

Girl Scouts of Western Ohio

Independent Auditor's Report and Financial Statements

September 30, 2020 and 2019

Girl Scouts of Western Ohio
September 30, 2020 and 2019

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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 statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Cincinnati, Ohio
January 12, 2021

Girl Scouts of Western Ohio
Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 215,131	\$ 732,822
Accounts receivable, net of allowance: 2020 - \$347,876; 2019 - \$343,876	106,680	102,583
Contributions receivable	820,613	883,119
Inventories	267,104	311,820
Prepaid expenses and other	151,710	145,658
Investments	23,499,651	21,197,864
Property and equipment, at cost		
Land and improvements	5,181,450	5,128,550
Building and improvements	23,878,626	22,779,676
Equipment and vehicles	3,477,652	3,550,795
	32,537,728	31,459,021
Less accumulated depreciation	20,042,939	19,242,247
Net property and equipment	12,494,789	12,216,774
Assets held for sale	-	90,466
Beneficial interest in perpetual trusts	762,558	759,590
Beneficial interest in remainder trust	158,395	127,609
	\$ 38,476,631	\$ 36,568,305
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 700,102	\$ 750,526
Deferred income	1,342,612	68,215
Total liabilities	2,042,714	818,741
Net Assets		
Without donor restrictions	31,818,431	31,086,850
With donor restrictions	4,615,486	4,662,714
Total net assets	36,433,917	35,749,564
Total liabilities and net assets	\$ 38,476,631	\$ 36,568,305

Girl Scouts of Western Ohio
Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Cookie and merchandise sales	\$ 17,321,533	\$ -	\$ 17,321,533
Less direct cost of cookie and merchandise sales	(4,291,541)	-	(4,291,541)
Less allocations to troops and service units	(2,584,487)	-	(2,584,487)
	<u>10,445,505</u>	<u>-</u>	<u>10,445,505</u>
United Way allocations	15,159	425,903	441,062
Legacies, bequests and contributions	324,712	236,467	561,179
Capital campaign	-	384,694	384,694
Program fees and dues	284,070	-	284,070
	<u>623,941</u>	<u>1,047,064</u>	<u>1,671,005</u>
Investment return			
Interest and dividends, net of fees	389,380	7,319	396,699
Net realized gains	284,314	28,562	312,876
Net unrealized gains	1,259,625	154,788	1,414,413
	<u>1,933,319</u>	<u>190,669</u>	<u>2,123,988</u>
Other	267,229	-	267,229
Gain on sale of property and equipment	277,430	-	277,430
Net assets released from restrictions	1,284,961	(1,284,961)	-
	<u>1,829,620</u>	<u>(1,284,961)</u>	<u>544,659</u>
Total revenues, gains and other support	<u>14,832,385</u>	<u>(47,228)</u>	<u>14,785,157</u>
Expenses			
Program services	12,027,526	-	12,027,526
Management and general	993,613	-	993,613
Fundraising	1,079,665	-	1,079,665
Total expenses	<u>14,100,804</u>	<u>-</u>	<u>14,100,804</u>
Change in Net Assets	731,581	(47,228)	684,353
Net Assets, Beginning of Year	<u>31,086,850</u>	<u>4,662,714</u>	<u>35,749,564</u>
Net Assets, End of Year	<u>\$ 31,818,431</u>	<u>\$ 4,615,486</u>	<u>\$ 36,433,917</u>

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 Functional Expenses
Year Ended September 30, 2020

	Program Services	Management and General	Fundraising	Total Expenses
Salaries, benefits and related taxes	\$ 7,822,535	\$ 619,054	\$ 742,762	\$ 9,184,351
Occupancy	883,330	101,154	52,874	1,037,358
Supplies and printing	867,212	6,439	22,484	896,135
Travel	160,454	10,540	5,782	176,776
Telephone and postage	189,654	17,640	12,881	220,175
Professional services	454,923	131,284	37,148	623,355
Financial assistance to individuals	423,960	-	-	423,960
Conference fees	29,770	5,249	1,714	36,733
Insurance	182,367	21,451	10,725	214,543
Other	136,009	8,732	114,573	259,314
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	11,150,214	921,543	1,000,943	13,072,700
Depreciation	877,312	72,070	78,722	1,028,104
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 12,027,526</u>	<u>\$ 993,613</u>	<u>\$ 1,079,665</u>	<u>\$ 14,100,804</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
	<u>11,815,945</u>	<u>964,776</u>	<u>1,022,827</u>	<u>13,803,548</u>
Total expenses before depreciation				
Depreciation	864,159	70,559	74,804	1,009,522
	<u>864,159</u>	<u>70,559</u>	<u>74,804</u>	<u>1,009,522</u>
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
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 684,353	\$ (593,144)
Items not requiring (providing) operating activities cash flows		
Depreciation	1,028,104	1,009,522
Gain on disposition of property and equipment	(277,430)	(89,087)
Bad debt expense	29,867	46,363
Realized gains on investments	(312,876)	(573,493)
Unrealized (gains) losses on investments	(1,414,413)	110,045
Changes in		
Accounts receivable	(33,964)	(140,226)
Contributions receivable	62,506	(687,955)
Inventories, prepaid expenses and other	38,664	(98,632)
Accounts payable and accrued liabilities	(50,424)	146,748
Deferred income	1,274,397	3,961
Net cash provided by (used in) operating activities	1,028,784	(865,898)
Investing Activities		
Proceeds from sale of property and equipment	419,790	511,061
Purchases of property and equipment	(1,358,013)	(485,892)
Proceeds from sale of investments	13,124,901	13,738,865
Purchases of investments	(13,733,153)	(12,400,339)
Net cash (used in) provided by investing activities	(1,546,475)	1,363,695
Financing Activities		
Proceeds from borrowings under margin loan agreement	1,000,000	-
Repayments of borrowings under margin loan agreement	(1,000,000)	-
Net cash provided by financing activities	-	-
(Decrease) Increase in Cash	(517,691)	497,797
Cash, Beginning of Year	732,822	235,025
Cash, End of Year	\$ 215,131	\$ 732,822

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2020 and 2019

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 33,000 and 36,000 girls in the Council during 2020 and 2019, 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, 2020, the Council's cash accounts exceeded federally insured limits by approximately \$59,000. 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, 2020 and 2019

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.

The Council invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

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, 2020 and 2019.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2020 and 2019

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

Contributions are provided to the Council either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Council overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2020 and 2019

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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restriction and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restriction 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, as well as a loan pursuant to the Paycheck Protection Program (PPP). See Note 15 for further information.

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.

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.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net assets.

Girl Scouts of Western Ohio

Notes to Financial Statements September 30, 2020 and 2019

Note 2: Change in Accounting Principle

In 2020, the Council adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using a modified prospective basis to all agreements entered after September 30, 2019. ASU 2018-08 clarifies existing guidance on determining whether a transfer of assets (or the reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how the Council determines whether a resource provider (including a foundation, a government agency or other) is receiving commensurate value in return for the resources transferred, and whether contributions are conditional or unconditional.

Adoption of ASU 2018-08 had no impact on the 2020 or 2019 financial statements.

Note 3: Contributions Receivable

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

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 567,048	\$ 626,439
Due within one to five years	<u>275,506</u>	<u>282,050</u>
	842,554	908,489
Less		
Unamortized discount	<u>(21,941)</u>	<u>(25,370)</u>
	<u>\$ 820,613</u>	<u>\$ 883,119</u>

The discount rate was 1.85% and 1.89% for 2020 and 2019, respectively.

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, 2020 and 2019

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, 2020 and 2019:

	2020			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 696,638	\$ 696,638	\$ -	\$ -
Equity mutual funds	3,666,148	3,666,148	-	-
Equity securities				
Energy	164,153	164,153	-	-
Materials	474,927	474,927	-	-
Industrials	1,044,031	1,044,031	-	-
Consumer discretionary	927,459	927,459	-	-
Consumer staples	651,691	651,691	-	-
Healthcare	1,413,704	1,413,704	-	-
Information technology	2,348,360	2,348,360	-	-
Financial	515,839	515,839	-	-
Telecommunication services	585,702	585,702	-	-
Utilities	188,714	188,714	-	-
Real estate	103,944	103,944	-	-
Preferred stock	82,360	82,360	-	-
Fixed income mutual fund	5,812,467	5,812,467	-	-
U.S. Treasury and agency securities	957,915	957,915	-	-
Mortgage backed securities	298,502	-	298,502	-
Corporate debt securities	3,530,520	-	3,530,520	-
Municipal bonds	36,577	-	36,577	-
Total investments	23,499,651	19,634,052	3,865,599	-
Beneficial interest in perpetual trusts	762,558	-	-	762,558
Beneficial interest in remainder trust	158,395	-	-	158,395

Girl Scouts of Western Ohio
Notes to Financial Statements
September 30, 2020 and 2019

	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	-	-
Foreign government bonds	422,629	-	422,629	-
Corporate debt securities	3,822,054	-	3,822,054	-
Municipal bonds	36,941	-	36,941	-
Total investments	<u>21,197,864</u>	<u>16,916,240</u>	<u>4,281,624</u>	<u>-</u>
Beneficial interest in perpetual trusts	759,590	-	-	759,590
Beneficial interest in remainder trust	127,609	-	-	127,609

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, 2020 and 2019

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, 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	759,590	127,609
Total unrealized gains included in change in net assets	<u>2,968</u>	<u>30,786</u>
Balance, September 30, 2020	<u><u>\$ 762,558</u></u>	<u><u>\$ 158,395</u></u>

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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, 2020	Valuation Technique	Unobservable Inputs	Assumption
Beneficial interest in perpetual trusts	\$ 762,558	Present value of perpetual future distributions	Present value rates	Various rates ranging from .25% to 5%
Beneficial interest in remainder trust	\$ 158,395	Discounted cash flow	Discount rates: Term of the trust	0.40% 7 years

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

Note 5: Assets Held for Sale

In 2019, the Council received an offer from a third party, and subsequently signed a purchase agreement, to sell the Toledo office building. This purchase agreement was executed in fiscal year 2020 for a sale price of approximately \$420,000, which resulted in a gain of approximately \$275,000 and is recorded within the statement of activities.

As of September 30, 2020 and 2019, total assets held for sale totaled \$0 and \$90,466, respectively.

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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 \$762,558 and \$759,590, which represents the fair value of the trust assets at September 30, 2020 and 2019, respectively. The income from these trusts for 2020 and 2019 was \$36,672 and \$38,039, 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 0.40% and 2.20% at September 30, 2020 and 2019, respectively. The estimated value of the expected future cash flows was \$158,395 and \$127,609 at September 30, 2020 and 2019, respectively.

Note 7: Margin Loan

In fiscal year 2020, the Council applied for and received a margin loan in the amount of \$1,000,000, using assets within their investment accounts as collateral. Interest varied with the bank's prime rate, which ranged between 3-5%. The margin loan was received and subsequently paid off within fiscal year 2020.

Note 8: Net Assets

Net Assets Without Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 2,100,667	\$ 698,088
Board designated:		
Operating reserve	13,517,413	14,625,494
Asset replacement	3,705,562	3,456,026
Property and equipment	<u>12,494,789</u>	<u>12,307,242</u>
Net assets without donor restrictions	<u>\$ 31,818,431</u>	<u>\$ 31,086,850</u>

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Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to the passage of time		
Contributions receivable that are not restricted by donors but are unavailable for expenditure until due	\$ 158,363	\$ 171,274
Beneficial interest in remainder trust	158,395	127,609
Beneficial interest in perpetual trusts	762,558	759,590
Subject to expenditure for specified purpose	1,043,321	1,267,780
Endowments		
Subject to spending policy and appropriation		
Available for general use	2,256,531	2,122,884
Scholarships	<u>236,318</u>	<u>213,577</u>
Net assets with donor restrictions	<u>\$ 4,615,486</u>	<u>\$ 4,662,714</u>

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.

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 438,814	\$ 468,332
Satisfaction of purpose restrictions	<u>846,147</u>	<u>397,132</u>
	<u>\$ 1,284,961</u>	<u>\$ 865,464</u>

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Note 9: 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:

	2020			
	Gross Sales	Direct Costs	Allocations	Net Sales
Cookie sales	\$ 15,492,911	\$ 3,507,101	\$ 2,444,691	\$ 9,541,119
Fall sales	1,373,522	551,783	139,796	681,943
Council store	455,100	232,657	-	222,443
	<u>\$ 17,321,533</u>	<u>\$ 4,291,541</u>	<u>\$ 2,584,487</u>	<u>\$ 10,445,505</u>

	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
	<u>\$ 16,658,471</u>	<u>\$ 4,726,588</u>	<u>\$ 2,427,939</u>	<u>\$ 9,503,944</u>

Note 10: Operating Leases

The Council has various operating lease agreements for office space and equipment expiring in various years through 2030. Future minimum lease payments at September 30, 2020 were:

2021	\$ 273,869
2022	273,869
2023	283,222
2024	241,399
2025	230,714
Thereafter	<u>1,030,416</u>
	<u>\$ 2,333,489</u>

Rental expense for all operating leases amounted to approximately \$225,000 and \$64,000 in 2020 and 2019, respectively.

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Notes to Financial Statements September 30, 2020 and 2019

Note 11: 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.

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 2020 and 2019 was \$658,272 each year.

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, 2020. 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. In September 2020, the National Board of Girl Scouts of the USA approved to lower the contributions from \$30 million for calendar years 2021 and 2022 to \$26 million starting in calendar year 2023 until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). Aggregate annual contributions made in fiscal years 2019 and 2020 was \$32.2 million. Aggregate contributions to be made in fiscal year 2021 are expected to be \$32.2 million.

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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 96.37% funded as of December 31, 2019, which is the most recent information available. Pension expense and contributions to this plan were \$28,403 and \$33,689 for 2020 and 2019, respectively. The Council's contribution are less than 5% of total plan contributions in 2020 and 2019.

The Council also had a 403(b) Thrift Plan covering substantially all employees. The plan included a 3% noncontributory employer contribution and a 2% employer matching contribution. Council contributions to the plan in 2020 and 2019 were \$66,936 and \$234,788, respectively. The 403(b) Thrift Plan was terminated in fiscal year 2020 and replaced with a 401(k) Thrift Plan. The plan calls for elective participant deferral limits of 1-100% of total eligible participant compensation. Plan management makes a safe harbor matching contribution of 100% of the participant's elective deferral that do not exceed 5% of the participant's compensation. Total expense related to the 401(k) Thrift Plan for fiscal year 2020 was \$185,818.

Note 12: 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 \$4,011,000 and \$2,474,000 at September 30, 2020 and 2019, respectively. These funds are not available for use by the Council and have not been included in the financial statements.

Note 13: 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 Council 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 Council
7. Investment policies of the Council

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The Council's endowment consists of three 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, 2020 and 2019, all endowment funds consisted of donor-restricted funds.

Changes in donor-restricted endowment net assets for the years ended September 30, 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 2,336,492	\$ 2,280,795
Investment return:		
Investment income	6,760	6,287
Net appreciation	149,597	49,410
Total investment return	<u>156,357</u>	<u>55,697</u>
Endowment net assets, end of year	<u>\$ 2,492,849</u>	<u>\$ 2,336,492</u>

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 funds, 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.

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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, 2020 and 2019, the Council had no deficiencies in its endowment funds.

Note 14: 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, comprise the following:

	2020	2019
Cash	\$ 215,131	\$ 732,822
Accounts receivable	106,680	102,583
Contributions receivable	567,048	626,439
Investments	18,676,138	16,091,561
	<u>19,564,997</u>	<u>17,553,405</u>
Less net assets with donor restrictions	(4,615,486)	(4,662,714)
Less net assets with board designations	(3,705,562)	(3,456,026)
	<u>(8,321,048)</u>	<u>(8,118,740)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,243,949</u>	<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 79% of the investment portfolio of the Council consists of highly liquid investments.

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Notes to Financial Statements September 30, 2020 and 2019

Note 15: Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

As a result of the spread of the SARS-CoV-2 virus and the incident of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Council. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). On May 5, 2020, the Council received a loan in the amount of \$1,315,800 pursuant to the Paycheck Protection Program (PPP). The Council anticipates using all of the proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven. The Council has elected to account for the PPP loan as deferred revenue in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. As such, the full amount of the loan has been recorded within deferred revenue on the statements of financial position and has been included in change in deferred revenue within operating activities on the statements of cash flows.

Note 16: Significant Estimates

General Litigation

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, results of operations or cash flows.

Self-Insurance

In 2020, the Council has elected to self-insure certain costs related to employee health and pharmacy plans. Costs resulting from noninsured losses are charged to expense when incurred. The Council has purchased insurance that limits its exposure for individual claims and limits its aggregate exposure to \$75,000 per participant.

Provisions for losses expected under these programs are recorded based upon the Council's estimates of the aggregate liability for claims incurred and totaled approximately \$178,000 for the year ended September 30, 2020. The amount of actual losses incurred could differ materially from the estimates reflected in the financial statements.

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Notes to Financial Statements September 30, 2020 and 2019

Note 17: Subsequent Events

Subsequent events have been evaluated through January 12, 2021, which is the date the financial statements were available to be issued.

Note 18: 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 nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Council is in the process of evaluating the effect 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 statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities 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. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Council is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.