

Girl Scouts of Western Ohio

Independent Auditor's Report and Financial Statements

September 30, 2019 and 2018

Girl Scouts of Western Ohio
September 30, 2019 and 2018

Contents

Independent Auditor’s Report..... 1

Financial Statements

 Statements of Financial Position 3

 Statements of Activities..... 4

 Statements of Functional Expenses 6

 Statements of Cash Flows 8

 Notes to Financial Statements 9

Independent Auditor's Report

Board of Directors
Girl Scouts of Western Ohio
Cincinnati, Ohio

We have audited the accompanying financial statements of Girl Scouts of Western Ohio, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of Western Ohio as of September 30, 2019, 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2019, the Council adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Prior Year Audited by Other Auditors

The 2018 financial statements were audited by other auditors, and their report thereon, dated January 7, 2019, expressed an unmodified opinion.

BKD, LLP

Cincinnati, Ohio
January 14, 2020

Girl Scouts of Western Ohio
Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 732,822	\$ 235,025
Accounts receivable, net of allowance: 2019 - \$343,876; 2018 - \$321,971	102,583	8,720
Contributions receivable	883,119	195,164
Inventories	311,820	282,512
Prepaid expenses and other	145,658	76,334
Investments	21,197,864	22,067,856
Property and equipment, at cost		
Land and improvements	5,128,550	5,139,181
Building and improvements	22,779,676	23,488,802
Equipment and vehicles	3,550,795	3,361,019
	31,459,021	31,989,002
Less accumulated depreciation	19,242,247	19,230,613
Net property and equipment	12,216,774	12,758,389
Assets held for sale	90,466	494,455
Beneficial interest in perpetual trusts	759,590	767,678
Beneficial interest in remainder trust	127,609	124,607
	\$ 36,568,305	\$ 37,010,740
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 750,526	\$ 603,778
Deferred income	68,215	64,254
Total liabilities	818,741	668,032
Net Assets		
Without donor restrictions	31,086,850	32,747,973
With donor restrictions	4,662,714	3,594,735
Total net assets	35,749,564	36,342,708
Total liabilities and net assets	\$ 36,568,305	\$ 37,010,740

Girl Scouts of Western Ohio
Statement of Activities
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Cookie and merchandise sales	\$ 16,658,471	\$ -	\$ 16,658,471
Less direct cost of cookie and merchandise sales	(4,726,588)	-	(4,726,588)
Less allocations to troops and service units	(2,427,939)	-	(2,427,939)
	<u>9,503,944</u>	<u>-</u>	<u>9,503,944</u>
United Way allocations	61,356	444,442	505,798
Legacies, bequests and contributions	377,542	436,100	813,642
Capital campaign	-	1,001,709	1,001,709
Program fees and dues	976,040	-	976,040
	<u>1,414,938</u>	<u>1,882,251</u>	<u>3,297,189</u>
Investment return			
Interest and dividends, net of fees	500,400	6,868	507,268
Net realized gains	530,702	42,791	573,493
Net unrealized gains (losses)	(111,578)	1,533	(110,045)
	<u>919,524</u>	<u>51,192</u>	<u>970,716</u>
Other	358,990	-	358,990
Gain on sale of property and equipment	89,087	-	89,087
Net assets released from restrictions	865,464	(865,464)	-
	<u>1,313,541</u>	<u>(865,464)</u>	<u>448,077</u>
Total revenues, gains and other support	<u>13,151,947</u>	<u>1,067,979</u>	<u>14,219,926</u>
Expenses			
Program services	12,680,104	-	12,680,104
Management and general	1,035,335	-	1,035,335
Fundraising	1,097,631	-	1,097,631
Total expenses	<u>14,813,070</u>	<u>-</u>	<u>14,813,070</u>
Change in Net Assets	(1,661,123)	1,067,979	(593,144)
Net Assets, Beginning of Year	<u>32,747,973</u>	<u>3,594,735</u>	<u>36,342,708</u>
Net Assets, End of Year	<u>\$ 31,086,850</u>	<u>\$ 4,662,714</u>	<u>\$ 35,749,564</u>

Girl Scouts of Western Ohio
Statement of Activities
Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Cookie and merchandise sales	\$ 17,001,732	\$ -	\$ 17,001,732
Less direct cost of cookie and merchandise sales	(4,872,294)	-	(4,872,294)
Less allocations to troops and service units	(2,502,273)	-	(2,502,273)
	<u>9,627,165</u>	<u>-</u>	<u>9,627,165</u>
United Way allocations	31,942	587,220	619,162
Legacies, bequests and contributions	290,200	484,740	774,940
Program fees and dues	975,875	-	975,875
	<u>1,298,017</u>	<u>1,071,960</u>	<u>2,369,977</u>
Investment return			
Interest and dividends, net of fees	450,275	8,991	459,266
Net realized gains	1,075,677	61,512	1,137,189
Net unrealized losses	(252,133)	63,077	(189,056)
	<u>1,273,819</u>	<u>133,580</u>	<u>1,407,399</u>
Other	383,287	-	383,287
Gain on sale of property and equipment	841	-	841
Net assets released from restrictions	955,568	(955,568)	-
	<u>1,339,696</u>	<u>(955,568)</u>	<u>384,128</u>
Total revenues, gains and other support	<u>13,538,697</u>	<u>249,972</u>	<u>13,788,669</u>
Expenses			
Program services	12,502,984	-	12,502,984
Management and general	947,833	-	947,833
Fundraising	856,561	-	856,561
Total expenses	<u>14,307,378</u>	<u>-</u>	<u>14,307,378</u>
Change in Net Assets	(768,681)	249,972	(518,709)
Net Assets, Beginning of Year	<u>33,516,654</u>	<u>3,344,763</u>	<u>36,861,417</u>
Net Assets, End of Year	<u>\$ 32,747,973</u>	<u>\$ 3,594,735</u>	<u>\$ 36,342,708</u>

Girl Scouts of Western Ohio
Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Salaries, benefits and related taxes	\$ 7,823,290	\$ 626,436	\$ 699,396	\$ 9,149,122
Occupancy	850,200	94,386	50,293	994,879
Supplies and printing	1,280,881	14,605	19,335	1,314,821
Travel	333,904	20,782	15,098	369,784
Telephone and postage	174,544	17,998	10,455	202,997
Professional services	470,716	140,012	41,402	652,130
Financial assistance to individuals	461,465	-	-	461,465
Conference fees	47,882	11,337	2,969	62,188
Insurance	211,477	23,443	-	234,920
Other	161,586	15,777	183,879	361,242
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	11,815,945	964,776	1,022,827	13,803,548
Depreciation	864,159	70,559	74,804	1,009,522
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 12,680,104</u>	<u>\$ 1,035,335</u>	<u>\$ 1,097,631</u>	<u>\$ 14,813,070</u>

Girl Scouts of Western Ohio
Statement of Functional Expenses
Year Ended September 30, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Salaries, benefits and related taxes	\$ 7,658,280	\$ 542,959	\$ 558,359	\$ 8,759,598
Occupancy	863,068	98,512	50,538	1,012,118
Supplies and printing	1,289,214	15,216	27,983	1,332,413
Travel	277,034	38,242	12,288	327,564
Telephone and postage	151,869	15,774	13,267	180,910
Professional services	488,752	111,393	140,571	740,716
Financial assistance to individuals	525,353	-	-	525,353
Conference fees	25,517	23,252	1,852	50,621
Insurance	212,988	22,692	-	235,680
Other	204,363	18,749	3,679	226,791
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	11,696,438	886,789	808,537	13,391,764
Depreciation	806,546	61,044	48,024	915,614
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 12,502,984</u>	<u>\$ 947,833</u>	<u>\$ 856,561</u>	<u>\$ 14,307,378</u>

Girl Scouts of Western Ohio
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (593,144)	\$ (518,709)
Items not requiring (providing) operating activities cash flows		
Depreciation	1,009,522	915,614
Gain on disposition of property and equipment	(89,087)	(841)
Bad debt expense	46,363	69,377
Realized gains on investments	(573,493)	(1,137,189)
Unrealized losses on investments	110,045	189,056
Changes in		
Accounts receivable	(140,226)	(22,443)
Contributions receivable	(687,955)	90,143
Inventories, prepaid expenses and other	(98,632)	44,843
Accounts payable and accrued liabilities	146,748	(150,925)
Deferred income	3,961	14,971
Net cash used in operating activities	(865,898)	(506,103)
Investing Activities		
Proceeds from sale of property and equipment	511,061	5,201
Purchases of property and equipment	(485,892)	(2,763,959)
Proceeds from sale of investments	13,738,865	16,774,489
Purchases of investments	(12,400,339)	(13,652,143)
Net cash provided by investing activities	1,363,695	363,588
Increase (Decrease) in Cash	497,797	(142,515)
Cash, Beginning of Year	235,025	377,540
Cash, End of Year	\$ 732,822	\$ 235,025

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Girl Scouts of Western Ohio (the Council), is chartered by the Girl Scouts of the United States of America (GSUSA) and is incorporated in the State of Ohio as a charitable organization. As a non-formal educational organization, the Council's mission is to help girls grow up to be caring, competent, confident women.

Services are provided in 32 counties in western Ohio and southeast Indiana. The Council's primary method of delivery of the Girl Scout program is the troop. There were approximately 36,000 and 39,000 girls in the Council during 2019 and 2018, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from these estimates.

Cash

At September 30, 2019, the Council's cash accounts exceeded federally insured limits by approximately \$461,000. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivable generally consists of amounts owed from individuals for product sales. The Council provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. All product sale proceeds are due at the time products are delivered. Troops have a settlement date for all proceeds to be deposited into the council product sale account. Letters outlining the collection process are sent to all individuals with unpaid balances. Delinquent balances are referred to collections no later than 90 days subsequent to the settlement date. Balances are written off when the collection agency has exhausted all attempts at collection.

Inventories

Inventories consist primarily of merchandise for sale and are stated at the lower of cost or net realizable value, with cost determined on an average-cost basis.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Investments and Investment Return

Investments in equity and debt securities having a readily determinable fair value are carried at fair value. Other investments are valued at the lower of cost (or fair value at the time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Council maintains a pooled investment account. Realized and unrealized gains and losses from securities in the pooled investment account are allocated annually to the endowments based on the relationship or the fair value of the interest of each endowment to the total fair value of the pooled investments account, as adjusted for additions to or deduction from that account.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation. Depreciation is charged to expense on a straight-line basis over the estimated useful life of each asset. Purchases of property and equipment in excess of \$1,000 are capitalized.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land and improvements	5 - 35 years
Building and improvements	5 - 35 years
Equipment and vehicles	3 - 5 years

Long-Lived Asset Impairment

The Council evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2019 and 2018.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for an operating reserve and asset replacement fund.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. A substantial number of volunteers have donated significant amounts of their time to the Council's programs and supporting services. However, such services are not reflected in the accompanying financial statements.

Deferred Income

Deferred income consists primarily of deposits and sponsorships for future events.

Income Taxes

The Council is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Council is subject to federal income tax on any unrelated business taxable income. The Council files tax returns in the U.S. federal jurisdiction.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fund raising categories based on the direct identification and other methods.

Note 2: Change in Accounting Principle

In 2019, the Council, adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the Statement of Financial Position.

This change had no impact on previously reported total change in net assets.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Note 3: Contributions Receivable

Contributions receivable, all of which were with donor restriction, and which include United Way allocations, consisted of the following:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 626,439	\$ 195,164
Due within one to five years	282,050	-
	<u>908,489</u>	<u>195,164</u>
Less		
Unamortized discount	<u>(25,370)</u>	<u>-</u>
	<u>\$ 883,119</u>	<u>\$ 195,164</u>

The discount rate was 1.89% for 2019.

Note 4: Investments and Other Fair Value Measurements and Disclosures

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018:

	2019			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 869,583	\$ 869,583	\$ -	\$ -
Equity mutual funds	3,424,433	3,424,433	-	-
Equity securities				
Energy	155,574	155,574	-	-
Materials	542,973	542,973	-	-
Industrials	528,242	528,242	-	-
Consumer discretionary	778,698	778,698	-	-
Consumer staples	701,567	701,567	-	-
Healthcare	811,874	811,874	-	-
Information technology	1,233,239	1,233,239	-	-
Financial	1,016,195	1,016,195	-	-
Telecommunication services	948,196	948,196	-	-
Utilities	462,607	462,607	-	-
Real estate	169,718	169,718	-	-
Preferred stock	81,460	81,460	-	-
Fixed income mutual fund	4,367,202	4,367,202	-	-
U.S. Treasury and agency securities	824,679	824,679	-	-
Mortgage backed securities	422,629	-	422,629	-
Corporate debt securities	3,822,054	-	3,822,054	-
Municipal bonds	36,941	-	36,941	-
Total investments	21,197,864	16,916,240	4,281,624	-
Beneficial interest in perpetual trusts	759,590	-	-	759,590
Beneficial interest in remainder trust	127,609	-	-	127,609

Girl Scouts of Western Ohio
Notes to Financial Statements
September 30, 2019 and 2018

	2018			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 398,711	\$ 398,711	\$ -	\$ -
Equity mutual funds	3,552,256	3,552,256	-	-
Equity securities				
Energy	311,748	311,748	-	-
Materials	206,829	206,829	-	-
Industrials	793,223	793,223	-	-
Consumer discretionary	1,086,083	1,086,083	-	-
Consumer staples	460,676	460,676	-	-
Healthcare	1,515,722	1,515,722	-	-
Information technology	2,169,965	2,169,965	-	-
Financial	993,851	993,851	-	-
Telecommunication services	129,471	129,471	-	-
Utilities	105,226	105,226	-	-
Real estate	76,283	76,283	-	-
Preferred stock	51,730	51,730	-	-
Fixed income mutual fund	5,103,656	5,103,656	-	-
U.S. Treasury and agency securities	1,026,330	1,026,330	-	-
Foreign government bonds	54,379	-	54,379	-
Corporate debt securities	3,995,264	-	3,995,264	-
Municipal bonds	36,453	-	36,453	-
Total investments	22,067,856	17,981,760	4,086,096	-
Beneficial interest in perpetual trusts	767,678	-	-	767,678
Beneficial interest in remainder trust	124,607	-	-	124,607

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Beneficial Interest in Perpetual Trusts

Fair value is estimated as the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Beneficial Interest in Remainder Trust

The fair value is estimated using a discounted cash flow model. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of assets are the responsibility of management. Management contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Beneficial Interest in Perpetual Trusts	Beneficial Interest in Remainder Trust
Balance, October 1, 2017	\$ 733,314	\$ 115,861
Total unrealized gains included in change in net assets	<u>34,364</u>	<u>8,746</u>
Balance, September 30, 2018	767,678	124,607
Total unrealized (losses) gains included in change in net assets	<u>(8,088)</u>	<u>3,002</u>
Balance, September 30, 2019	<u>\$ 759,590</u>	<u>\$ 127,609</u>

Girl Scouts of Western Ohio

Notes to Financial Statements

September 30, 2019 and 2018

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at September 30, 2019	Valuation Technique	Unobservable Inputs	Assumption
Beneficial interests in perpetual trusts	\$ 759,590	Present value of future distributions	Present value rates	Various rates ranging from .25% to 5%
Beneficial interests in remainder trusts	\$ 127,609	Discounted cash flow	Discount rates: Term of the trust	2.20% 8 years

	Fair Value at September 30, 2018	Valuation Technique	Unobservable Inputs	Assumption
Beneficial interests in perpetual trusts	\$ 767,678	Present value of perpetual future distributions	Present value rates	Various rates ranging from .25% to 5%
Beneficial interests in remainder trusts	\$ 124,607	Discounted cash flow	Discount rates: Term of the trust	2.27% 9 years

Note 5: Assets Held for Sale

In 2011, the Council purchased land and building in Blue Ash, Ohio. As of September 30, 2018, the Council was in the process of selling the existing land and building and segregated the net carrying value of the land and building as assets held for sale on the statement of financial position. In 2019, the Council sold the property for approximately \$511,000, which resulted in a gain of approximately \$86,000 and is recorded on the statement of activities.

In 2019, the Council received an offer from a third party, and subsequently signed a purchase agreement, to sell the Toledo office building for approximately \$450,000. As of the date of the financial statements, the sale has not yet closed.

Assets held for sale at September 30, 2019, recorded at net book value, consists of the following:

Land and improvements	\$ 87,700
Buildings and improvements	<u>2,766</u>
	<u>\$ 90,466</u>

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Note 6: Beneficial Interests in Perpetual and Remainder Trusts

The Council is a beneficiary under various perpetual trusts administered by outside parties. Under the terms of these trusts, the Council has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$759,590 and \$767,678, which represents the fair value of the trust assets at September 30, 2019 and 2018, respectively. The income from these trusts for 2019 and 2018 was \$38,039 and \$34,272, respectively.

The Council is a beneficiary of a charitable remainder trust administered by an outside party. Under the terms of the trust, the Council has the irrevocable right to receive annual distributions from the trust and a portion of the net assets of the trust at the end of the trust's term. The beneficial interest in this trust is recorded at the present value of the expected future cash flows discounted at a rate of 2.20% and 2.27% at September 30, 2019 and 2018, respectively. The estimated value of the expected future cash flows was \$127,609 and \$124,607 at September 30, 2019 and 2018, respectively. The Council's interest in the trust resulted in distributions in 2018 of \$2,276. There were no distributions received in 2019.

Note 7: Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at September 30 have been designated for the following purposes:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 698,088	\$ -
Board designated:		
Operating reserve	14,625,494	9,904,961
Asset replacement	3,456,026	4,735,597
Pension reserve	-	2,880,809
Other	-	1,973,762
Property and equipment	<u>12,307,242</u>	<u>13,252,844</u>
Net assets without donor restrictions	<u>\$ 31,086,850</u>	<u>\$ 32,747,973</u>

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30 have been restricted for the following purposes:

	2019	2018
Time restrictions	\$ 171,274	\$ 195,164
Purpose restrictions	1,481,357	434,536
Endowments from which appropriations are available for general use	2,122,884	2,072,750
Beneficial interest in remainder trust	127,609	124,607
Beneficial interest in perpetual trusts	759,590	767,678
Net assets with donor restrictions	\$ 4,662,714	\$ 3,594,735

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Expiration of time restrictions	\$ 468,332	\$ 627,294
Satisfaction of purpose restrictions	397,132	328,274
	\$ 865,464	\$ 955,568

Note 8: Cookie and Other Merchandise Sales

Sales of cookies and other merchandise, and the related direct costs, which include cost of purchases, troop and individual incentive awards and uncollectible expenses are comprised of the following at September 30:

	2019			
	Gross Sales	Direct Costs	Allocations	Net Sales
Cookie sales	\$ 14,543,030	\$ 3,790,603	\$ 2,285,596	\$ 8,466,831
Fall sales	1,377,652	520,431	142,343	714,878
Council store	737,789	415,554	-	322,235
	\$ 16,658,471	\$ 4,726,588	\$ 2,427,939	\$ 9,503,944

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

	2018			Net Sales
	Gross Sales	Direct Costs	Allocations	
Cookie sales	\$ 14,944,089	\$ 3,943,180	\$ 2,365,013	\$ 8,635,896
Fall sales	1,326,308	510,034	137,260	679,014
Council store	731,335	419,080	-	312,255
	\$ 17,001,732	\$ 4,872,294	\$ 2,502,273	\$ 9,627,165

Note 9: Operating Leases

The Council has various operating lease agreements for office equipment expiring in various years through 2024. Future minimum lease payments at September 30, 2019 were:

2020	\$ 55,626
2021	55,626
2022	55,626
2023	55,626
2024	10,686
	\$ 233,190

Rental expense for all operating leases amounted to approximately \$64,000 and \$42,000 in 2019 and 2018, respectively.

Note 10: Retirement Plans

The Council participates in two non-contributory multiemployer defined pension plans. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer/council may be used to provide benefits to employees of other participating employers/councils.
2. If a participating employer/council stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers/councils.
3. If the Council chooses to stop participating in its multiemployer plans, the Council may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

The council participates in the National Girl Scout Council Retirement Plan (NGSCR), a noncontributory defined-benefit pension plan sponsored by Girl Scouts of the USA (EIN/Plan Number 13-1624016/PN 002). The National Board of Girl Scouts of the USA voted to freeze the plan to new entrants and to freeze future benefit accruals for all current participants under the Plan effective July 31, 2010. The plan covers substantially all of the employees of various Girl Scout councils who were eligible to participate in the plan prior to the Plan freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels. The Council's pension expense and contributions to this plan for 2019 and 2018 were \$658,272.

Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2019. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (IRS), all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCR the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal years 2018 and 2019 were \$32.4 million and \$32.2 million, respectively. The aggregate annual contributions decreased from 2018 to 2019 due to the spinoff of Girl Scouts of Louisiana East effective May 1, 2018. Aggregate contributions to be made in fiscal 2020 are expected to be \$32.2 million. The Council's contributions are less than 5% of total plan contributions in 2019 and 2018.

The Council also participates in The Defined Benefit Pension Plan of United Way of Greater Toledo and Affiliated Agencies (EIN/Plan Number 34-4427947/PN 333) and covers certain employees of one of its legacy councils. This plan was approximately 104.93% funded as of December 31, 2018, which is the most recent information available. Pension expense and contributions to this plan were \$33,689 and \$49,983 for 2019 and 2018, respectively. The Council's contribution are less than 5% of total plan contributions in 2019 and 2018.

The Council also has a 403(b) Thrift plan covering substantially all employees. The plan includes a 3% noncontributory employer contribution and a 2% employer matching contribution. Council contributions to the Plan in 2019 and 2018 were \$234,788 and \$220,797, respectively.

Note 11: Troop Funds Held In Trust

Bank accounts for each troop are established under the Council's employer identification number. All troop funds are maintained for the beneficial interest of the girls within the respective troop. Management has estimated troop funds total approximately \$2,474,000 and \$1,582,000 at September 30, 2019 and 2018, respectively. These funds are not available for use by the Council and have not been included in the financial statements.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Note 12: Endowment

The Council's governing body is subject to the State of Ohio's Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Council classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UMPIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The Council's endowment consists of two individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. As of September 30, 2019 and 2018, all endowment funds consisted of donor-restricted funds.

Changes in donor-restricted endowment net assets for the years ended September 30, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 2,280,795	\$ 2,143,009
Investment return:		
Investment income	6,287	6,307
Net appreciation	49,410	81,479
Total investment return	<u>55,697</u>	<u>87,786</u>
Contributions	<u>-</u>	<u>50,000</u>
Endowment net assets, end of year	<u>\$ 2,336,492</u>	<u>\$ 2,280,795</u>

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Investment and Spending Policies

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Council must hold in perpetuity. Under the Council's policies, endowment assets are invested in a manner that is intended to produce results that exceed the rate of inflation while assuming a low level of investment risk.

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

For one endowment fund held and managed by the Council, 50% of the realized gains and losses and 100% of the unrealized gains and losses are retained as assets with donor restrictions. For the other endowment fund, all gains and losses are recorded as assets with donor restrictions until appropriated for expenditure. These policies are consistent with the Council's objective to maintain the purchasing power of endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. Unless otherwise authorized by the board of directors, appropriations shall not exceed 5% of the rolling three-year average market value as of September 30.

Underwater Endowments

The governing body of the Council has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Council considers a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Council has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At September 30, 2019 and 2018, the Council had no deficiencies in its endowment funds.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Note 13: Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2019, comprise the following:

Cash	\$ 732,822
Accounts receivable	102,583
Contributions receivable	626,439
Investments	16,091,561
	<u>17,553,405</u>
Less net assets with donor restrictions	(4,662,714)
Less net assets with board designations	(3,456,026)
	<u>(8,118,740)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,434,665</u>

The Council regularly monitors the availability of resources required to meet its operating needs, while striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures over the next 12 month period, the Council operates with a balanced budget and anticipates revenues sufficient to cover general expenditures over that period. The Board has designated portions of the net assets without donor restrictions for various purposes to provide for future needs, however, these funds remain available and may be spent at the discretion of the Board. Approximately 76% of the investment portfolio of the Council consists of highly liquid investments.

Note 14: Significant Contingencies

The Council is subject to certain claims and legal proceedings covering certain matters that arise in the ordinary course of its business activities. These matters are subject to various uncertainties. However, management believes that any liability that may ultimately result from the resolutions of these matters will not have a material adverse effect on its financial position or results of operations.

Note 15: Subsequent Events

Subsequent events have been evaluated through January 14, 2020, which is the date the financial statements were available to be issued.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2019 and 2018

Note 16: Future Change in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities. The Council is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. Upon the issuance of ASU 2019-10 on November 15, 2019, the new standard is effective for annual periods beginning after December 15, 2020. The Council is in the process of evaluating the impact the amendment will have on the financial statements.