

**GIRL SCOUTS OF  
CALIFORNIA'S CENTRAL COAST  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

# **GIRL SCOUTS OF CALIFORNIA’S CENTRAL COAST**

September 30, 2019 and 2018

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Girl Scouts of California's Central Coast  
Ventura, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Girl Scouts of California's Central Coast (a non-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, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the Girl Scouts of California's Central Coast as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*McGowan Guntermann*

Santa Barbara, California

March 12, 2020

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## STATEMENTS OF FINANCIAL POSITION

September 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,217,083	\$ 3,503,379
Accounts receivable (Note 2)	12,888	28,475
Contributions receivable	16,382	9,871
Inventory	53,169	-
Prepaid expenses	70,003	60,548
Total Current Assets	3,369,525	3,602,273
OTHER ASSETS		
Investments (Note 3)	1,343,541	1,360,620
Beneficial interest in assets held at Community Foundation (Note 4)	84,919	89,504
Property and equipment - net (Note 5)	1,979,262	1,605,983
Deposits	45,565	14,565
TOTAL ASSETS	<u>\$ 6,822,812</u>	<u>\$ 6,672,945</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 109,621	\$ 103,132
Accrued compensation	139,780	138,233
Deferred revenue	21,027	79,452
Current portion of capital lease obligation	5,545	10,740
Custodial funds	924	6,894
Total Current Liabilities	276,897	338,451
LONG-TERM LIABILITIES		
Deposits	7,648	7,648
Capital lease obligation, net of current portion	-	5,545
Total Long-Term Liabilities	7,648	13,193
TOTAL LIABILITIES	284,545	351,644
NET ASSETS		
Without Donor Restrictions	6,207,693	5,613,721
With Donor Restrictions (Note 8 and 16)	330,574	707,580
TOTAL NET ASSETS	6,538,267	6,321,301
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,822,812</u>	<u>\$ 6,672,945</u>

The accompanying notes are an integral part of these financial statements.

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## 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	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT						
Cookie sales, net (Note 13)	\$ 3,601,517	\$ -	\$ 3,601,517	\$ 3,586,052	\$ -	\$ 3,586,052
Contributions and grants	169,514	399,268	568,782	164,099	323,682	487,781
Girl Scout program revenue	226,158	-	226,158	176,573	-	176,573
Nut sales, net (Note 13)	273,243	-	273,243	280,497	-	280,497
Rental income	151,047	-	151,047	185,500	-	185,500
United Way	6,468	-	6,468	4,022	-	4,022
Special events, net of \$563 and \$6,256 in expenses for 2019 and 2018, respectively	3,807	-	3,807	23,758	-	23,758
Investment income, net (Note 3)	(1,957)	-	(1,957)	184,587	-	184,587
In-kind contributions (Note 2)	14,382	-	14,382	52,201	-	52,201
Merchandise sales, net (Note 13)	65,664	-	65,664	69,118	-	69,118
Change in value of beneficial interest in assets held at Community Foundation (Note 4)	-	(4,585)	(4,585)	-	721	721
Loss on sale of assets	-	-	-	(379)	-	(379)
Other income	(333)	-	(333)	6,050	-	6,050
Net assets released from restrictions	771,689	(771,689)	-	212,516	(212,516)	-
Total Revenue, Gains and Other Support	5,281,199	(377,006)	4,904,193	4,944,594	111,887	5,056,481
EXPENSES						
Program services	3,780,192	-	3,780,192	3,735,947	-	3,735,947
Support services						
Management and general	437,296	-	437,296	375,353	-	375,353
Fundraising	469,739	-	469,739	416,381	-	416,381
Total Support Services	907,035	-	907,035	791,734	-	791,734
Total Expenses	4,687,227	-	4,687,227	4,527,681	-	4,527,681
CHANGES IN NET ASSETS	593,972	(377,006)	216,966	416,913	111,887	528,800
NET ASSETS, BEGINNING OF YEAR	5,613,721	707,580	6,321,301	5,196,808	595,693	5,792,501
NET ASSETS, END OF YEAR	\$ 6,207,693	\$ 330,574	\$ 6,538,267	\$ 5,613,721	\$ 707,580	\$ 6,321,301

The accompanying notes are an integral part of these financial statements.

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## SCHEDULES OF FUNCTIONAL EXPENSES For the Years Ended September 30, 2019 and 2018

	2019			2018		
	Program Services	Support Services		Program Services	Support Services	
		Management and General	Fundraising		Management and General	Fundraising
EXPENSES			Total			Total
Salaries and wages	\$ 1,751,705	\$ 224,072	\$ 201,297	\$ 1,858,780	\$ 212,568	\$ 170,293
Payroll taxes	424,347	22,677	20,372	159,259	20,931	19,376
Employee benefits	177,281	54,281	48,764	410,484	35,541	53,766
Recruiting	1,105	141	127	1,766	131	196
Total Salaries and Related Expenses	2,354,438	301,171	270,560	2,430,289	269,171	243,631
Girl Scout program expenses						
Staff development	361,590	-	-	241,013	12	3,714
Fundraising	66,437	8,498	7,635	67,973	5,007	7,567
Printing, publications and supplies	-	-	76,890	2,555	189	57,882
Postage and mailings	45,829	5,862	5,266	55,831	2,900	4,781
Travel and transportation	10,245	1,311	1,177	9,209	3,653	708
Advertising	97,217	12,436	11,172	84,138	7,787	8,684
Facility and occupancy	27,257	3,487	3,132	34,681	2,431	3,647
Information technology and communication	303,387	38,808	34,864	290,405	17,762	26,297
Equipment maintenance and repairs	218,259	27,919	25,081	231,506	17,557	26,982
Insurance	49,942	6,388	5,739	22,028	1,321	2,133
Audit, legal and professional fees	60,224	7,704	6,921	35,449	32,334	3,939
Administration fees	25,443	3,255	2,924	30,704	2,255	3,383
Bank fees and interest	-	-	-	19,424	344	515
Depreciation	23,220	2,970	2,668	10,560	208	3,597
Bad debt	125,133	16,007	14,380	124,450	9,219	13,828
In-kind expense	-	-	-	1,633	78	116
	11,571	1,480	1,330	44,099	3,125	4,977
Total Expenses	\$ 3,780,192	\$ 437,296	\$ 469,739	\$ 3,735,947	\$ 375,353	\$ 416,381
			\$ 4,687,227			\$ 4,527,681

The accompanying notes are an integral part of these schedules.

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 216,966	\$ 528,800
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of beneficial interest in assets held at Community Foundation	4,585	(721)
Depreciation and amortization	155,519	147,497
Loss (gain) on investments	41,495	(153,610)
Loss on disposition of assets	-	379
Allowance for bad debts	7,000	(16)
Changes in:		
Accounts receivable	8,587	(940)
Contributions receivable	(6,511)	(9,871)
Inventory	(53,169)	-
Prepaid expenses	(9,455)	12,715
Deposits	(31,000)	4,052
Accounts payable and accrued expenses	6,489	43,075
Accrued compensation	1,547	(98,123)
Deferred revenue	(58,425)	56,699
Custodial funds	<u>(5,970)</u>	<u>6,230</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>277,658</u>	<u>536,166</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(528,798)	(115,236)
Purchases of investments	(74,416)	(64,971)
Proceeds from sale of investments	<u>50,000</u>	<u>50,837</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(553,214)</u>	<u>(129,370)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligation	<u>(10,740)</u>	<u>(10,740)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(10,740)</u>	<u>(10,740)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(286,296)	396,056
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,503,379</u>	<u>3,107,323</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,217,083</u>	<u>\$ 3,503,379</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid on capital lease	\$ 5,922	\$ 1,326

The accompanying notes are an integral part of these financial statements.



# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - ORGANIZATION

Effective October 1, 2007, Girl Scouts of Monterey Bay and Tres Condados Girl Scouts Council, Inc. merged and formed a combined entity, Girl Scouts of California's Central Coast (the Council). The pooling of interests method was used to account for the merger. Girl Scouts of Monterey Bay was the surviving entity and filed for a name change with the State of California. The Council operates in the Monterey, Santa Cruz, San Benito, Santa Barbara, San Luis Obispo and Ventura counties of California. The purpose of Girl Scouting is to build girls of courage, confidence, and character, who make the world a better place. The Council is supported by donations from the general public, funds raised by various events and activities, including the annual Girl Scout cookie program, and designations received through United Way.

### Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting and presentation** – The financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the related liabilities are incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**New Accounting Pronouncements** - During 2019, the Council adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet (statement of financial position) date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Due to the adoption of ASU 2016-14 as of September 30, 2019, net assets have been reclassified as of September 30, 2017 as follows:

Net Asset Classification 9/30/2017	ASU 2016-14 Classifications		Total <u>Net Assets</u>
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	
Unrestricted	\$ 5,196,808	\$ -	\$ 5,196,808
Temporarily Restricted	-	506,910	506,910
Permanently Restricted	-	88,783	88,783
Net Assets as previously presented	5,196,808	595,693	5,792,501
Net assets as reported after adoption of ASU 2016-14	<u>\$ 5,196,808</u>	<u>\$ 595,693</u>	<u>\$ 5,792,501</u>

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### **Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of estimates** – Preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses and to disclose any material contingent amounts. Accordingly, actual results could differ from such estimates.

Significant estimates used in the preparation of these financial statements include allocation of certain expenses by function, fair market value of certain investments, and depreciable lives of property and equipment.

**Cash and cash equivalents** – Cash and cash equivalents include demand deposit accounts, money market accounts and cash on hand. Cash and cash equivalents does not include bank accounts held by Girl Scout troops and other groups such as service units, committees and volunteer-led camps under the federal identification number of the Council.

Cash held in troops and groups operate under the Council's federal identification number but not under the control of the Council. The Council will not access the funds as long as a troop or group is functioning according to Girl Scout policy and procedure. Individual troops and groups have the responsibility to use funds in their control for the purposes of Girl Scouting as determined by the members and adult volunteers. Annually, troops and groups are required to report to the Council the balance in their accounts and the sources and uses of funds since the last reporting date.

**Accounts receivable** – Accounts receivable are expected to be collected within one year. Allowance for uncollectible accounts is based on management's judgment and prior collection experience. The allowance for uncollectible accounts was \$10,000 and \$3,000 as of September 30, 2019 and 2018, respectively.

**Contributions receivable** – Contributions receivable consists primarily of pledges to give and grants receivable. No allowance has been recorded since the Council expects all amounts to be fully collectible. All contributions are expected to be collected within one year.

**Inventory** – Merchandise held for sale consists of retail goods, primarily Girl Scout program components, which are carried at the lower of cost or market. Cost is determined on the first-in, first-out method. During the year ended September 30, 2019, the Council approved the re-opening of a retail location located in Thousand Oaks, California. The council previously operated two retail stores that closed during the year ended September 30, 2017.

**Investments** – Investments are measured at fair value in the statements of financial position. The fair values are based on quoted market prices. Gains and losses on disposition of investments are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statements of activities and changes in net assets.

**Property and equipment** – Property and equipment are recorded at cost if purchased and at estimated fair market value if donated. All property and equipment greater than \$5,000 are capitalized. Major improvements are capitalized; maintenance and repairs which do not extend the useful life of the respective assets are expensed. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years.

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### **Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Custodial funds** – Custodial funds represent deposits received by the Council from various Girl Scout troops for membership registration fees that are forwarded to Girl Scouts of the U.S.A. (GSUSA).

**Financial instruments** – Financial instruments included in the Council's statements of financial position include cash and cash equivalents, accounts receivable, contributions receivable, investments, beneficial interest in assets held at Community Foundation, accounts payable and accrued expenses, accrued compensation, and custodial funds. The carrying amounts represent a reasonable estimate of the corresponding fair values. Investments and beneficial interest in assets held at Community Foundation are reflected in the accompanying statements of financial position at their estimated fair values using methodologies described below.

**Fair value measurements** – Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Council considers the principal or most advantageous market in which it would transact, and considers assumptions that market participants would use when pricing the asset or liability.

The three-level hierarchy for fair value measurements is defined as follows.

**Level 1** – Valuation is based on observable inputs using quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

**Level 2** – Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not active or valuation methods using models, interest rates and yield curves as observable inputs.

**Level 3** – Valuation is based on unobservable inputs for the assets, reflecting the Council's consideration about the assumptions that a market participant would use in pricing the asset or liability, to the extent that observable inputs (Levels 1 and 2) are not available. Level 3 assets and liabilities include situations where there is little or no market activity for the asset or liabilities, and significant management judgment or estimates are required.

Investments are classified as Level 1 because they are valued using quoted prices in active markets. Beneficial interest in assets held at Community Foundation are classified as Level 2 because the Council records the values based on the statements received from the Community Foundation, and the assets invested by the Community Foundation are held in active markets.

While the Council believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets and liabilities existed, or had such assets and liabilities been liquidated, and these differences could be material to the financial statements.

# **GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST**

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Donated services** – The Council records various types of donated services. Donated services are recognized at fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated supplies are recorded if they would typically need to be purchased if not provided by donation. In-kind donations that meet the above criteria are recorded as contributions at the approximate fair market value at the time of donation. The value of these donated services and supplies that are included in the financial statements as in-kind contributions and expenses for the year ended September 30, 2018 was \$1,920. There were no in-kind services that met the above criteria for the year ended September 30, 2019.

**Functional expenses** – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the schedules of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

#### **Revenue recognition**

***Program fees*** – Program fees consist of camp and event fees and other related programs for girls that are held throughout the year to develop a sense of accomplishment and increase self-confidence and leadership skills. Revenue from program fees is recorded when earned.

***Product sales*** – Girl Scout product sale activities help girls learn invaluable skills such as goal-setting, decision-making, money management and delivering on a promise. Each troop or group that sells products earns money for its treasury and plans how to spend that money to achieve its goals. The Council's share of proceeds from the product sale activities helps to provide the financial assistance needed to make Girl Scouting available for all girls, to fund camp and program activities, to keep event/camp fees for all members to a minimum, to improve and maintain camp and other activity sites, to recruit and train volunteer leaders, and to pay Council operating expenses. Revenue is recognized once delivery of products has occurred, the price is fixed or determinable, and collectability is reasonably assured.

***Merchandise sales*** – Merchandise sales consisted primarily of sales of Girl Scouts-related equipment and supplies. Sales occurred primarily at the Council's retail stores and via an on-line store. Proceeds from merchandise sales helped to cover the cost of maintaining the Council retail stores as a service to members. Revenue was recognized at the time of the sale. Merchandise sales processed through the on-line store are recorded at net proceeds as received from GSUSA, less all GSUSA's costs associated with the sales.

***Rental income*** – Rental income consists primarily of rental fees earned from renting out camp facilities to troops and nonprofit organizations when not in use and rental of one office building on an annual basis. Revenue is recognized as the rental period occurs.

***Shipping and handling costs*** – Freight billed to customers is considered sales revenue and the related freight costs are included as a cost of sales.

**Advertising costs** – Advertising costs are expensed as incurred.

**Reclassifications** – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At September 30, 2019, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash held for investment	\$ 135,305	\$ 135,305	\$ -
Equities	739,887	1,109,149	369,262
Fixed income	<u>85,578</u>	<u>99,087</u>	<u>13,509</u>
Total	<u>\$ 960,770</u>	<u>\$ 1,343,541</u>	<u>\$ 382,771</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 960,770	\$ 1,343,541	\$ 382,771
Balance at beginning of the year	908,169	1,360,620	<u>452,451</u>
Net change in unrealized gain			<u>\$ ( 69,680)</u>

At September 30, 2018, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash held for investment	\$ 149,664	\$ 149,664	\$ -
Equities	657,574	1,096,396	438,822
Fixed income	<u>100,931</u>	<u>114,560</u>	<u>13,629</u>
Total	<u>\$ 908,169</u>	<u>\$ 1,360,620</u>	<u>\$ 452,451</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 908,169	\$ 1,360,620	\$ 452,451
Balance at beginning of the year	889,906	1,192,876	<u>302,970</u>
Net change in unrealized gain			<u>\$ 149,481</u>

Investment income consisted of the following at September 30,

	<u>2019</u>	<u>2018</u>
Unrealized gains (losses)	\$ (69,680)	\$ 149,481
Change in value of beneficial interest	(4,585)	721
Interest and dividends	55,912	47,373
Net realized gains	32,770	3,408
Net investment fees	<u>(16,374)</u>	<u>(16,396)</u>
	<u>\$ (1,957)</u>	<u>\$ 184,587</u>

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following tables present assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at year end.

At September 30, 2019, assets and liabilities are recognized as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held for investment	\$ 135,305	\$ -	\$ -	\$ 135,305
Equities				
Large Growth	347,713	-	-	347,713
Large Blend	370,712	-	-	370,712
Large Value	160,719	-	-	160,719
Mid Blend	170,841	-	-	170,841
Mid Value	<u>59,164</u>	<u>-</u>	<u>-</u>	<u>59,164</u>
Total Equities	1,109,149	-	-	1,109,149
Fixed income				
Corporate or Government	<u>99,087</u>	<u>-</u>	<u>-</u>	<u>99,087</u>
Total Fixed income	99,087	-	-	99,087
Other	<u>-</u>	<u>84,919</u>	<u>-</u>	<u>84,919</u>
Total assets measured at fair value	<u>\$ 1,343,541</u>	<u>\$ 84,919</u>	<u>\$ -</u>	<u>\$ 1,428,460</u>

At September 30, 2018, assets and liabilities are recognized as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held for investment	\$ 149,664	\$ -	\$ -	\$ 149,664
Equities				
Large Growth	446,161	-	-	446,161
Large Blend	309,407	-	-	309,407
Large Value	141,502	-	-	141,502
Mid Blend	168,859	-	-	168,859
Mid Value	<u>30,467</u>	<u>-</u>	<u>-</u>	<u>30,467</u>
Total Equities	1,096,396	-	-	1,096,396
Fixed income				
Corporate or Government	<u>114,560</u>	<u>-</u>	<u>-</u>	<u>114,560</u>
Total Fixed income	114,560	-	-	114,560
Other	<u>-</u>	<u>89,504</u>	<u>-</u>	<u>89,504</u>
Total assets measured at fair value	<u>\$ 1,360,620</u>	<u>\$ 89,504</u>	<u>\$ -</u>	<u>\$ 1,450,124</u>

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### **Note 4 - BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FOUNDATION AND FAIR VALUE DISCLOSURES**

The Council has established an agency endowment fund with the Community Foundation in Monterey County, for the benefit of the Council. The Council granted variance power to the Community Foundation, thus the Community Foundation has full authority and discretion as to the investment and reinvestment of the assets.

The following tables present the fair value of a beneficial interest in assets held at Community Foundation in Monterey County on the accompanying statements of financial position, as of September 30, by fair value hierarchy.

	<u><b>2019</b></u> <u><b>(Level 2)</b></u>	<u><b>2018</b></u> <u><b>(Level 2)</b></u>
Beneficial interest in assets held at the Community Foundation in Monterey County	\$ 84,919	\$ 89,504

In addition, the Council is designated as the beneficiary agency of the Frank F. and Zoe Ann Orr fund that was established at the Community Foundation of Santa Cruz County. During the year ended September 30, 2018, the Council received \$13,981 in beneficiary payouts from this fund. No payouts were received during the year ended September 30, 2019. The Council does not have variance power, thus this fund balance is not included in the accompanying financial statements.

The Council is also designated as the beneficiary agency of a fund that was established at the Community Foundation of San Benito County. During the years ended September 30, 2019 and 2018, the Council received no beneficiary payouts from this fund. Because the Council does not have variance power this fund balance is not included in the financial statements.

### **Note 5 - PROPERTY AND EQUIPMENT**

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

	<u><b>2019</b></u>	<u><b>2018</b></u>
Land and improvements	\$ 841,026	\$ 811,301
Buildings and improvements	3,102,805	2,605,369
Furniture and equipment	397,594	351,480
Vehicles	158,903	111,013
Leasehold improvements	37,126	37,126
Construction in progress	<u>-</u>	<u>92,368</u>
	4,537,454	4,008,657
Accumulated depreciation	<u>(2,558,192)</u>	<u>(2,402,674)</u>
	<u><u>\$ 1,979,262</u></u>	<u><u>\$ 1,605,983</u></u>



# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### **Note 6 – LINE OF CREDIT**

The Council has an unsecured operating line of credit of \$500,000. The line of credit expires February 10, 2022. The Council had no balance outstanding as of September 30, 2019 and 2018.

### **Note 7 - INCOME TAXES**

The Council is exempt from federal and state taxes on income under Internal Revenue Code section 501(c)(3) and similar provisions of the California Revenue and Taxation Act.

The Council has adopted the provisions related to accounting for uncertainty in income taxes, which defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Council's management has considered its tax positions and believes that all of the positions taken by the Council in its federal and state tax returns are more likely than not to be sustained upon examination. The Council files tax returns in the U.S. federal and California jurisdictions. With few exceptions, the Council is no longer subject to federal and state tax examinations by tax authorities for years ended before September 30, 2015 and 2014, respectively.

### **Note 8 – ENDOWMENT FUNDS**

The Council has an agency endowment fund at the Community Foundation of Monterey County. The fund is owned and administered by the Community Foundation and is 100% restricted by the Foundation. Under the terms of the agency endowment agreement, the Council receives either the net income or an annual payout from the agency endowment as determined by the Community Foundation.

During the years ended September 30, 2019 and 2018, endowment net asset activity consisted of the following:

<b>Endowment net assets, September 30, 2017</b>	\$ 88,783
Change in value of assets held	4,485
Distribution of assets	<u>(3,764)</u>
<b>Endowment net assets, September 30, 2018</b>	89,504
Change in value of assets held	(741)
Distribution of assets	<u>(3,844)</u>
 <b>Endowment net assets, September 30, 2019</b>	 <u><u>\$ 84,919</u></u>

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Council has interpreted the California adopted Universal Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classified 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. The donor-restricted endowments currently have no earnings other than value changes, so there are no unappropriated amounts included in net assets with donor restrictions.

The Council has not yet adopted investment and spending policies for endowment assets.



# **GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST**

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 9 - RETIREMENT PLAN**

The council participates in the National Girl Scout Council Retirement Plan (NGSCRCP), a noncontributory defined benefit pension plan sponsored by GSUSA. The National Board of GSUSA 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, 2017. 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. Aggregate annual contributions made in fiscal years 2018 and 2019 were \$32.4 million and \$32.2 million, respectively. Aggregate contributions in fiscal 2020 are expected to continue to exceed \$32 million.

The Council made contributions into the Plan of \$220,330 and \$226,656 during the years ended September 30, 2019 and 2018, respectively. These contributions represented approximately 0.70% of total contributions into the Plan.

### **Note 10 - OPERATING LEASES**

The Council leases office space in Ventura, California, under a non-cancelable operating lease. Monthly lease payments are \$11,343. The lease expires in June 2022.

The Council leases office space in Goleta, California, under a non-cancelable operating lease. Monthly lease payments are \$1,213. The lease expired December 31, 2017 and was converted to a month-to-month cancelable lease.

The Council leases office space in Santa Maria, California, under a non-cancelable operating lease. Monthly lease payments are \$540. The lease expired January 31, 2016 and was converted to a month-to-month cancelable lease.

The Council entered into a five-year non-cancelable operating lease in San Luis Obispo, CA, beginning May 1, 2019. Monthly lease payments are \$5,875. The lease expires April 30, 2024.

The Council leases equipment under an operating lease which runs through May 30, 2022. The agreement presently calls for monthly rental payments of \$3,064.

Rent expenses totaled \$226,088 and \$211,616 for the years ended September 30, 2019 and 2018, respectively.

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### Note 10 - OPERATING LEASES (continued)

Future obligations to pay under the operating lease agreements for the years ending September 30 are as follows:

2020	\$ 252,334
2021	243,384
2022	197,099
2023	70,500
2024	<u>41,125</u>
Total	<u>\$ 804,442</u>

### Note 11 – CAPITAL LEASE

During the prior year, the Council entered into a capital lease agreement to finance the purchase of copier equipment. The lease requires monthly payments of \$895 with an effective interest rate of 6.0%, ending June 2020. As of September 30, 2019, the principal amount due is \$5,545 and capital lease assets total \$31,415. Depreciation was charged in the current year to expense in the amount of \$9,666. Interest expense for the year ended September 30, 2019, was \$682.

Future obligations to pay under the capital lease agreement, including interest, for the year ending September 30, 2020, is \$5,545.

### Note 12 - LEASING ACTIVITIES

The Council leases office space in Santa Barbara, California to a tenant under a noncancelable operating lease agreement through March 2021. Lease payments are payable monthly and are increased annually, at 1.5% per year. Amounts expected to be received through September 30, are as follows:

2020	\$ 96,682
2021	<u>48,701</u>
	<u>\$ 145,383</u>

### Note 13 – PROGRAM RELATED SALES

The gross revenue and expenses of the program related product and merchandise sales for the years ended September 30, 2019 and 2018, are as follows:

	<u>2019</u>			<u>2018</u>		
	Cookie sales	Nut sales	Merchandise sales	Cookie sales	Nut sales	Merchandise sales
Gross Revenue	\$ 6,483,679	\$762,725	\$ 89,393	\$ 6,364,356	\$614,992	\$ 69,118
Troop Proceeds	(1,572,528)	(137,558)	-	(1,180,378)	(150,217)	-
Direct Costs	<u>(1,309,634)</u>	<u>(351,924)</u>	<u>(23,729)</u>	<u>(1,597,926)</u>	<u>(184,278)</u>	<u>-</u>
Cookie, nut and merchandise sales, net	<u>\$ 3,601,517</u>	<u>\$ 273,243</u>	<u>\$ 65,664</u>	<u>\$ 3,586,052</u>	<u>\$ 280,497</u>	<u>\$ 69,118</u>

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### **Note 14 - RELATED PARTY TRANSACTIONS**

The Council is a member of GSUSA. The council purchases GSUSA branded merchandise offered for sale, branded merchandise offered as incentives for product program sales, software and technical services for the year ended September 30, 2019 and 2018. Payments totaled approximately \$129,158 and \$89,414 for the years ended September 30, 2019 and 2018, respectively.

The Council collects membership fees on behalf of GSUSA from the Girl Scout troops. Total remittance to GSUSA of \$98,273 and \$78,645 were made for the years ended September 30, 2019 and 2018, respectively. No amounts were due to GSUSA for membership fees, at September 30, 2019 and 2018.

### **Note 15 – CONCENTRATIONS AND RISKS**

#### Concentrations

The Council generates revenue predominantly through Girl Scout Cookie sales. For the years ended September 30, 2019 and 2018, respectively, net cookie sales comprised 73% and 71% of the Council's revenue. In the event that cookie sales significantly decrease, operations could be affected.

#### Credit Risk

The Council maintains cash balances at banks insured by the Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit at any one institution. The Council had uninsured cash of \$2,601,930 at September 30, 2019.

### **Note 16 - NET ASSETS**

Net assets with donor restrictions consist of contributions that specify a particular use or the occurrence of a certain future event. Such contributions are recorded as net assets with donor restrictions until the purpose of the restrictions are met. When the purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

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

	<u>2019</u>	<u>2018</u>
Community collaborations	\$ -	\$ 100,307
Capital improvements	61,225	399,677
Camp Arnaz fund	184,430	118,092
Endowment	<u>84,919</u>	<u>89,504</u>
	<u>\$ 330,574</u>	<u>\$ 707,580</u>

### **Note 17 - LIQUIDITY**

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

# GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

## NOTES TO FINANCIAL STATEMENTS

### Note 17 – LIQUIDITY (continued)

Financial assets available to meet cash needs for general expenditures within one year as of September 30, 2019:

Current assets	
Cash and cash equivalents available within one year	\$ 3,217,083
Accounts and contributions receivable	29,270
Other current assets	<u>123,172</u>
Total Current Assets	<u>3,369,525</u>
Investments	1,343,541
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	
With donor restrictions	<u>(84,919)</u>
Total Investments	<u>1,258,622</u>
Current liabilities	<u>(276,897)</u>
Financial assets available to meet cash needs for general expenditures within one year as of September 30, 2019	<u><u>\$ 4,351,250</u></u>

### Note 18 – SUBSEQUENT EVENTS

Subsequent to year end, on July 1, 2019, the Council entered into a lease agreement for a property in the City of San Luis Obispo. The lease is for a period of five years, terminating on June 30, 2024. The rent starts at \$6,088 per month and increases each year, with the final year's monthly rent of \$6,853.

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through March 12, 2020, the date the financial statements were available for issuance.