

COMMITTEE: GSHNJ Finance Committee

DATE: May 26, 2020

TIME: 7PM

LOCATION: Zoom

CHAIR: Emil Menzies

SECRETARY: Tara Faquir

PURPOSE OF MEETING: The Finance Committee has been established by the Board of Directors of Girl Scouts Heart of New Jersey (the “Board”) to assist the Board in discharging and performing the duties and responsibilities of the Board with respect to the financial affairs of Girl Scouts Heart of New Jersey (the “Corporation” or the “Council”). In assisting the Board in fulfilling its fiduciary responsibilities related to ensuring that accumulated assets and current income are managed properly.

INVITEES / ATTENDEES:

Name	Present
Asia J. Norton	In person / phone / absent / excused / Zoom
Barbara Kocis	In person / phone / absent / excused / Zoom
Emil Menzies	In person / phone / absent / excused / Zoom
Mahlet Woldermariam	In person / phone / absent / excused / Zoom
Mike Manley	In person / phone / absent / excused / Zoom
Princess Palmer	In person / phone / absent / excused / Zoom
Shana Dadlaney	In person / phone / absent / excused / Zoom
Shelly Masi	In person / phone / absent / excused / Zoom
Tara Faquir	In person / phone / absent / excused / Zoom
Dianna Beck-Clemens, Ex- Officio	In person / phone / absent / excused / Zoom
Lori Grier, Ex-Officio	In person / phone / absent / excused / Zoom
Natasha Hemmings, Staff Ex-Officio	In person / phone / absent / excused / Zoom
Michael Forrestall, Staff Ex-Officio	In person / phone / absent / excused / Zoom

Next Meeting: June 22 at 7PM

CEO UPDATE

Natasha:

COVID-19 - 100% WFH on 3/16, suspended all booth sales (1 week into booth sales), cupboards, and canceled all in-person Summer camps for Summer 2020. Communicated via video to staff and members (those registered).

COVID-19 - a significant disruption to council; Projected financial impact: \$1M to camp, \$100K to rental (2 fund development events going virtual)

2 confirmed COVID-19 cases among staff and 2 presumed positive cases.

GSHNJ thought about re-forecasting the budget but didn't seem like an appropriate use of time.

PPP- 1st app thru TD, 2nd thru Peapack (see analysis for full info)

Identified controller thru Robert Half Agency for Finance manager position. Working out compensation package with agency and candidate; looking to resolve over the summer.

Montclair closing update- Thursday or Friday of this week (papers with attorney and will be notarized). Will be + \$1.9 M to bottom line.

Budget cycle- 1 month earlier than past years. Propose- 1st pass of the budget in July.

Mark calendars for upcoming events and meetings.

Questions:

Q- DBC: Will budget cycle change in the Finance Charge?

A-NH: Any changes to the Charge will make note of when we review those sections

Q- PP : When would GSHNJ move to the 3 year cycle?

A- NH: Most likely wouldn't change until 2022 due to covid, and update Charter. Would be too cumbersome to change this year with everything going on. Reporting will start to look different due to system changes.

Q- EM: Can Board be sent meeting invitations for upcoming meetings and events?

A – NH: Yes, should see invites sooner than later.

MIKE- Agenda

Finance Committee Charge: Maintained on Board website, will send slides by EOM outline the charge for the committee as some committee members do not have access to the board website.

Emil- Suggest- Mike F, Mike M, Emil, Barbara and Princess take the Charge discussion offline to review the Charge and come back to the team as we are not following the Charge as it stands today.

Natasha- When going through the 1st and 2nd Quarter reporting, the meetings are not set up in a way to allow for monthly reporting. Suggest doing quarterly reporting and then move to monthly in the 3-year cycle. Would like to take into consideration as we move forward.

Emil- We are still playing catch up due to past events and issues and would prefer to take the discussion offline to review the Charge.

Natasha- Are Mike, Mike, Barbara, Emil and Princess available to review Finance Charge offline?
"Yes" from all parties.

Action Item: Finance Committee Charge Review team meeting scheduled for June 15 at 7PM.

MIKE- General Signatory Authority

Changes due to staff changes, Board changes etc.

Item 1- General Signatory Authority- who is eligible to sign in regards to GSHNJ bank accounts.

Current signers: Taking off Princess, adding Wendy Deer.

Staff signer: Would like to add a 3rd signatory, staff member Mara Tolas (Director of Fund Development). Would benefit having a 3rd signer due to staff locations especially given the state of the pandemic. Changes to general signatory authority are pending board approval.

Q-EM: What is the real target date for approval? Should have a date rather than TBD.

A-MF: Yes, goal is by next board meeting July 13th.

Q-EM: Can you operate without Wendy and Mara as signers until July 13th?

A-NH: Yes

MF: Accounts transitioning to Peapak Gladstone would not have full slate of signers until approval.

Q-MM:As a retired banker, I do not think this would get approved at a new bank without a Board resolution.

A-NH: Had full Board approval to apply for PPP thru Peapak so should not have a problem.

MM: Seems sketchy

NH: Sketchy how?

MM: Concerned Peapak not following proper protocol for signatory authority. Does the board resolution contain signer info?

EM: Entire board approved unanimously for PPP, therefore, should be justified for signing authority approval.

Motion to Board

DBC- Motion to approve the revised signing Authority list

BK – 2nd motion

Mike F.- Investments approval authority

Princess transitioning off, Emil adding for approval authority. Changed language in point 2 to say “from investment legacy accounts to Merrill Lynch”. Will allow for less cumbersome management of existing accounts/investments.

Q: EM- Is there an investment policy behind this?

A: MF- Yes

Q: EM- Can we have the investment policy shared with FC to review?

A: MF- Yes.

NH: Talked with Merrill about coming twice a year to review portfolio. Should be coming to July meeting.

MF: Will send out updated slides with investment policy

Motion to Board

DBC: Motion that FC approves F009 policy to present to full board for approval

MM- 2nd motion

Mike F. - Q2 Financial Package

Balance Sheet-

As of March 31, 2020 vs EO Fiscal year 9/30

Under 13.3M in total assets. Up \$3.5M vs 9/30. Increase in cash vs 9/30. Look at current cash against investment line of 9/30- movement of cash accounts and investment accounts (happens frequently throughout the year). Vast majority attributable to cookie program and camp operations. Currently sitting on approx. \$400k on pre-paid camp registrants. Cancellation of camp with conclude with some variations of refunds. Some as little as \$75 deposits, some full amount. Offer to refund or rollover to next year. Assuming a significant portion will be refunded.

Other key items- Increase in AR- largely related to cookie program and summer camp.

Property and Equipment- not a lot going on

Liabilities- AP under \$2.5M related to cycle of cookie program and payments due to Little Brownie Baker. March was running ahead of 2020, and then COVID struck and came to a halt. Additional refunds due to girl experience programs not running and refunds given.

Statement of Revenue and Expense:

Revenue vs Prior year

Sitting at just over \$4M puts GSHNJ about \$340K down from LY. Up YOY in contributions and grants, lower in product sales (key driver: COGS line, not fully accrued expenses for the program at same time LY). Now reporting accrual per GSUSA timeline recommendations. Accrued for all expenses and anticipating slightly over \$3M with some sales window left via website. If nothing happens more from today on, will end about \$50K down from LY. Cookie trend pre-COVID ended at \$3.4M. There are still cookies out, some troops still selling and some choosing not to. Continue to close out cookie program over the next month. Wrap up remaining sales via company partnerships and individual sales. Ending flat would be a good thing compared to other councils who are suffering.

PGA (per girl average) box sales- initially looked very strong. Move to M2media- healthy transition. All indicators are positive.

Retail- Down \$20K YOY. Shops closed since March due to state mandates. Watching state updates and will prepare for opening. Using retail staff to augment product program team.

Investment Portfolio- Loss of \$127K hit but bouncing back.

Revenue Issues- Camp will take a hit over the Summer. Membership may take a hit in the Fall and adversely affect nuts and candy sales.

Expenses- Up due to YOY salaries and related expenses. Increase in staffing levels and 2.5% salary increase at 2019 EOY.

\$894K to the positive- down from LY (timing issues with product program)

Q: EM- Given COVID and cashflow, wasn't there supposed to be a monthly cashflow report?

A: MF- Wrapping up cashflow reports now (new system). Once received will send.

Q: EM- What is the target date for 1st monthly cashflow report?

A: MF- By next committee meeting; key items will be taken care of: cashflow reports, fixed assets will be moved into new system (allowing for better asset management rather than MS Excel).

A: NH- Will be available by July 27

Q: PP: Assumption will be a 10-month lookout going forward rather than cutting off at the end of the current year?

A: MF- Yes. GSUSA asking councils to look at different scenarios in order to understand membership impact and how that will impact Fall product, cashflow, camp, cookies etc. Realistically must look out 18 months to account from COVID impact.

Q: PP- We will likely have to have future conversations regarding Montclair proceeds and where to allocate those funds to offset short falls.

Mike- TY vs Budget

About \$247K behind budget. \$153K cookie program, still confident will end over \$3M but will not achieve \$3.4M budgeted. Major hits are on retail and camp. However, will be offset a bit because will not be paying Summer camp staff.

PPP- \$524K received

Economic Injury Disaster Loan (applied for \$250k)- If received EIDL will offset some of the losses (camp and cookies).

Truly a day-to-day management of cash outflows. Minimizing expenses across the board. Delaying all work at camps (unless hazard or inspection fails) to preserve cash. All councils feeling pressure.

Q:EM- What are you doing to look at operating reserves for cash from now until YE?

A: MF- Not a lot coming in because lack of camp, thus minimal cashflow. Hoping to collect the \$250k from the EIDL. Largely nothing coming in until next January.

Q: EM- What do you have in terms of operating reserves in order to sustain from now until September in order to keep staff paid?

A: MF- Sitting at about \$2.7M without EIDL.

Q: PP- Is that in net of payment to Little Brownie Baker?

A: MF- About \$200K in outstanding payment for cookie program. Still have final ACH pull as an offset. Will be an amount larger than owed to bakery.

A: NH- Launched cookie relief fund last week to approach businesses to purchase remaining cookies. Still selling through the inventory they have as donations to hospitals, first responders, essential business. Trying to buy down inventory.

Q: EM- You keep saying that you have \$2.7M but I still have concerns. Do you have enough cash to carry you through?

A: MF- Remember that financials are from March and have received income since this report has been published.

Q: PP-I think that we only have 1.5 to 2 months of operating reserves through the investment accounts, so probably needs to be looked at in the context of Montclair proceeds etc. Look at cash to ensure no payroll reductions.

A: MF- Amount currently sitting in Merrill is about \$1M. I think it will be a stretch even with Montclair proceeds, but end in sight is unknown due to COVID.

Mike F.- Fall Product Program 2019

Ended about 13% up over LY in net revenue. Net was \$321K. In sheet you will see \$221K due to girl incentive. Girl participation was lower, but sales per girl were higher. 1st year with M2 media was successful. Girls loved the new program.

LAST ITEMS

Cookie Gift Card and Troop Treasury Accounts amount in those accounts over the years has increased (technically liabilities). Accounts at over \$100K currently. Come up with methodology to relieve those accounts. GC by state law in NJ are not allowed to expire. Digging into what make sense in conservative manner as to how to relieve these accounts.

1. What is an appropriate way to relieve the liability?
2. What are the operational controls needed going forward that accounts for these programs?

NH: Conversation with Tammy out in California Central Coast and Princess had conversation with audit firm.

PP: Audit firm position- Fiscal 2020 GSHNJ will adopt new revenue policies and 2 programs above need to be reviewed. What is the breakdown of these accounts? what is the revenue recognition? Currently shows as an error in reporting as it goes back multiple years and the data is not there.

Q- PP: Any conversations about headcounts? Understand PPP, EIDL and Montclair proceeds will help, but are headcount related conversations on the list of conversations that need to be had? Not looking for an answer today but want to be aware of the future outlook. Additionally, possible fund development concerns as we move forward.

A-MF: Headcount needs to be looked at and conversations have started. Questions are in regards to headcount, what happens to staffing as we move out of COVID. A greater conversation of looking at reviewing not just headcount but overall strategic plan – how do we move forward from here? Would ideally keep all staff in an effort to not trigger a repayment from PPP.

NH: Additionally, trying to salvage fund development events by going virtually for both cookie cook-off and YWOV. Will have to make shifts and changes which will also affect the bottom line but expenses associated will be positively impacted. It is unlikely that will not raise as much money but will also not cost as much.

NH: Look to the board to use time, talents and financial resources to introduce GSHNJ to new areas of fund development. FD department down to 1.5 people. Need more people telling the GS story now more than ever. GSHNJ not eligible for NJ state economic relief so need the board to make introductions and 100% commitment now more than ever.

NH: I'm reaching out to anyone and everyone for financial support. What happens if Girl Scouting in this region dries up? How do we fill the jobs of tomorrow if we do not have girls with GS skillsets? Charter review begins first week of July.

EM: We hear you loud and clear. – Anything else to add?

EM: Meeting adjourned.