

Girl Scouts Heart of New Jersey Finance Committee Board Report

COMMITTEE: Finance Committee

DATE: 1/27/2020

COMMITTEE / GROUP / INDIVIDUALS REPORTING: Princess Palmer, Chair

The Finance Committee convened 1/21/2020

Attendees:

Name	Position	Present
Princess Palmer	Chair & Board Second Vice Chair	In-person
Lori Grier	Treasurer	In-person
Tara Faquir	Volunteer	Phone
Shelly Masi	Volunteer	Phone
Michael Manley	Volunteer	In-person
Barbara Kocsis	Volunteer	In-person
Emil Menzies	Board	In-person
Natasha Hemmings	CEO	In-person
Mike Forrestall	COO	In-person
Carol Robinson	Interim CFO	Excused
Dianna Beck-Clemens	Board Chair	In-person
Garrie P. Lewis	Guest – Merrill Lynch (account rep)	In-person
Renee Vanek	Guest – Merrill Lynch (account rep)	In-person

(1) Investment Review with Merrill Lynch

Mike

- Garrie Lewis, account representative with Merrill Lynch, attended the meeting to review the performance of the investment portfolio under their management which includes the operating reserve (\$1,075,828) and the preferred deposit account (\$569,139).
- Mr. Lewis reviewed the 12/31/2019 Executive Summary for the operating reserve and the preferred deposit account with the finance committee
- Operating reserve investment mix is 60% equity and 40% fixed income (Legg Mason manager); cumulative return is at 9.8%; socially responsive equity portfolio. Merrill Investment Report compares GSHNJ cumulative return of 9.8% with S&P 500 of 13.77% which the Finance Committee views as misleading and that comparison with a blended benchmark is more inline with council's investment mix. Merrill plans to update.
- Commentary provided by Mr. Lewis on the GSHNJ portfolio as follows: (i) higher weighting to information technology stock; (ii) majority of bonds high quality, investment grade; (iii) no municipal bonds; (iv) maintained long US position and US sovereigns that favorably impacted returns; (v) assumption that interest rates would hold was wrong call that detracted from performance; (vi) modest overweight to foreign entities a benefit; (vii) outlook for 2020 is return of 8%, watching US elections (i.e. impact of Trump vs. Warren polices on the financial and healthcare sectors).
- Cash interest bearing account to be opened with Merrill as the monies in the TD Bank

operating account does not earn interest.

- Recent disbursement of \$350K from operating reserve will be replenished using Montclair sales proceeds and camp registration monies.
- Proceeds from cookie sales and Montclair sale will be deposited into a Merrill cash interest bearing account on a short-term basis so GSHNJ can determine use.
- Returns are presented net of fees; 1% management fee (\$10,691).
- Finance Committee then discussed why there had been such a long lag in the investment reporting to the committee. There was discussion of the internal report that was being done quarterly and due to capacity constraints, was not currently being prepared. Investment reporting mechanisms will be evaluated to determine the best approach going forward.
- Concern raised by finance committee that the operating reserve investment mix is out of compliance with the investment policy.
- Accounts believed to be endowments that are held in the preferred deposit account require additional analysis to determine appropriate investment strategy.

(2) August 2019 Financials

Mike

- Finance committee was provided the August 2019 monthly financial reporting package.
- Correction to be made to clarify the decrease in cash and cash equivalents is due to net operating losses and not investment losses.
- Finance committee discussed recent use of monies from the operating reserve (\$350K) held by Merrill Lynch to address seasonal cash flow matters (liquidity needs in advance of cookie sale and fall program to fund payroll and operating expenses); discussion that other councils use a line of credit to manage this seasonality.
- Recent GSUSA National CFO call discussion topics included pensions, liquidity, footnotes and UBIT parking lot (IRS retroactively appealed). New chart of accounts on the horizon.
- GSUSA guidance on operating reserve levels discussed with the committee re: less than 1-month operating reserve, crisis stage; less than 3 months cash flow is tight; 3-6 months some room but no rainy-day funds; 6-9 month able to withstand upsets and handle risk; over 9 months excellent health. GSHNJ historically been at 9 months but recent operating deficit spending has lowered. Absent Montclair sale, GSHNJ would have about 3 months of operating reserve.
- February 2020 expected closing of Montclair sale; need to finalize closing date with buyer; staff transitions to Westfield and North Branch sites underway.

(3) Status on Monthly Financial Packages

Mike

- The September 2019 monthly financial package is under review. Additional time will be spent by GSHNJ accounting/finance staff to perform in-depth review and account reconciliation of the fiscal year-end financial package.
- Finance committee expressed concern regarding the delayed financial reporting and the potential learning curve for the auditors since a new finance team is preparing audit documentation.
- Two temp. accounting staff have joined the finance team, one of which was hired (from Robert Half) and the second temp. will continue to help with catching-up the outstanding reporting for fiscal years 2019 and 2020.
- GSHNJ finance team will need about 2 weeks to close-out each monthly reporting package for fiscal 2020 (October – December 2019).
- Susan Best (former accounting manager) used a very labor intensive and meticulously process to close the books which could not be easily replicated by the current team.
- With the assistance of a council from the West Coast, the finance team has been working to standardize and streamline the fiscal closing process so that there are account analysis

and reconciliations that sufficiently document the closing of the books as well as serve as an audit trail.

- Audit timing revised to March 2020 as a result of the financial reporting delays. The audit and Form 990 are expected to be completed prior the April 2020 annual meeting. The joint audit finance committee meeting scheduled for February 2020 will be cancelled and moved to March 2020.

(4) 2020 Board Indicators to Date

Natasha & Mike

- Digital cookie orders very strong program as compared to last year; GSUSA national advertising favorably impacting sales.
- Fewer girls registered to sell cookies as compared to the budget assumption; council optimistic that short fall will not negatively impact ability to meet budget.
- Changes to cookie sale for fiscal 2020 include the elimination of one-week and starting the sale one-week earlier.
- Camp registration went live as of 1/10/2020 and girl camper weeks are outpacing last year (655 camper weeks, which is up 80% as compared to this time last year). All camp sites showing increased registrations. Camp guides were mailed before the Christmas Holiday which was plus.
- Fall product sale will outperform budget with net sales of \$324K; first year with new vendor, M2 Media – a win with troops and parents; timing of M2 Media transition was beneficial since QSP (previous vendor) is leaving the fall product business.
- Fund development has achieved 42% of its annual budget goal as of January 2020. Growth over prior year across all categories re: corporations (up 22%); foundations (up 45%); planned giving (up 15%); and individuals (up 8%). Victoria Foundation grant of \$85K is multi-year and supports troop activities and camp scholarships for Newark girls.

Other Matters

Susan Best, former GSHNJ accounting manager, who passed away suddenly about a month ago was recognized on the GSUSA National CFO call with a moment of silence. GSHNJ Board will start their next meeting with a moment of silence for Susan Best.

- **RECOMMENDATIONS:** *N/A*
- **MOTION to the BOARD:** *N/A*
- **RATIONALE:** *N/A*
- **FINANCIAL IMPACTS:** *N/A*
- **OTHER IMPACTS:** *None*
- **TIMELINE:** *N/A*