Attachment F

Report to the Board of Directors, Audit Committee and Management

Girl Scouts of Western Ohio

January 12, 2021

Results of the 2020 financial statement audit and other required communications

BKD
CPAs & Advisors

BKD
CPAs & Advisors

January 12, 2021

Board of Directors, Audit Committee and Management
Girl Scouts of Western Ohio
Cincinnati, Ohio

Dear Board of Directors, Audit Committee and Management:

We have completed our audit of the financial statements of Girl Scouts of Western Ohio as of and for the year ended September 30, 2020. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for Girl Scouts of Western Ohio. Specifically, auditing standards require us to:

- Express an opinion on the September 30, 2020 financial statements of Girl Scouts of Western Ohio.
- Issue communications required under auditing standards generally accepted in the United States of America to assist the Board in overseeing management's financial reporting and disclosure process.

This report also presents an overview of areas of audit emphasis, as well as future accounting standards.

This communication is intended solely for the information and use of management, the Board of Directors, the Audit Committee and others within Girl Scouts of Western Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

James E. Creeden, Jr., CPA
Partner

Jessica B. Haag, CPA
Director

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Our Responsibilities

Audit in accordance with Auditing Standards Generally Accepted in the United States of America.

- Reasonable, rather than absolute, assurance about the financial statements.
- We establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.
- Our engagement letter more specifically describes our responsibilities.
- Communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit.
- The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Summary of Our Audit Approach & Results

Our Approach

BKD's audit approach focuses on areas of higher risk—the unique characteristics of Girl Scouts of Western Ohio's

- Operating environment,
- The design effectiveness of your internal controls and
- Financial statement amounts and disclosures.

The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
Management override of controls – The risk that management may override existing and functioning accounting controls is an inherent risk to Girl Scouts of Western Ohio (under professional standards, this is always considered a significant risk).	BKD performed the following procedures relevant to this risk area: • Reviewed accounting estimates for bias • Tested journal entries **No matters are reportable**.
Improper revenue recognition – The risk that revenue is improperly categorized or recorded in improper period (under current professional standards, this is an audit risk, with rare exceptions).	BKD performed the following procedures relevant to this risk area: • Analytically reviewed revenue accounts • Performed a cookie sale reasonableness test • Tested material grants and contributions **No matters are reportable.**
Net asset classifications and releases of restrictions – The risk that management has improperly classified ending net assets	BKD performed the following procedures relevant to this risk area: • Reviewed supporting documentation for significant net asset activity to determine proper classification regarding restriction and amount **No matters are reportable.**

Unmodified, or "Clean," Opinion Issued on Financial Statements

We have issued an unmodified opinion as to whether the financial statements of Girl Scouts of Western Ohio, as of and for the year September 30, 2020, are fairly presented, in all material respects.

Required Communications

Quality of Accounting Practices

Significant Accounting Policies

Significant accounting policies are described in Note 1 of the financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates are listed in the following:

- Allowance for uncollectible receivables
- Assigned lives of depreciable assets
- Beneficial interest in perpetual and remainder trusts
- Liability for self-insurance
- Functional expense allocations

Financial Statement Disclosures

The following areas listed involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Retirement plan
- Liquidity and availability of resources
- CARES Act and Other Coronavirus Events

Audit Adjustments

No matters are reportable.

Auditor's Judgments About the Quality of Girl Scouts of Western Ohio's Accounting Policies

No matters are reportable.

Interactions With Management

We are pleased to report we found no difficulties in working effectively with management. Management was very helpful and cooperative.

Significant Issues Discussed With Management

The following issues regarding application of accounting principles was discussed:

- Implementation of ASU 2018-08, *Clarifying Guidance and Accounting Treatment for Contributions Received and Contributions Made*
- Appropriate accounting treatment for PPP loan

Other Material Communications

Other material communications between management and us related to the audit include:

- Management representation letter (Appendix)

Other Matters

Vendor Fraud – Business Email Compromise

The latest wave of business fraud takes the form of email impersonation schemes, in which perpetrators attempt to fraudulently induce employees of a business entity to execute a wire transfer. In business email compromise (BEC) schemes, fraudsters masquerade as an approved vendor or business partner. For example, a person with authority to initiate or execute a transaction (e.g. a C-level executive) within the victim organization receives an email via their business account purportedly from a vendor requesting a wire transfer to a designated bank account. The innocent looking email fools the employee receiving it because it appears to be coming from a legitimate business relationship. The emails are “spoofed” by adding, removing or changing characters in the email address that make it difficult to distinguish the perpetrator’s email address from the legitimate email address. Unbeknownst to the victims, the wires are typically made to overseas bank accounts (typically in China, South Africa, Turkey and Japan).

The Internet Crime Compliant Center (IC3) reported receiving complaints of similar schemes from every U.S. State and 45 countries. The combined number of victims totaled 2,126 with a combined dollar loss of approximately $214,970,000. The FBI estimates since January 2015, there has been a 1,300% increase in losses related to BEC scams which totaled $3.1 billion during that period. Approximately 56% of all victims are located in the United States and vary in size. It’s unknown how victims are selected, but it appears that the fraudsters study their victims prior to initiating the BEC scam.

It’s important to note that this type of fraud could occur even when all standard internal controls and protocols are followed by victim organizations and their employees. Therefore, this type of fraud is particularly difficult to prevent. Spam filters and anti-virus software are not designed to protect against clever engineered impersonation. The human element is vitally important. We recommend conducting employee training on BEC for all employees with ability to issue payments. We further recommend, if possible, two person verification for all bank wires and ACH payments.

Future Accounting Pronouncements

FASB Issues New Revenue Recognition Standard

The model for revenue recognition is changing with FASB's release on May 28, 2014, of ASU 2014-09, *Revenue from Contracts with Customers* (the ASU). The goal of the final standard is to improve consistency of requirements, comparability of revenue recognition practices and usefulness of disclosures.

The ASU applies to all contracts with customers, other than those within the scope of other standards, such as leases, insurance, financing arrangements, financial instruments and guarantees. For nonprofit organizations, the primary income streams -contributions and investment returns- are not in scope. However, all ancillary income must be reviewed for inclusion under the new guidance – subscriptions, membership dues, etc. The ASU does not apply to other parties to a contract who are not customers, i.e. collaborative arrangements.

The core principle of the new model is that an entity would recognize revenue as it transfers goods or services to customers in an amount that reflects the consideration it expects to receive. In order to achieve that core principle, an entity would apply a five-step model.

The five-step application is as follows:

Step 1: Identify the contract with a customer

Step 2: Identify the separate performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations in the contract

Step 5: Recognize revenue when (or as) performance obligations are satisfied

Because this is a principles bases standard, significant additional management judgement and estimates will be required at adoption and on an ongoing basis. These judgements and estimates include, but are not limited to, bifurcating exchange and non-exchange components, the identification of separate performance obligations and determining the transaction price.

While revenue timing and presentation may not change materially, nonprofit organizations will have to evaluate and document its consideration of recognition of revenue under the new five-step model.

The standard requires extensive new qualitative and quantitative revenue disclosures to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The standard may be adopted using a full retrospective approach or a modified, cumulative effect approach wherein the guidance is applied only to existing contracts as of the date of initial application, and to new contracts transacted after that date.

An entity choosing a modified approach would not restate comparative years, but it would be required to provide additional disclosures in the initial year of adoption.

The standard is effective for annual reporting periods beginning after December 15, 2019, and interim periods after December 15, 2020.

Lease Accounting Standard

FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), the long-awaited standard on lease accounting. The FASB has issued various ASUs since that date related to Topic 842 as well seeking to clarify guidance and provide more transition relief in certain areas.

Under the ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today. The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the standard is fundamentally consistent with existing GAAP.

Lessees and lessors would be required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing, and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an organization's leasing activities.

Effective Dates

Upon the issuance of ASU 2020-05 on June 3, 2020, non-public entities are required to adopt Topic 842 for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 31, 2022. Early application is permitted.

Implementation

The approved delay by FASB of the effective date of the new leases standard (ASC 842) by one year for private companies and non-profit organizations is welcome relief as many of these entities continue to work on their implementations of the new revenue standard (ASC 606).

However, there are certain lease implementation items to get moving on sooner rather than later:

1. Educate yourself and key stakeholders about ASC 842
    a. Check out www.bkd.com for BKD Thoughtware resources, including articles and webinars related to the new standard and the related implementation efforts
2. Early Decision Points:
    a. Transition method
    b. Practical expedients and accounting policy elections
3. Accumulate the population of potential leases
4. Communicate with lenders - expected impact of ASC 842 on existing debt covenants?
5. Systems analysis - Do you need lease software? If so, vendor selection takes time
6. Start developing the processes and controls necessary for effective implementation of the ASC 842 as well as the ongoing accounting requirements

This communication is intended solely for the information and use of management, the Board of Directors, the Audit Committee, and others within Girl Scouts of Western Ohio and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

January 12, 2021

Appendix

girl scouts of western ohio

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Cincinnati, OH 45242

Dayton
450 Shoup Mill Road
Dayton, OH 45415

Lima
1870 W. Robb Avenue
Lima, OH 45805

Toledo
460 W. Dussel Drive, Suite A
Maumee, OH 43537

Chair *Victoria Nilles* **Chief Executive Officer** *Roni Luckenbill*

Building girls of courage, confidence, and character, who make the world a better place.

January 12, 2021

BKD, LLP
Certified Public Accountants
312 Walnut Street, Suite 3000
Cincinnati, Ohio 45202

We are providing this letter in connection with your audits of our financial statements as of and for the years ended September 30, 2020 and 2019. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated October 15, 2020, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We acknowledge the Council is not a conduit debt obligor whose debt securities are listed, quoted or traded on an exchange or an over-the-counter market. As a result, we acknowledge the Council does not meet the definition of a "public entity" under generally accepted accounting principles for certain accounting standards.

5. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

6. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of directors' meetings held through the date of this letter.

   (e) All significant contracts and grants.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

8. We have informed you of all current risks of a material amount that are not adequately prevented or detected by the Council procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets, liabilities or net assets.

9. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

10. We have no knowledge of any known or suspected:

    (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

    (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Council received in communications from employees, customers, regulators, suppliers or others.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the Council may deal if the Council can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the Council.

14. Except as reflected in the financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial records.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the statement of financial position date through the date of this letter requiring adjustment or disclosure in the financial statements.

    (e) Agreements to purchase assets previously sold.

    (f) Restrictions on cash balances or compensating balance agreements.

    (g) Guarantees, whether written or oral, under which the Council is contingently liable.

15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

16. We have no reason to believe the Council owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

17. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.

18. Adequate provisions and allowances have been accrued for any material losses from:

    (a) Uncollectible receivables, including pledges.

(b) Reducing obsolete or excess inventories to estimated net realizable value.

(c) Purchase commitments in excess of normal requirements or above prevailing market prices.

19. Except as disclosed in the financial statements, the Council has:

(a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

(b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

20. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

21. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

22. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

23. With respect to any nonattest services you have provided us during the year, including the preparation of the financial statements and related notes:

(a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

(b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

(c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

(d) We have evaluated the adequacy of the services performed and any findings that resulted.

24. We are an organization exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.

25. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.

26. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.

27. We acknowledge the current economic situation continues to present difficult circumstances and challenges for not-for-profit organizations. Not-for-profit organizations are facing declines in the fair values of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for contributions receivable, etc. that could negatively impact the Council's ability to maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Council's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Council, including questioning the quality and valuation of investments and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

28. With regards to our loan obtained under the Paycheck Protection Program (PPP), dated May 5, 2020, we represent the following:

    (a) The Council, when considered together with all of its affiliates (using the affiliate determinations required by the PPP), had fewer than 500 employees at the date of the loan application.

        i. In addition, we have determined the number of full-time equivalent employees on payroll (at the time of the application) in a manner that is consistent with the clarification guidance released by the Small Business Administration.

    (b) During the period beginning on February 15, 2020, and ending on December 31, 2020, we have not received more than one loan under the Paycheck Protection Program. In addition, we have confirmed with our affiliated entities (using the affiliate determinations required by the PPP) that the total of any PPP loans received by us and by those affiliates does not exceed $20 million in the aggregate.

    (c) We have not used the proceeds from the PPP loan for expenditures that were covered by other funding sources, *i.e.*, government grants or contracts.

(d) With regards to our decision to recognize the loan proceeds as a grant that is expected to be forgiven, we are not aware of any information that would preclude the loan from being forgiven. In addition, to the extent revenue has been recognized related to the loan, we have met the measurable barriers, *i.e.*, FTE and salary reduction requirements, and incurred eligible expenditures in accordance with PPP regulations.

29. In connection with the adoption of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* management has elected an accounting policy to record conditional contributions having donor stipulations which are satisfied in the period the gift is received as revenue with donor restrictions and then released from restriction.

Roni J. Luckenbill, Chief Executive Officer

Linda J. Odenbeck, Chief Financial Officer

Kristyn Harmon, Senior Accountant