

Girl Scouts of the Chesapeake Bay Council, Inc.

Financial Statements

September 30, 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, 2019 and 2018, 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.

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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, 2019 and 2018, 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.

A handwritten signature in cursive script that reads "Albert Kaufman Associates, LLC". The signature is written in black ink on a light-colored background.

November 25, 2019
Wilmington, Delaware

Girl Scouts of the Chesapeake Bay Council, Inc.

Statements of Financial Position

September 30, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 638,960	\$ 1,150,475
Accounts receivable - net	17,026	16,015
Grants receivable	88,359	98,609
Pledges receivable - current	150,800	105,484
Interest receivable	10,549	11,228
Inventories	104,892	118,328
Prepaid expenses	<u>27,042</u>	<u>12,991</u>
Total current assets	<u>1,037,628</u>	<u>1,513,130</u>
NON - CURRENT ASSETS		
Pledges receivable - non-current - net	97,561	185,941
Property and equipment - net of accumulated depreciation	10,789,431	11,040,226
Investments	<u>4,297,695</u>	<u>4,217,132</u>
Total non - current assets	<u>15,184,687</u>	<u>15,443,299</u>
TOTAL ASSETS	<u>\$ 16,222,315</u>	<u>\$ 16,956,429</u>

Liabilities and Net Assets

CURRENT LIABILITIES		
Accounts payable	\$ 101,859	\$ 78,263
Accrued expenses and other liabilities	2,583	38,012
Accrued salaries and wages	136,913	174,339
Deferred revenue	52,001	64,580
Lease obligations payable - current portion	59,368	73,810
Notes payable - current portion	<u>1,668,240</u>	<u>1,740,112</u>
Total current liabilities	<u>2,020,964</u>	<u>2,169,116</u>
LONG - TERM LIABILITIES		
Lease obligations - net of current portion	205,207	53,905
Notes payable - net of current portion	<u>20,651</u>	<u>27,092</u>
Total long - term liabilities	<u>225,858</u>	<u>80,997</u>
NET ASSETS		
Without donor restrictions	13,041,330	13,372,822
With donor restrictions	<u>934,163</u>	<u>1,333,494</u>
Total net assets	<u>13,975,493</u>	<u>14,706,316</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,222,315</u>	<u>\$ 16,956,429</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, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
REVENUE AND OTHER SUPPORT				
Product program revenue - net of related costs	\$ 2,392,877	\$ -	\$ 2,392,877	\$ -
Retail shop sales and services - net of related costs	91,055	-	91,055	-
Camping and program fees - net of discounts	273,954	-	273,954	-
Contributions				
Individual donations	91,207	-	91,207	50
Pledges and grants	168,325	78,567	246,892	190,810
Special events - net of related costs	74,335	-	74,335	-
United Way and other federated funds	-	119,766	119,766	120,953
Donations - in - kind	36,678	-	36,678	56,955
Investment income (loss)	164,344	(7,308)	157,036	22,976
Gain on sale of assets	20,218	-	20,218	-
Other income	99,099	-	99,099	-
Net assets released from restrictions	590,356	(590,356)	-	(249,568)
TOTAL REVENUE AND OTHER SUPPORT	4,002,448	(399,331)	3,603,117	85,221
EXPENSES				
Program services				
Membership	1,424,333	-	1,424,333	-
Camping	397,407	-	397,407	-
Girls programs	540,022	-	540,022	-
Product program	942,350	-	942,350	-
Adult training	300,453	-	300,453	-
Total program services	3,604,565	-	3,604,565	-
Support services				
Fundraising	195,048	-	195,048	-
Public relations	299,850	-	299,850	-
Administration	234,477	-	234,477	-
Total support services	729,375	-	729,375	-
TOTAL EXPENSES	4,333,940	-	4,333,940	-
CHANGE IN NET ASSETS	(331,492)	(399,331)	(730,823)	85,221
NET ASSETS - BEGINNING OF YEAR	13,372,822	1,333,494	14,706,316	1,248,273
NET ASSETS - END OF YEAR	\$ 13,041,330	\$ 934,163	\$ 13,975,493	\$ 1,333,494

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 Expenses	
	Membership	Camping	Girl Programs	Product Program	Adult Training	Program Expenses	Fundraising	Public Relations	Administrative	Support Services		
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.

Statement of Functional Expenses

For the Year Ended September 30, 2018

	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	\$ 703,034	\$ 138,075	\$ 284,877	\$ 333,044	\$ 155,460	\$ 1,614,490	\$ 127,401	\$ 135,413	\$ 60,960	\$ 323,774	\$ 1,938,264	
Payroll taxes	66,329	11,965	26,081	35,067	13,781	153,223	9,811	12,865	8,624	31,300	184,523	
Employee benefits	108,093	33,779	40,295	68,493	20,272	270,932	3,825	22,808	32,814	59,447	330,379	
Total salaries and related expenses	877,456	183,819	351,253	436,604	189,513	2,038,645	141,037	171,086	102,398	414,521	2,453,166	
Professional fees	36,979	22,440	24,222	26,065	15,230	124,936	-	8,150	11,592	19,742	144,678	
Supplies	29,776	59,120	20,168	224,008	9,701	342,773	24,106	3,826	3,594	31,526	374,299	
Telephone	34,680	13,592	13,656	25,498	7,803	95,229	300	7,744	10,308	18,352	113,581	
Postage	3,205	1,081	1,639	2,432	656	9,013	6,533	2,043	993	9,569	18,582	
Occupancy	92,700	51,466	64,144	73,357	23,925	305,592	1,000	19,901	29,521	50,422	356,014	
Equipment rental and maintenance	15,188	4,863	5,736	10,487	3,119	39,393	-	3,282	4,719	8,001	47,394	
Printing	-	1,800	1,814	14,717	986	19,317	13,699	46,841	1,492	62,032	81,349	
Travel	19,140	36,695	11,630	27,892	4,025	99,382	7,086	-	3,669	10,755	110,137	
Conferences	5,436	12,724	2,959	4,847	2,401	28,367	1,505	1,164	1,575	4,244	32,611	
Financial assistance	140,566	-	1,852	-	570	142,988	6,000	-	-	6,000	148,988	
Insurance	31,265	9,956	11,824	21,426	6,419	80,890	-	6,548	9,713	16,261	97,151	
Fees - various	12,121	41,202	4,503	10,798	2,144	70,768	936	2,187	3,244	6,367	77,135	
Bad debt expense	-	125	-	9,021	-	9,146	431	-	-	431	9,577	
Interest expense	28,053	8,933	10,595	19,220	5,760	72,561	-	5,875	8,715	14,590	87,151	
Miscellaneous expense	786	251	1,216	874	172	3,299	763	285	244	1,292	4,591	
Depreciation expense	157,865	50,622	59,623	108,195	32,414	408,719	-	33,062	49,045	82,107	490,826	
Total functional expenses	\$ 1,485,216	\$ 498,689	\$ 586,834	\$ 1,015,441	\$ 304,838	\$ 3,891,018	\$ 203,396	\$ 311,994	\$ 240,822	\$ 756,212	\$ 4,647,230	

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Statements of Cash Flows

For the Years Ended September 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (730,823)	\$ (894,337)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Bad debt expense	22,547	9,577
Depreciation	505,769	490,826
Realized gain on investments	(65,942)	(91,689)
Unrealized loss (gain) on investments	48,880	(52,515)
Changes in current assets and liabilities		
(Increase) decrease in accounts receivable	(23,558)	42,180
Decrease in pledges receivable - net	43,064	155,806
Decrease in grants receivable	10,250	29,868
Decrease in interest receivable	679	1,245
Decrease (increase) in inventories	13,436	(2,649)
(Increase) decrease in prepaid expenses	(14,051)	3,644
Increase (decrease) in accounts payable	23,596	(17,959)
Decrease in accrued expenses and other liabilities	(35,429)	(15,054)
Decrease in accrued salaries and wages	(37,426)	(2,154)
Decrease in deferred revenue	(12,579)	(3,270)
Net cash used in operating activities	(251,587)	(346,481)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(254,974)	(11,077)
Purchase of investments	(759,723)	(607,767)
Proceeds from sale of investments	696,222	824,482
Net cash (used in) provided by investing activities	(318,475)	205,638
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease obligation payments	(171,022)	(70,578)
New lease obligations	307,882	-
Payments on notes payable	(78,313)	(77,962)
Net cash provided by (used in) financing activities	58,547	(148,540)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(511,515)	(289,383)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,150,475	1,439,858
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 638,960	\$ 1,150,475
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Interest paid during the year	\$ 86,281	\$ 87,152
SUPPLEMENTAL DISCLOSURE OF NON - CASH FLOWS INFORMATION		
Donated goods and services	\$ 36,678	\$ 56,955

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

The Girl Scouts of the Chesapeake Bay Council, Inc. (the Council) is a participating council in the worldwide organization, Girl Scouts of the United States of America (GSUSA), dedicated to the development of girls' character, skills, and qualities that will serve them all of their lives. In an accepting and nurturing environment and in partnership with committed adults, girls build strong values, a social conscience, and conviction about their own potential and self-worth.

The Council operates four camps and supports nearly 8,000 girls in 14 counties between Delaware and the Eastern Shores of Maryland and Virginia. The Council operates from two resource centers one located in Salisbury, Maryland and the other in Newark, Delaware.

2. Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting. Whereas 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 receivable 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 \$32,991 and \$16,875 as of September 30, 2019 and 2018, respectively. Bad debt expense was \$22,547 and \$9,577 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018.

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>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 150,800	105,484
Receivable in one to five years	<u>100,000</u>	<u>200,000</u>
	250,800	305,484
Less: discounts at 5% per annum	<u>2,439</u>	<u>14,059</u>
Pledges receivable - net	<u>\$ 248,361</u>	<u>291,425</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, 2019 and 2018, the Council recognized in-kind donations and contributed services of \$36,678 and \$56,955, respectively, for various programs.

Additionally, approximately 3,198 and 3,463 volunteers donated their time to various programs during the years ended September 30, 2019 and 2018, respectively. No amounts have been reflected in the financial statements for this time inasmuch 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.

	<u>2019</u>	<u>2018</u>
Product program income	\$ 4,585,246	\$ 4,580,934
Less: related cost of sales	<u>2,192,369</u>	<u>2,274,277</u>
Product program revenue - net	<u>\$ 2,392,877</u>	<u>\$ 2,306,657</u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

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

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>2019</u>	<u>2018</u>
Retail store sales and services	\$ 251,536	\$ 294,568
Less: related cost of sales	<u>160,481</u>	<u>174,879</u>
Retail store sales and services- net	<u>\$ 91,055</u>	<u>\$ 119,689</u>

14. Advertising Expense

Advertising costs are charged to operations as incurred. Advertising expense for the years ended September 30, 2019 and 2018 was \$21,281 and \$29,720, respectively.

15. Fair Value Measurements

The Council adopted the Fair Value Measurements and Disclosures for assets and liabilities measured at fair value on a recurring basis. The standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. 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.

16. 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)

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.

19. 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 is effective for years beginning after December 15, 2021, with early adoption permitted. The Organization 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.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (topic 606). The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The amendments in the ASU are effective for annual periods beginning after December 15, 2018. The Organization is evaluating the effect this 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 and Implemented Accounting Pronouncement

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statement of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that are useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for annual periods beginning after December 15, 2017. ASU 2016-14 is to be applied retroactively with transition provisions.

Note B - Property and Equipment

Property and equipment consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 724,489	\$ 724,489
Buildings and improvements	13,053,664	13,012,354
Furniture and equipment	<u>1,617,308</u>	<u>1,541,803</u>
Total	15,395,461	15,278,646
Less: accumulated depreciation	<u>4,606,030</u>	<u>4,238,420</u>
Property and equipment - net	<u>\$ 10,789,431</u>	<u>\$ 11,040,226</u>

Depreciation expense was \$505,769 and \$490,826 for the years ended September 30, 2019 and 2018, respectively.

Furniture and equipment include assets recorded in accordance with capital lease arrangements in the amount of \$257,718 and \$184,213 as of September 30, 2019 and 2018, 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, 2019 and 2018:

	2019		2018	
	Cost	Market	Cost	Market
Level 1				
Short - term investments	\$ 309,776	\$ 309,776	\$ 179,459	\$ 179,459
US treasuries	632,649	641,946	606,276	577,194
Corporate bonds	418,139	421,235	538,603	523,382
Equities	1,577,341	2,043,546	1,502,842	2,019,827
ETF's and REIT's	95,748	97,490	97,353	93,401
Total level 1	3,033,653	3,513,993	2,924,533	3,393,263
Level 3				
Pooled investments in community foundations	572,125	783,702	572,125	823,869
Total	\$ 3,605,778	\$ 4,297,695	\$ 3,496,658	\$ 4,217,132

Investment income and its classification in the statements of activities is as follows for the years ended September 30, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 159,960	\$ 144,927
Realized gains	65,942	91,689
Unrealized (loss) gain	(48,880)	52,515
Investment fees	(19,986)	(21,048)
Total	\$ 157,036	\$ 268,083

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 - Net Assets

Net assets with donor restrictions consisted of the following as of September 30, 2019 and 2018:

	2019	2018
Specific program support	\$ 191,003	\$ 550,861
Endowment funds	743,160	782,633
Total net assets with donor restrictions	\$ 934,163	\$ 1,333,494

Net assets with donor restrictions were released for the following purposes during the years ended September 30, 2019 and 2018:

	2019	2018
Specific program support	\$ 590,356	\$ 249,568

Note E - 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. During the current 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, 2019 are as follows:

2020	\$	66,000
2021		66,000
2022		66,000
2023		66,000
2024		11,000
		275,000
Less: imputed interest		10,425
Present value of future minimum lease payments	\$	264,575

Interest expense recognized on the capital lease obligations totaled \$6,652 and \$9,718 for the year ended September 30, 2019 and 2018, respectively.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note F - Operating Capital Leases

The council leases office equipment under non-cancelable operating leases expiring through 2023. Under these leases, rent expense of \$15,252 and \$16,720 was included in occupancy and equipment rental and maintenance expense on the statement of functional expenses for the years ended September 30, 2019 and 2018, respectively.

Future minimum lease payments required under the operating lease obligations for the year ended September 30, 2019 are as follows:

2020	\$	15,996
2021		7,099
2022		744
2023		186
	\$	24,025

Note G - Notes Payable

Notes payable consisted of the following as of September 30, 2019 and 2018:

	2019	2018
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.	\$ 13,573	16,604
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.	13,573	16,604
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.	1,661,746	1,733,996
Total notes payable	1,688,892	1,767,204
Less: current portion	1,668,240	1,740,112
Notes payable - net of current portion	\$ 20,652	27,092

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note G - Notes Payable (Continued)

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

2020	\$	1,668,240
2021		6,892
2022		7,318
2023		6,442
	\$	<u>1,688,892</u>

The Council incurred \$79,629 and \$77,434 in interest expense on these obligations during the years ended September 30, 2019 and 2018, respectively.

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, 2019 and 2018, the Council was in violation of these covenants and, accordingly, the entire balance of the TD Bank loan is considered currently due.

Note H - Liquidity and Availability of Financial Assets

The following reflects the Organization'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:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 638,960	\$ 1,150,475
Accounts receivable	17,026	16,015
Grants receivable	88,359	98,609
Pledges receivable	150,800	105,484
Interest receivable	10,549	11,228
Investments	<u>4,297,695</u>	<u>4,217,132</u>
Total financial assets	5,203,389	5,598,943
Less amounts not available to be used within one year:		
Net assets with donor restrictions	934,163	1,333,494
Board designated endowment fund	<u>3,554,535</u>	<u>3,434,549</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 714,691</u>	<u>\$ 830,900</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:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 743,160	\$ 743,160
Board designated endowment funds	<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>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 782,633	\$ 782,633
Board designated endowment funds	<u>3,434,499</u>	<u>-</u>	<u>3,434,499</u>
Total endowment assets	<u>\$ 3,434,499</u>	<u>\$ 782,633</u>	<u>\$ 4,217,132</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, 2019 and 2018 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
As of September 30, 2017	\$ <u>3,530,085</u>	\$ <u>759,558</u>	\$ <u>4,289,643</u>
Investment return			
Investment income - net	112,651	-	112,651
Unrealized and realized gains - net	<u>121,179</u>	<u>23,025</u>	<u>144,204</u>
Total investment return - net	233,830	23,025	256,855
Contributions and transfers in	-	50	50
Other changes	<u>(329,416)</u>	<u>-</u>	<u>(329,416)</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 out	-	(32,165)	(32,165)
Other changes	<u>(44,308)</u>	<u>-</u>	<u>(44,308)</u>
As of September 30, 2019	\$ <u><u>3,554,535</u></u>	\$ <u><u>743,160</u></u>	\$ <u><u>4,297,695</u></u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note J - Retirement Plans

1. Pension Plan

The Council participates in the multi-employer defined benefit pension plan (the Plan) sponsored by The Girl Scouts of the USA (GSUSA). In April 2011, the Plan was amended by GSUSA to cease accruals as of December 31, 2011. Additionally, the plan would no longer allow new employees to participate in the Plan. Accrued and vested benefits are based on years of service and salary levels. Contributions to the Plan are made based upon payment schedules provided by the actuaries of the Plan.

As of January 1, 2019, the net plan assets available for plan benefits continued to be less than the actuarial present value of accumulated plan benefits. In April 2014, the Plan was given conditional approval by the Internal Revenue Service (IRS), provided they could maintain a \$30,000,000 minimum funding each year beginning with the January 1, 2013 calendar year. Subsequently, in October 2014, the Plan elected to adopt the Cooperative and Small Employer Charity Pension Flexibility Act. This relief package provides minimum funding flexibility to the Plan and provides relief from the provisions of the Pension Protection Act of 2006.

The Plan implemented a funding improvement plan. Plan assets are maintained and invested in accordance with the investment policies established by the GSUSA. Under this plan, the aggregate amount of annual contributions to the Plan are expected to be a minimum of \$32,500,000. Actual aggregate contributions made to the Plan by all councils in 2019 and 2018 were \$32,052,786 and \$35,502,670, respectively. For the years ending September 30, 2019 and 2018, the Council made contributions into the Plan of \$210,564 and \$205,410, respectively.

As of January 1, 2019 (as calculated under ASC 960), the Plan reflected net assets available for Plan benefits of \$405,253,952 and the actuarial net present value of accumulated Plan benefits was estimated to be \$524,720,461.

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, 2019 and 2018 was \$23,252 and \$20,460, respectively.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note K - Commitments and Contingencies

The Council is subject to various claims and legal proceedings 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 L - 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 for the year ended September 30, 2019.

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 M - Subsequent Events

The Council has evaluated its financial statements for subsequent events through November 25, 2019, the date on which the financial statements were available to be issued.