sale of investments	66,348	166,069
Unrealized gain (loss) on investments	<u>151,073</u>	<u>(507,972)</u>
	<u>\$ 331,249</u>	<u>\$ (309,713)</u>

The following table reflects the changes in investments measured at fair value using Level 3 inputs during the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning balance - October 1	\$ 107,473	\$ 137,187
Total unrealized gain (loss), included in change in net assets	<u>6,152</u>	<u>(29,714)</u>
Ending balance - September 30	<u>\$ 113,625</u>	<u>\$ 107,473</u>

The following are descriptions of the valuation methodologies used for assets measured at fair value:

Equities: valued at the quoted market prices, when available, or market prices provided by recognized broker-dealers or fund managers.

Mutual funds: valued at quoted market prices, which represent the net asset value of the securities held in such funds.

Bonds: valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Beneficial interest in perpetual trust: valued at the unadjusted fair value of trust assets reported by the trustee, which the Organization considers to be a Level 3 measurement within the fair value measurement hierarchy since the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

NOTE 5. BENEFICIAL INTEREST IN PERPETUAL TRUST

GSHH is a beneficiary of a perpetual trust (the "Trust") set up by Isabel K. Benjamin. The Trust's assets consist of cash and mutual funds. The Trust agreement requires the funds to reinvest and to collect the income in perpetuity and pay 50% of income to GSHH to be used for the general purposes of GSHH. At September 30, 2023 and 2022, the fair value of GSHH's beneficial interest in the Trust was \$113,625 and \$107,473, respectively.

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NOTE 6. ENDOWMENT

GSHH currently maintains various donor-restricted endowment funds whose purposes are to provide long-term support of its programs. In classifying such funds for financial statement purposes as either with donor restrictions or without donor restrictions, the board of directors looks to the explicit directions of the donors. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The income generated by the donor-restricted endowment funds is available for the Organization's general operations and programs of GSHH and is recorded as net assets with donor restrictions until appropriated for expenditure.

The objective of GSHH is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in conservative investments such as mutual funds. Interest earned in relation to the endowment funds is recorded as income with donor restrictions and released from restrictions upon expenditure for the program for which the endowment fund was established.

The following is a reconciliation of the activity in the endowment funds for the years ended September 30, 2023 and 2022:

	<u>With Donor Restrictions</u>
Balance - September 30, 2022	\$ 833,160
Contribution	56,926
Investment income	<u>214,567</u>
Balance - September 30, 2023	<u>\$ 1,104,653</u>
Comprised of the following:	
Donor-restricted funds for purpose	\$ 692,563
Donor endowment - to be held in perpetuity	<u>412,090</u>
	<u>\$ 1,104,653</u>
	<u>With Donor Restrictions</u>
Balance - September 30, 2021	\$ 876,989
Investment loss	<u>(43,829)</u>
Balance - September 30, 2022	<u>\$ 833,160</u>
Comprised of the following:	
Donor-restricted funds for purpose	\$ 421,070
Donor endowment - to be held in perpetuity	<u>412,090</u>
	<u>\$ 833,160</u>

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NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 36,458	\$ 254,331
Land improvements	1,494,135	1,466,835
Leasehold improvements	13,498	13,498
Building and improvements	12,130,927	13,468,336
Furniture and fixtures	1,254,237	1,904,442
Vehicles	599,839	455,399
Computer and software	<u>588,685</u>	<u>588,685</u>
	16,117,779	18,151,526
Less: accumulated depreciation	<u>10,636,084</u>	<u>12,263,530</u>
Property and equipment, net	<u>\$ 5,481,695</u>	<u>\$ 5,887,996</u>

In December 2022, the Organization sold its property located in Pleasantville, New York for \$1,400,000, with \$300,000 recognized as a donation from the buyer, which is included in "Annual giving, contributions and bequests" in the statement of activities. The Organization recognized a gain on the sale of the property of \$748,013 for the year ended September 30, 2023.

In June 2023, the Organization sold its land located in Beekman, New York for \$346,000. The Organization recognized a gain on the sale of land of \$73,419 for the year ended September 30, 2023.

NOTE 8. PROPERTY HELD-FOR-SALE

Property held-for-sale at September 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Property and equipment	\$ -	\$ 597,447
Less: accumulated depreciation	<u>-</u>	<u>492,905</u>
Property held-for-sale, net	<u>\$ -</u>	<u>\$ 104,542</u>

During the year ended September 30, 2020, the board of directors of the Organization decided to sell one property located in New York. Accordingly, at the date of this decision, the cost of the property, net of its accumulated depreciation, was reclassified to property held-for-sale, and no further depreciation has been recorded. In December 2022, the sale of the property was finalized (see Note 7).

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NOTE 9. LINE OF CREDIT

The Organization has a \$750,000 revolving line of credit which bore interest at a per annum rate equal to London Interbank Offered Rate ("LIBOR") plus 1.50% (4.49% at September 30, 2022). In March 2023, the revolving line of credit was amended for the interest rate to be calculated at the one-month Secured Overnight Financing Rate ("SOFR") plus 1.50% (6.94% at September 30, 2023). The line of credit is secured by certain of GSHH's investment accounts and expires on August 31, 2024. The bank requires the line of credit to be at least 50% of the market value of the pledged investment account. At September 30, 2023 and 2022, there were no outstanding borrowings under the line of credit. Interest expense for the years ended September 30, 2023 and 2022, was \$0.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with purpose restrictions were available for Girl Scout programs and campership in the amount of \$1,251,429 and \$795,749 at September 30, 2023 and 2022, respectively.

During the years ended September 30, 2023 and 2022, net assets released from restrictions consisted of Girl Scout programs and campership in the amount of \$75,807 and \$40,536, respectively.

GSHH's net assets to be held in perpetuity consist of a beneficial interest in a perpetual trust and endowment fund assets, the income from which is expendable to support the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Girl Scout programs and training	\$ 401,960	\$ 401,960
Beneficial interest in a perpetual trust	113,625	107,473
Capital improvements	<u>10,130</u>	<u>10,130</u>
	<u>\$ 525,715</u>	<u>\$ 519,563</u>

NOTE 11. COMMITMENTS

GSHH has operating leases for store space expiring through July 2025. Total operating lease expense for the years ended September 30, 2023 and 2022, was \$57,864 and \$99,418, respectively.

Maturities of operating lease liabilities as of September 30, 2023, are as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2024	\$ 58,835
2025	<u>40,550</u>
Net minimum lease payments	99,385
Less: interest	<u>3,372</u>
Present value of lease liabilities	<u>\$ 96,013</u>

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NOTE 11. COMMITMENTS (CONTINUED)

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in measurement of operating lease liabilities:

Operating cash flows from operating leases	\$ <u>56,893</u>
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Average lease terms and discount rates were as follows:

Weighted-average remaining lease term (in years)	<u>1.71</u>
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Weighted-average discount rate (%)	<u>4.24</u>
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NOTE 12. PENSION PLANS

Multi-Employer - GSHH participates in the National Girl Scout Council Retirement Plan (EIN 13-1624016, Plan #002) (the "Plan"). The Plan is a multi-employer, noncontributory, defined benefit pension plan sponsored by Girl Scouts of the United States of America ("GSUSA"). Effective July 31, 2010, the Plan was frozen to new entrants and to further benefits accruals for existing participants, although previously earned benefits can continue to vest. 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.

GSHH made contributions into the Plan of \$240,475 and \$264,346 for the years ended September 30, 2023 and 2022, respectively. GSHH is unable to provide additional quantitative information about total plan assets and accumulated benefit obligations without undue cost and effort. The Plan has implemented a funding improvement strategy, in which, the Plan was not required to pay a surcharge. Due to the nature of the Plan, no additional liability is required to be recognized at this time; however, it is projected that GSHH's contribution requirements will continue to increase.

403(b) - Additionally, GSHH has a 403(b) tax-deferred annuity retirement plan which covers all employees who meet specific eligibility requirements. GSHH ceased making employer contributions as of April 30, 2009.

NOTE 13. RELATED-PARTY TRANSACTIONS

GSUSA - GSHH is a separately incorporated 501(c)(3) organization chartered by GSUSA to deliver the Girl Scout program in New York's Hudson Valley. Based on the charter, GSHH collects membership dues on behalf of GSUSA from program participants. The dues are recorded as a liability by GSHH upon collection. For the years ended September 30, 2023 and 2022, GSHH did not collect membership dues on behalf of GSUSA and the membership dues went directly to GSUSA.

GSHH also purchases inventory for its council shops from GSUSA. Total purchases of inventory were approximately \$204,000 and \$249,000 for the years ended September 30, 2023 and 2022, respectively.

As of September 30, 2023 and 2022, included in "Accounts payable and accrued expenses" on the accompanying statement of financial position, were amounts due to GSUSA of \$15,155 and \$58,201, respectively.

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NOTE 14. CONCENTRATIONS OF CREDIT RISK

For the years ended September 30, 2023 and 2022, product sales, net of costs, accounted for approximately 66% and 78%, respectively, of total support and revenue.

For the years ended September 30, 2023 and 2022, one vendor accounted for approximately 79% and 81%, respectively, of total product sale costs.

NOTE 15. CONTINGENCIES

Litigation

The Organization is, from time to time, involved in ordinary and routine litigation. Management presently believes that the ultimate outcome of these proceedings, individually or in the aggregate, will not have a material adverse effect on the Organization's financial position, results of activities or cash flows. Nevertheless, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages and, in such event, could result in a material adverse impact on the Organization's financial position, results of activities or cash flows for the period in which the ruling occurs.

NOTE 16. PAYCHECK PROTECTION PROGRAM AND EMPLOYEE RETENTION TAX CREDIT

Paycheck Protection Program

On March 18, 2021, under the Paycheck Protection Program (the "PPP") the Organization received loan proceeds of \$651,620. The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES" Act), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The PPP loan matures five years from the date of disbursement of proceeds to the Organization (the "PPP Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred until 10 months after the end of the covered period, and are payable in equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Date.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities to a not-for-profit entity. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Organization recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Organization has been legally released from its obligation by the lender. The Organization deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loan is a legal form of debt and there are significant contingencies outside of the control of the Organization, mainly related to the third-party approval process for forgiveness.

The Organization applied for PPP loan forgiveness and received approval from the

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NOTE 16. PAYCHECK PROTECTION PROGRAM AND EMPLOYEE RETENTION TAX CREDIT (CONTINUED)

Paycheck Protection Program (Continued)

Small Business Administration ("SBA") in April 2022. If it is determined that the Organization was not eligible to receive the PPP loan or that the Organization has not adequately complied with the rules, regulations and procedures applicable to the SBA's loan program, the Organization could be subject to penalties and could be required to repay the amounts previously forgiven.

Employee Retention Tax Credit

The Employee Retention Tax Credit ("ERTC"), as it existed under the CARES Act, was not available to taxpayers that received a PPP loan. Provisions in the Consolidated Appropriations Act of 2021 removed this restriction and allowed businesses that qualify for the ERTC to retroactively apply for the ERTC so long as the same wages are not used for both PPP loan forgiveness and the ERTC. Management has determined it is probable that the Organization is eligible for and meets all the conditions to qualify for the ERTC. The Organization submitted amended quarterly payroll tax returns claiming to recover \$765,564. The ERTC represents a conditional grant from the federal government and has been accounted for in accordance with ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*. However, there can be no assurances that the Organization will ultimately meet the conditions of the ERTC or realize the amount of the credits claimed, in whole or in part.