

Girl Scouts of the Chesapeake Bay Council, Inc.

Financial Statements

September 30, 2020 and 2019

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ALBERO, KUPFERMAN & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND PROFESSIONAL SERVICES

Independent Auditor's Report

To the Board of Directors
Girl Scouts of the Chesapeake Bay Council, Inc.
Newark, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts of the Chesapeake Bay Council, Inc. (a not for profit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities and changes in net assets, of functional expenses and of 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 audits 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 the Chesapeake Bay Council, Inc. as of September 30, 2020 and 2019, and the changes in its net assets, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in cursive script that reads "Alberto Kaufman / Associates, LLC".

March 19, 2020
Wilmington, Delaware

Girl Scouts of the Chesapeake Bay Council, Inc.

Statements of Financial Position

September 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,446,285	\$ 638,960
Accounts receivable - net	12,414	17,026
Grants receivable	73,721	88,359
Pledges receivable - current	150,800	105,484
Interest receivable	7,693	10,549
Inventories	29,295	104,892
Prepaid expenses	36,771	27,042
Total current assets	<u>1,756,979</u>	<u>992,312</u>
NON - CURRENT ASSETS		
Pledges receivable - non-current - net	-	142,877
Property and equipment - net of accumulated depreciation	10,342,822	10,789,431
Investments	3,916,787	4,297,695
Total non - current assets	<u>14,259,609</u>	<u>15,230,003</u>
TOTAL ASSETS	<u>\$ 16,016,588</u>	<u>\$ 16,222,315</u>

Liabilities and Net Assets

CURRENT LIABILITIES		
Accounts payable	\$ 80,074	\$ 101,859
Accrued expenses and other liabilities	11,067	2,583
Accrued salaries and wages	140,547	136,913
Note payable - Payroll Protection Program	501,274	-
Deferred revenue - other	15,074	52,001
Capital lease obligations payable - current portion	61,088	59,368
Notes payable - current portion	1,596,388	1,668,240
Total current liabilities	<u>2,405,512</u>	<u>2,020,964</u>
LONG - TERM LIABILITIES		
Capital lease obligations - net of current portion	144,272	205,207
Notes payable - net of current portion	13,671	20,651
Total long - term liabilities	<u>157,943</u>	<u>225,858</u>
NET ASSETS		
Without donor restrictions	12,650,876	13,041,330
With donor restrictions	802,257	934,163
Total net assets	<u>13,453,133</u>	<u>13,975,493</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,016,588</u>	<u>\$ 16,222,315</u>

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Statements of Activities and Changes in Net Assets

For the Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Product program revenue - net of related costs	\$ 2,657,585	\$ -	\$ 2,657,585	\$ 2,392,877	\$ -	\$ 2,392,877
Retail shop sales and services - net of related costs	(5,582)	-	(5,582)	91,055	-	91,055
Camping and program fees - net of discounts	102,314	-	102,314	273,954	-	273,954
Contributions						
Individual donations	86,684	-	86,684	91,207	-	91,207
Pledges and grants	36,456	252,730	289,186	168,325	78,567	246,892
Special events - net of related costs	39,540	-	39,540	74,335	-	74,335
United Way and other federated funds	65,858	-	65,858	-	119,766	119,766
Donations - in - kind	26,042	-	26,042	36,678	-	36,678
Investment income (loss)	194,889	(18,204)	176,685	164,344	(7,308)	157,036
Gain on sale of assets	-	-	-	20,218	-	20,218
Other income	43,212	-	43,212	99,099	-	99,099
Net assets released from restrictions	366,432	(366,432)	-	590,356	(590,356)	-
TOTAL REVENUE AND OTHER SUPPORT	3,613,430	(131,906)	3,481,524	4,002,448	(399,331)	3,603,117
EXPENSES						
Program services						
Membership	984,621	-	984,621	1,424,333	-	1,424,333
Camping	309,076	-	309,076	397,407	-	397,407
Girls programs	549,992	-	549,992	540,022	-	540,022
Product program	788,885	-	788,885	942,350	-	942,350
Adult training	724,315	-	724,315	300,453	-	300,453
Total program services	3,356,889	-	3,356,889	3,604,565	-	3,604,565
Support services						
Fundraising	171,385	-	171,385	195,048	-	195,048
Public relations	250,950	-	250,950	299,850	-	299,850
Administration	224,660	-	224,660	234,477	-	234,477
Total support services	646,995	-	646,995	729,375	-	729,375
TOTAL EXPENSES	4,003,884	-	4,003,884	4,333,940	-	4,333,940
CHANGE IN NET ASSETS	(390,454)	(131,906)	(522,360)	(331,492)	(399,331)	(730,823)
NET ASSETS - BEGINNING OF YEAR	13,041,330	934,163	13,975,493	13,372,822	1,333,494	14,706,316
NET ASSETS - END OF YEAR	\$ 12,650,876	\$ 802,257	\$ 13,453,133	\$ 13,041,330	\$ 934,163	\$ 13,975,493

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Statement of Functional Expenses

For the Year Ended September 30, 2020

	Program Expenses					Support Services					Total Expenses		
	Membership	Camping	Girl Programs	Product Program	Adult Training	Total Program Expenses	Fundraising	Public Relations	Administrative	Total Support Services			
Salaries and related expenses													
Salaries and wages	\$ 479,912	\$ 147,693	\$ 227,351	\$ 289,155	\$ 367,447	\$ 1,511,558	\$ 140,404	\$ 102,164	\$ 62,805	\$ 305,373	\$ 1,816,931		
Payroll taxes	40,047	11,925	19,953	26,300	30,120	128,345	9,108	9,000	8,076	26,184	154,529		
Employee benefits	135,350	40,032	63,179	70,974	92,866	402,401	1,971	21,791	29,902	53,664	456,065		
Total salaries and related expenses	655,309	199,650	310,483	386,429	490,433	2,042,304	151,483	132,955	100,783	385,221	2,427,525		
Professional fees	50,875	19,222	31,618	39,970	37,460	179,145	8,400	24,036	20,580	53,016	232,161		
Supplies	6,142	6,385	27,090	129,007	6,584	175,208	4,756	757	1,100	6,613	181,821		
Telephone	23,331	8,056	13,420	18,582	18,033	81,422	319	6,398	9,272	15,989	97,411		
Postage	930	742	520	998	685	3,875	402	1,787	375	2,564	6,439		
Occupancy	43,947	14,009	24,519	66,986	31,286	180,747	-	11,210	17,749	28,959	209,706		
Equipment rental and maintenance	8,031	2,521	4,721	6,359	6,945	28,577	-	2,201	3,247	5,448	34,025		
Printing	1,097	54	96	186	127	1,560	2,531	26,139	70	28,740	30,300		
Travel	4,596	2,623	1,824	3,988	2,520	15,551	10	678	1,072	1,760	17,311		
Conferences	4,105	810	1,442	2,002	2,020	10,379	1,084	659	1,042	2,785	13,164		
Financial assistance	8,542	-	37,558	-	250	46,350	-	-	-	-	46,350		
Insurance	25,134	7,886	14,038	19,492	18,499	85,049	-	6,418	10,161	16,579	101,628		
Fees - various	5,047	1,529	2,642	4,449	3,482	17,149	554	1,208	1,913	3,675	20,824		
Bad debt expense	-	-	-	-	-	-	41	-	-	41	41		
Interest expense	20,473	6,426	11,440	15,884	15,075	69,298	-	5,230	8,281	13,511	82,809		
Miscellaneous expense	6,985	426	1,487	1,224	1,694	11,816	1,805	601	449	2,855	14,671		
Depreciation expense	120,077	38,737	67,094	93,329	89,222	408,459	-	30,673	48,566	79,239	487,698		
Total functional expenses	\$ 984,621	\$ 309,076	\$ 549,992	\$ 788,885	\$ 724,315	\$ 3,356,889	\$ 171,385	\$ 250,950	\$ 224,660	\$ 646,995	\$ 4,003,884		

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Statement of Functional Expenses

For the Year Ended September 30, 2019

	Program Expenses						Support Services				Total Support Services	Total Expenses		
	Membership	Camping	Girl Programs	Product Program	Adult Training	Total Program Expenses	Fundraising	Public Relations	Administrative	Total				
Salaries and related expenses														
Salaries and wages	\$ 686,150	\$ 126,088	\$ 282,939	\$ 327,315	\$ 161,815	\$ 1,584,307	\$ 134,038	\$ 140,688	\$ 61,497	\$ 336,223	\$ 1,920,530			
Payroll taxes	67,262	12,134	26,448	35,560	13,975	155,379	9,949	13,046	8,745	31,740	187,119			
Employee benefits	126,202	39,438	47,045	79,967	23,668	316,320	4,466	26,629	38,313	69,408	385,728			
Total salaries and related expenses	879,614	177,660	356,432	442,842	199,458	2,056,006	148,453	180,363	108,555	437,371	2,493,377			
Professional fees	24,358	14,782	15,913	17,169	10,032	82,254	-	5,368	7,636	13,004	95,258			
Supplies	23,453	40,819	15,886	176,453	7,641	264,252	18,989	3,014	2,831	24,834	289,086			
Telephone	35,200	13,796	13,861	25,881	7,920	96,658	305	7,860	10,463	18,628	115,286			
Postage	2,243	757	1,148	1,703	459	6,310	4,574	1,431	695	6,700	13,010			
Occupancy	85,390	31,104	35,097	67,572	22,039	241,202	921	18,331	27,193	46,445	287,647			
Equipment rental and maintenance	9,194	5,590	3,472	6,348	1,888	26,492	-	1,987	2,856	4,843	31,335			
Printing	-	-	1,283	7,846	698	9,827	9,994	33,141	1,056	44,191	54,018			
Travel	9,890	18,959	6,009	14,958	2,079	51,895	3,115	-	1,896	5,011	56,906			
Conferences	2,377	5,562	1,293	2,119	1,050	12,401	658	509	688	1,855	14,256			
Financial assistance	124,648	-	1,642	-	505	126,795	5,321	-	-	5,321	132,116			
Insurance	30,751	9,793	11,630	21,074	6,314	79,562	-	6,440	9,554	15,994	95,556			
Fees - various	5,027	17,088	1,868	4,478	889	29,350	388	907	1,346	2,641	31,991			
Bad debt expense	-	295	-	21,501	-	21,796	751	-	-	751	22,547			
Interest expense	27,772	8,844	10,489	19,029	5,702	71,836	-	5,817	8,628	14,445	86,281			
Miscellaneous expense	1,628	519	2,517	1,809	355	6,828	1,579	588	506	2,673	9,501			
Depreciation expense	162,788	51,839	61,482	111,568	33,424	421,101	-	34,094	50,574	84,668	505,769			
Total functional expenses	\$ 1,424,333	\$ 397,407	\$ 540,022	\$ 942,350	\$ 300,453	\$ 3,604,565	\$ 195,048	\$ 299,850	\$ 234,477	\$ 729,375	\$ 4,333,940			

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Statements of Cash Flows

For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (522,360)	\$ (730,823)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Bad debt expense	41	22,547
Depreciation	487,698	505,769
Realized gain on investments	(71,879)	(65,942)
Unrealized (gain) loss on investments	(30,984)	48,880
Changes in current assets and liabilities		
Decrease (increase) in accounts receivable	4,571	(23,558)
Decrease in pledges receivable - net	97,561	43,064
Decrease in grants receivable	14,638	10,250
Decrease in interest receivable	2,856	679
Decrease in inventories	75,597	13,436
Increase in prepaid expenses	(9,729)	(14,051)
(Decrease) increase in accounts payable	(21,785)	23,596
Increase (decrease) in accrued expenses and other liabilities	8,484	(35,429)
Increase (decrease) in accrued salaries and wages	3,634	(37,426)
Decrease in deferred revenue	(36,927)	(12,579)
Net cash provided by (used in) operating activities	<u>1,416</u>	<u>(251,587)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(41,089)	(254,974)
Purchase of investments	(584,057)	(759,723)
Proceeds from sale of investments	<u>1,067,828</u>	<u>696,222</u>
Net cash provided by (used in) investing activities	<u>442,682</u>	<u>(318,475)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease obligation payments	(59,215)	(171,022)
New capital lease obligations	-	307,882
Proceeds from Payroll Protection Program loan	501,274	
Payments on notes payable	<u>(78,832)</u>	<u>(78,313)</u>
Net cash provided by financing activities	<u>363,227</u>	<u>58,547</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	807,325	(511,515)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>638,960</u>	<u>1,150,475</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ <u><u>1,446,285</u></u>	\$ <u><u>638,960</u></u>

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Statements of Cash Flows (Continued)

For the Years Ended September 30, 2019 and 2018

	<u>2020</u>	<u>2019</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Interest paid during the year	\$ <u>82,809</u>	\$ <u>86,281</u>
SUPPLEMENTAL DISCLOSURE OF NON - CASH FLOWS INFORMATION		
Donated goods and services	\$ <u>26,042</u>	\$ <u>36,678</u>

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies

1. Purpose of the Organization

Girl Scouts of the Chesapeake Bay Council, Inc. (the Council) is an independent 501(c)(3) nonprofit organization, operating under a charter from the Girl Scouts of the United States of America (GSUSA). The Council provides programming and support to over 5,000 girls and 3,000 adult members throughout 14 Counties between Delaware and the Eastern Shores of Maryland and Virginia (Delmarva Peninsula). The Council operates four camps and two resource centers, and its mission is to build girls of courage, confidence and character, who make the world a better place.

2. Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, revenue is recognized when earned and expenditures are recognized when incurred.

3. Financial Statement Presentation

In accordance with accounting principles generally accepted in the United States of America, the Council is required to report information regarding its financial position and activities according to two classes of net assets:

- a. Net assets without donor restrictions - consists of undesignated net assets, which are funds that are currently available to support operations; and designated net assets, which consist of unrestricted funds earmarked by the Council for a specific purpose.
- b. Net assets with donor restrictions - consists of cash and other assets restricted by donor stipulations that limit the use of such assets. Some net assets may be released from donor restrictions by incurring expenses satisfying the restricted purposes. Other assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Council.

4. Cash and Cash Equivalents

Cash equivalents are included in cash. The Council considers all unrestricted highly liquid investments purchased with a maturity of three months or less to be cash equivalents, except for cash and cash equivalents held by investment managers which are classified as investments.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

5. Accounts and Grants Receivable

Accounts and grants receivable consist of short-term receivables that arise in the normal course of business and are stated at unpaid balances, less an allowance for doubtful accounts. The Council provides for losses on receivables using the allowance method. The allowance is based on prior experience and its assessment of the collectability of specific accounts. It is the Council's policy to charge off uncollectible accounts when management determines the receivable will not be collected.

At the end of the year, grants were considered to be fully collectible by management; therefore, no allowance has been provided. The allowance for uncollectible accounts receivable was -\$0- and \$32,991 as of September 30, 2020 and 2019, respectively. Bad debt expense was \$41 and \$22,547 for the years ended September 30, 2020 and 2019, respectively.

6. Pledges Receivable

The Council recognizes contributions and pledges when the donor makes a promise to give to the Council that is, in substance, unconditional. Conditional promises are recognized as support in the period in which the condition is satisfied. The Council uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and the Council's analysis of specific promises made. Pledges are deemed collectible by management, therefore no allowance for uncollectible pledges was established as of September 30, 2020 and 2019.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value and those that are expected to be collected in future years are recorded at the present value of their future cash flows. Pledges receivable is as follows as of September 30,:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 150,800	105,484
Receivable in one to five years	<u>-</u>	<u>145,316</u>
	150,800	250,800
Less: discounts at 5% per annum	<u>-</u>	<u>2,439</u>
Pledges receivable - net	<u>\$ 150,800</u>	<u>248,361</u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

7. Inventories

Inventory consists of Girl Scout merchandise and supplies sold in its retail shops. It is recorded at the lower of cost or net realizable value, computed on the first-in, first-out method.

8. Investments

The Council's investments consist of investments in brokerage accounts and in separate and independent community fund investment pools. The purpose of the investments are to provide for the long-term financial stability of the Council. The Council's investment in community funds are a component of funds which are held and invested on a comingled, unitized basis. There are no securities independently held in the name of the Council within these funds. The fair value of the investment in the community foundations is based on a percentage interest of those assets' fair value as represented by the community foundation's management.

Investments with readily determinable market values and all investments in debt securities are reported at market value in the statements of financial position. Unrealized gains and losses are included in the statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

9. Property and Equipment

Property and equipment are recorded at cost, if purchased, and at fair market value, if donated. Maintenance, repairs and minor renewals are charged directly to expense as incurred. Additions and betterments to property and equipment are capitalized. When assets are disposed of, the related cost and accumulated depreciation thereon are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Acquisitions of individual items with a cost of less than \$5,000 are expensed when acquired.

Depreciation is computed using the straight-line method based upon the estimated useful lives of the related assets. The useful lives for purposes of computing depreciation of property and equipment are as follows:

Building and improvements	10 - 40 years
Furniture and equipment	3 - 10 years

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

10. Contributions, Revenue and Other Support

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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.

11. Contributed Goods and Services

Contributed services are not recognized as revenues unless the services received create or enhance the value of a non-financial asset; or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by volunteers. The Council recognizes as in-kind donations the fair market value of goods which are donated to them. During the years ended September 30, 2020 and 2019, the Council recognized in-kind donations and contributed services of \$26,042 and \$36,678, respectively, for various programs.

Additionally, approximately 3,000 volunteers donated their time to various programs in each of the years ended September 30, 2020 and 2019. No amounts have been reflected in the financial statements for this time in as much as no objective basis is available to measure the value of such time.

12. Product Program Revenue

Product program revenue represents the proceeds from the sale of Girl Scout cookies, candy, nuts and magazines net of the cost of the product and various product discounts. Program revenue is recorded at retail sales price, less the portion of the proceeds that belongs to the individual Girl Scout troops when they ship the product to each independent Girl Scout troop. Other cookie sales are recognized at the point of sales.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

12. Product Program Revenue (Continued)

	<u>2020</u>	<u>2019</u>
Product program income- cookies	\$ 4,365,259	\$ 4,295,168
Less: related cost of sales	<u>1,822,307</u>	<u>2,021,470</u>
Net program revenue - cookies	<u>2,542,952</u>	<u>2,273,698</u>
Product program income- other	190,438	290,078
Less: related cost of sales	<u>75,805</u>	<u>170,899</u>
Net program revenue - other	<u>114,633</u>	<u>119,179</u>
Total product program income - net	<u>\$ 2,657,585</u>	<u>\$ 2,392,877</u>

13. Retail Shop and Services

The Council maintains two retail stores that sell Girl Scout merchandise, such as books, badges, uniforms and other supplies.

	<u>2020</u>	<u>2019</u>
Retail store sales and services	\$ 128,573	\$ 251,536
Less: related cost of sales	77,108	160,481
Less: adjustment for obsolete inventory	57,047	-
Retail store sales and services- net	<u>\$ (5,582)</u>	<u>\$ 91,055</u>

14. Advertising Expense

Advertising costs are charged to operations as incurred. Advertising expense for the years ended September 30, 2020 and 2019 was \$12,506 and \$21,281, respectively.

15. Allocation of Functional Expenses

The Council allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their corresponding expenditure classification. All other expenses are allocated in proportion with the benefits provided to the related program service.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

16. Fair Value Measurements

The Council applies the Fair Value Measurements and Disclosures framework for measuring assets and liabilities at fair value on a recurring basis. This framework defines fair value and establishes a hierarchy that prioritizes and determines the reliability of inputs used to measure fair value. The hierarchy consists of three broad levels:

- Level 1 Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

In evaluating the level at which the Council's investment have been classified, management has assessed factors included, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions.

17. Management 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

18. Income Taxes

The Council has elected to be classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is not subject to state or federal income taxes. Therefore, no provision or liability for income tax is presented in these financial statements.

The Council accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. The Council recognizes accrued interest and penalties associated with uncertain tax positions, if any, as a component of functional expenses. The Council did not have any income tax uncertainties that were considered greater than remote.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

19. Recently Issued and Implemented Accounting Standards Updates

ASU 2018-08, Not-for-profit entities (Topic 958) – Clarifying the scope and the accounting guidance for contributions received and contributions made.

ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying the grants and contributions received by not-for-profit entities and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes any barrier(s) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets or a right of release of the promisor's obligation to transfer the assets. The Council adopted the standard and it became effective on October 1, 2019 on the modified prospective basis to agreements that were not completed as of the effective date and to agreements entered after the effective dates.

ASU 2016-18, Statement of Cash Flows – Restricted Cash

ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The Council adopted the standard as it became effective for the Council on October 1, 2019 using the full retrospective transition method to each period presented (See note J).

20. Recently Issued but Not Yet Effective Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, Leases ("ASU 2016-02"). This update requires all leases with a term greater than twelve months to be recognized on the balance sheet through a right of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance had an original effective date for years beginning after December 15, 2019. However, due to the economic effects of the Coronavirus pandemic, on May 20, 2020 the FASB issued a statement that extended the implementation date to the years beginning after December 15, 2021, with early adoption permitted. Management is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures but has not yet determined the timing of adoption.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

20. Recently Issued but Not Yet Effective Accounting Pronouncements (Continued)

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which requires an organization to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in US GAAP, including industry specific guidance, when it becomes effective. This new guidance had an original effective date for years beginning after December 15, 2018. However, due to the economic effects of the Coronavirus pandemic, on May 20, 2020 the FASB issued a statement that extended the implementation date to years beginning after December 15, 2019 for certain not-for-profit entities that had not issued their financial statements as of May 20, 2020. The standard permits the use of either the retrospective or cumulative effect transition method when implementing the new standard. Management is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

Note B - Property and Equipment

Property and equipment consisted of the following as of September 30,:

	<u>2020</u>	<u>2019</u>
Land	\$ 724,489	\$ 724,489
Buildings and improvements	13,060,907	13,053,664
Furniture and equipment	<u>1,651,155</u>	<u>1,617,308</u>
Total	15,436,551	15,395,461
Less: accumulated depreciation	<u>5,093,729</u>	<u>4,606,030</u>
Property and equipment - net	<u>\$ 10,342,822</u>	<u>\$ 10,789,431</u>

Depreciation expense was \$487,698 and \$505,769 for the years ended September 30, 2020 and 2019, respectively.

Furniture and equipment include assets recorded in accordance with capital lease arrangements in the amount of \$257,718, with accumulated depreciation of \$94,497 as of September 30, 2020 and 2019 respectively.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note C - Investments

The Council recognizes its interest in the net assets of the Delaware Community Foundation (DCF), the Eastern Shore Foundation and the Mid Shore Community Foundation as Level 3 investments in accordance with generally accepted accounting principles.

Investments in Level 1 and Level 3 securities, measured at fair market value on a recurring basis are as follows at September 30,:

	2020		2019	
	Cost	Market	Cost	Market
Level 1				
Short - term investments	\$ 308,204	\$ 308,204	\$ 309,776	\$ 309,776
US treasuries	228,788	251,654	632,649	641,946
Corporate bonds	455,971	459,482	418,139	421,235
Equities	1,490,143	1,942,599	1,577,341	2,043,546
ETF's and REIT's	161,149	188,310	95,748	97,490
Total level 1	2,644,255	3,150,249	3,033,653	3,513,993
Level 3				
Pooled investments in community foundations	572,125	766,538	572,125	783,702
Total	\$ 3,216,380	\$ 3,916,787	\$ 3,605,778	\$ 4,297,695

Investment income and its classification in the statements of activities is as follows for the years ended September 30,:

	2020	2019
Interest and dividends	\$ 93,655	\$ 159,960
Realized gains	71,879	65,942
Unrealized gain (loss)	30,984	(48,880)
Investment fees	(19,833)	(19,986)
Total	\$ 176,685	\$ 157,036

Investment income reflects the activity of both the brokerage account, classified as Level 1, and the funds held by the community foundations, classified as Level 3.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note D - Capital Leases

The Council leases copier equipment under a capital lease arrangement with a supplier to provide the Council with copier equipment to use in its operations. In the prior fiscal year, the Council renegotiated its previous lease and obtained new equipment and a new lease which calls for monthly payments of \$5,500 through November 2023. The liabilities and asset obtained under the capital portion of the lease have been recorded at the present value of the minimum lease payments.

Future minimum lease payments required under the capital lease obligation for the year ended September 30, 2020 are as follows:

2021	\$	66,000
2022		66,000
2023		66,000
2024		11,000
		<u>209,000</u>
Less: imputed interest		3,640
Present value of future minimum lease payments	\$	<u><u>205,360</u></u>

Interest expense recognized on the capital lease obligations totaled \$6,632 and \$6,652 for the years ended September 30, 2020 and 2019, respectively.

Note E - Operating Capital Leases

The council leases office equipment under non-cancelable operating leases expiring through 2023. Under these leases, rent expense of \$15,996 and \$15,252 was included in occupancy and equipment rental and maintenance expense on the statement of functional expenses for the years ended September 30, 2020 and 2019, respectively.

Future minimum lease payments required under the operating lease obligations for the year ended September 30, 2020 are as follows:

2021	7,099
2022	744
2023	186
\$	<u><u>8,029</u></u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note F - Notes Payable

Notes payable consisted of the following as of September 30,:

	<u>2020</u>	<u>2019</u>
Note payable - Americredit Financial Services - requires monthly payments of \$331, which include principal and interest at 5.99%, payable through August 2023. The note is secured by a vehicle.	\$ 10,281	13,573
Note payable - Americredit Financial Services - requires monthly payments of \$331, which include principal and interest at 5.99%, payable through August 2023. The note is secured by a vehicle.	10,282	13,573
Mortgage payable to TD bank, requiring monthly interest payments at a fixed rate of 4.5% and a principal payment of \$72,250 are due annually, with a balloon payment due upon maturity in November 2022. Currently, the Council has not met the terms of the financial covenants of the loan and the bank reserves the right to call the loan at any time.	<u>1,589,496</u>	<u>1,661,746</u>
Total notes payable	1,610,059	1,688,892
Less: current portion	<u>1,596,388</u>	<u>1,668,240</u>
Notes payable - net of current portion	<u>\$ 13,671</u>	<u>20,652</u>

Future maturities of long term debt are as follows as of September 30,:

2021	\$ 1,596,388
2022	7,318
2023	<u>6,353</u>
	<u>\$ 1,610,059</u>

The Council incurred \$76,177 and \$79,629 in interest expense on these obligations during the years ended September 30, 2020 and 2019, respectively.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note F - Notes Payable (Continued)

The Company is required to maintain certain debt covenants with TD Bank. Those covenants require a loan to value ratio greater than 75%; unencumbered cash and marketable securities to exceed \$2,500,000; and a combined debt service coverage ratio of at least 1 to 1. At September 30, 2020 and 2019, the Council was in violation of these covenants and, accordingly, the entire balance of the TD Bank loan is considered currently due.

Note G - Notes Payable – Payroll Protection Program

In April 2020, the Council obtained a Paycheck Protection Program (PPP) loan, under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), for \$501,274. The Loan is administered by the Small Business Administration, guaranteed by the Federal government, and funded by TD Bank. The loan accrues interest at 1%, defers payments for 6 months and matures in 2 years. The Council may apply for forgiveness of the loan and any accrued interest based on the amount of proceeds used for qualified expenses during the covered period. In June 2020, the Flexibility Act was signed into law and amended the CARES Act to defer payments for up to ten months from the end of the covered period and permitted lenders and borrowers to extend the maturity date to 5 years by mutual agreement.

As of September 30, 2020, the loan has not been forgiven. The Council believes it used all of the proceeds from the loan for eligible purposes and expects the loan to be fully forgiven within the next twelve months, at which time the Company will recognize a gain from forgiveness of debt for the loan.

Note H - Net Assets

Net assets with donor restrictions consisted of the following as of September 30,:

	<u>2020</u>	<u>2019</u>
Specific program support	\$ 77,301	\$ 191,003
Endowment funds	<u>724,956</u>	<u>743,160</u>
Total net assets with donor restrictions	<u>\$ 802,257</u>	<u>\$ 934,163</u>

Net assets with donor restrictions were released for the following purposes during the years ended September 30,:

	<u>2020</u>	<u>2019</u>
Specific program support	<u>\$ 366,432</u>	<u>\$ 590,356</u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note I - Endowment Assets

The Council's endowment consists of approximately seven individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Permanently restricted net assets consist of one endowment fund to be held indefinitely, the income of which is expendable to support the charitable and educational purpose of the Council. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

1. The duration and preservation of the fund
2. The Council's mission and purpose supported by the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The Council's other resources, and
7. The investment policies of the council

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Council to retain as a fund of perpetual duration. Deficiencies, if any, are the result of unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note I - Endowment Assets (Continued)

The Council has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible.

Investment risk is measured across the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Council has a policy of appropriating for distribution each year the interest and dividends earned on the endowment fund investments. In establishing this policy, the Council considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

The Council expected the current spending policy to allow its endowment funds to continue to grow annually. This is consistent with the Council's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. Endowment net asset composition by type of fund as of September 30, was as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Donor restricted	\$ -	\$ 724,956	\$ 724,956
Board designated	<u>3,191,831</u>	<u>-</u>	<u>3,191,831</u>
Total endowment assets	<u>\$ 3,191,831</u>	<u>\$ 724,956</u>	<u>\$ 3,916,787</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds			
Donor restricted	\$ -	\$ 743,160	\$ 743,160
Board designated	<u>3,554,535</u>	<u>-</u>	<u>3,554,535</u>
Total endowment assets	<u>\$ 3,554,535</u>	<u>\$ 743,160</u>	<u>\$ 4,297,695</u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note I - Endowment Assets (Continued)

Changes in endowment net assets by net asset class for the year ended September 30, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
As of September 30, 2018	\$ <u>3,434,499</u>	\$ <u>782,633</u>	\$ <u>4,217,132</u>
Investment return			
Investment income - net	87,407	52,567	139,974
Unrealized and realized gains - net	<u>76,937</u>	<u>(59,875)</u>	<u>17,062</u>
Total investment return - net	164,344	(7,308)	157,036
Contributions and transfers in	-	(32,165)	(32,165)
Other changes	<u>(44,308)</u>	<u>-</u>	<u>(44,308)</u>
As of September 30, 2019	<u>3,554,535</u>	<u>743,160</u>	<u>4,297,695</u>
Investment return			
Investment income - net	77,958	(4,136)	73,822
Unrealized and realized gains - net	<u>89,751</u>	<u>17,797</u>	<u>107,548</u>
Total investment return - net	167,709	13,661	181,370
Contributions and transfers out	<u>(530,413)</u>	<u>(31,865)</u>	<u>(562,278)</u>
As of September 30, 2020	\$ <u><u>3,191,831</u></u>	\$ <u><u>724,956</u></u>	\$ <u><u>3,916,787</u></u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note J - Cash and Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the amounts shown in the statement of cash flows:

	2020	2019
Cash and cash equivalents	\$ 1,368,984	\$ 447,957
Cash equivalents restricted for purpose	77,301	191,003
 Total cash, cash equivalents and restricted cash	 \$ 1,446,285	 \$ 638,960

Note K - Liquidity and Availability of Financial Assets

The following reflects the Council's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position at September 30,:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 1,446,285	\$ 638,960
Accounts receivable	12,414	17,026
Grants receivable	73,721	88,359
Pledges receivable	150,800	105,484
Interest receivable	7,693	10,549
Investments	3,916,787	4,297,695
Total financial assets	5,607,700	5,158,073
 Less amounts not available to be used within one year:		
Net assets with donor restrictions	802,257	934,163
Board designated endowment fund	3,554,535	3,191,831
 Financial assets available to meet general expenditures over the next twelve months	 \$ 1,250,908	 \$ 1,032,079

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note L - Retirement Plans

1. Pension Plan

The council participates in the National Girl Scout Council Retirement Plan (NGSCRCP), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA. 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.

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 NGSCRCP the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCRCP 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 were \$32.2 million and \$32.2 million, respectively. Aggregate contributions to be made in fiscal 2021 are expected to be \$32.2 million.

2. 403(b) Plan

In January 2007, the Council adopted a 403(b) thrift plan for all eligible employees. Participants are fully vested in employer contributions on the date of participation in the Plan. Each participant who satisfies the age and service requirement of the Plan is entitled to receive an employer contribution equal to \$20 per pay period. Contribution expense under this Plan for the years ended September 30, 2020 and 2019 was \$19,490 and \$23,252, respectively.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note M - Commitments and Contingencies

The Council may be come subject to various claims and legal matters covering a wide range of matters that arise in the normal course of business. In the opinion of management, all such matters are, adequately covered by insurance, are without merit, or are of such kind or involve such amounts that would not have significant effect on the financial position or results of operations if disposed of unfavorably.

Note N - Concentration of Credit Risk

Cash, cash equivalents, investments and relationships with major suppliers expose the Council to various risks, such as interest rates, market and credit risks.

1. Cash Balances

The Council, in the ordinary course of business, maintains its cash balance in various financial institutions. During the year, the balances of both interest and non-interest-bearing accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed insured limits, but management does not feel it is exposed to any significant credit risk with respect to uninsured balances maintained at financial institutions.

2. Marketable Securities

The Council maintains marketable securities with investment houses and brokerage firms located in the United States, which are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. At times, balances may exceed insured limits. Management does not feel it is exposed to any significant credit risk with respect to uninsured balances maintained at the investment houses and brokerage firms.

3. Major Suppliers

The Council purchases all of the cookies sold through their cookie product program from one supplier. The Council does not feel it is exposed to significant risk.

Note O - Subsequent Events

The Council has evaluated its financial statements for subsequent events through March 19, 2021, the date on which the financial statements were available to be issued.