

GIRL SCOUTS OF OREGON
AND SOUTHWEST WASHINGTON, INC.

Audited Financial Statements

For the Year Ended September 30, 2019



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girl Scouts of Oregon and Southwest Washington

We have audited the accompanying financial statements of Girl Scouts of Oregon and Southwest Washington (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Oregon and Southwest Washington as of September 30, 2019, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Girl Scouts of Oregon and Southwest Washington's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
February 12, 2020

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON
STATEMENT OF FINANCIAL POSITION
September 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 3,212,658	\$ 3,200,321
Accounts receivable, net	25,904	34,935
Contributions receivable, net	78,252	30,065
Inventory	325,144	318,115
Prepaid expenses	176,994	162,435
Investments	6,193,775	5,861,622
Beneficial interest in perpetual trusts	718,821	748,879
Property and equipment, net	8,707,501	8,633,254
 TOTAL ASSETS	 \$19,439,049	 \$ 18,989,626
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 546,035	\$ 423,487
Accrued payroll and related expenses	348,404	337,340
Deferred revenue	42,401	30,857
Total liabilities	936,840	791,684
Net assets:		
Without donor restrictions:		
Undesignated	2,578,514	2,782,196
Board designated investment reserve	5,134,440	4,858,007
Board designated endowment	218,555	210,166
Net investment in property and equipment	8,692,394	8,617,537
Total net assets without donor restrictions	16,623,903	16,467,906
With donor restrictions:		
Net assets with expiring restrictions	369,459	239,329
Net assets with perpetual restrictions	1,508,847	1,490,707
Total net assets with donor restrictions	1,878,306	1,730,036
Total net assets	18,502,209	18,197,942
 TOTAL LIABILITIES AND NET ASSETS	 \$19,439,049	 \$ 18,989,626

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

(With comparative totals for 2018)

	2019			Total	2018 Total
	Without Donor Restrictions	With Donor Restrictions Expiring	Perpetual		
Public support and revenue:					
Grants and contributions	\$ 155,018	\$ 603,971	\$ 48,198	\$ 807,187	\$ 730,236
United Way	52,317	-	-	52,317	40,856
Bequests	33,984	-	-	33,984	57,137
Product sales	11,873,531	-	-	11,873,531	11,743,262
Less: cost of sales	(5,172,505)	-	-	(5,172,505)	(5,075,442)
Net proceeds from product sales	6,701,026	-	-	6,701,026	6,667,820
Program fees	820,703	-	-	820,703	768,033
Rental income	174,351	-	-	174,351	147,042
Other income	104,480	-	-	104,480	105,820
Net assets released from restrictions and other transfers	504,362	(504,362)	-	-	-
Total public support and revenue	8,546,241	99,609	48,198	8,694,048	8,516,944
Operating expenses:					
Program services	7,032,741	-	-	7,032,741	7,076,653
Management and general	881,555	-	-	881,555	842,980
Fundraising	515,871	-	-	515,871	544,718
Total operating expenses	8,430,167	-	-	8,430,167	8,464,351
Operating income	116,074	99,609	48,198	263,881	52,593

Continued

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON

STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

(With comparative totals for 2018)

	2019			Total	2018 Total
	Without Donor Restrictions	With Donor Expiring	Restrictions Perpetual		
Operating income					
<i>Brought forward</i>	<u>116,074</u>	<u>99,609</u>	<u>48,198</u>	<u>263,881</u>	<u>52,593</u>
Non-operating activities:					
Investment activity:					
Investment earnings, net	284,947	30,521	-	315,468	304,522
Change in value of beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>(30,058)</u>	<u>(30,058)</u>	<u>1,151</u>
Total investment activity	284,947	30,521	(30,058)	285,410	305,673
Gain (loss) on disposal of property and equipment	1,650	-	-	1,650	(342)
Frozen defined benefit plan contributions - Board approved	(155,628)	-	-	(155,628)	(155,837)
Membership advertising campaign - Board approved	<u>(91,046)</u>	<u>-</u>	<u>-</u>	<u>(91,046)</u>	<u>-</u>
Total non-operating activities	<u>39,923</u>	<u>30,521</u>	<u>(30,058)</u>	<u>40,386</u>	<u>149,494</u>
Change in net assets	155,997	130,130	18,140	304,267	202,087
Net assets:					
Beginning of year	<u>16,467,906</u>	<u>239,329</u>	<u>1,490,707</u>	<u>18,197,942</u>	<u>17,995,855</u>
End of year	<u>\$ 16,623,903</u>	<u>\$ 369,459</u>	<u>\$ 1,508,847</u>	<u>\$ 18,502,209</u>	<u>\$ 18,197,942</u> <i>Concluded</i>

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
For the years ended September 30, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and related costs	\$ 4,245,917	\$ 737,690	\$ 459,930	\$ 5,443,537	\$ 4,154,058	\$ 690,938	\$ 491,861	\$ 5,336,857
Occupancy	375,133	11,619	6,140	392,892	419,379	3,042	3,474	425,895
Insurance	116,687	13,437	769	130,893	110,950	13,372	743	125,065
Travel, training and conference	227,595	18,929	5,181	251,705	244,374	16,649	8,912	269,935
Telephone	68,895	8,920	633	78,448	78,295	2,006	969	81,270
Printing	180,140	11,909	12,806	204,855	107,654	2,761	14,703	125,118
Supplies	215,293	1,877	28,932	246,102	253,744	3,676	22,286	279,706
Assistance to members	245,004	-	-	245,004	234,001	-	-	234,001
Professional fees	237,528	48,212	722	286,462	254,034	82,760	2,189	338,983
Incentives and appreciation	474,451	627	972	476,050	486,006	1,176	313	487,495
Postage and shipping	20,574	3,059	2,329	25,962	21,248	889	2,834	24,971
Equipment rental and maintenance	138,216	2,751	15,347	156,314	172,429	4,633	13,158	190,220
Bank and credit card charges, net of card benefits	37,577	4,098	1,717	43,392	25,339	5,154	1,779	32,272
Depreciation	437,486	3,022	2,632	443,140	420,062	2,585	2,695	425,342
Frozen defined benefit plan contributions	225,084	3,522	4,836	233,442	225,387	3,857	4,512	233,756
Other expenses	21,263	21,231	3,663	46,157	19,951	12,053	72	32,076
	<u>7,266,843</u>	<u>890,903</u>	<u>546,609</u>	<u>8,704,355</u>	<u>7,226,911</u>	<u>845,551</u>	<u>570,500</u>	<u>8,642,962</u>
Less non-operating frozen defined benefit plan contribution	(150,056)	(2,348)	(3,224)	(155,628)	(150,258)	(2,571)	(3,008)	(155,837)
Less membership advertising campaign - Board approved	(84,046)	(7,000)	-	(91,046)	-	-	-	-
Less special event direct benefit costs netted with revenue	-	-	(27,514)	(27,514)	-	-	(22,774)	(22,774)
Total expenses	<u>\$ 7,032,741</u>	<u>\$ 881,555</u>	<u>\$ 515,871</u>	<u>\$ 8,430,167</u>	<u>\$ 7,076,653</u>	<u>\$ 842,980</u>	<u>\$ 544,718</u>	<u>\$ 8,464,351</u>

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON
STATEMENT OF CASH FLOWS
For the year ended September 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Cash receipts:		
Grant and contributions	\$ 802,067	\$ 789,328
Product sales	11,873,531	11,743,262
Program fees	832,247	774,590
Interest, dividends and other income	398,552	339,290
Total cash receipts	13,906,397	13,646,470
Cash disbursements:		
Product purchases	5,179,534	5,113,926
Payroll and related expenses	5,432,473	5,325,778
Other operating expenses	2,526,547	2,913,664
Frozen defined benefit plan	155,628	155,837
Total cash disbursements	13,294,182	13,509,205
Net cash flows from operating activities	612,215	137,265
Cash flows from investing activities:		
Purchase of property and equipment	(515,737)	(567,117)
Purchase of investments	(1,450,421)	(1,938,032)
Proceeds from the sale of investments	1,318,082	1,804,899
Net flows from investing activities	(648,076)	(700,250)
Cash flows from financing activities:		
Contributions to perpetual endowment	48,198	46,605
Net cash flows from financing activities	48,198	46,605
Net change in cash and cash equivalents	12,337	(516,380)
Cash and cash equivalents - beginning of year	3,200,321	3,716,701
Cash and cash equivalents - end of year	\$ 3,212,658	\$ 3,200,321

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Girl Scouts of Oregon and Southwest Washington, a nonprofit corporation, (the Council) is a chartered Council of the Girl Scouts of the United States of America. The purpose of Girl Scouting is to build girls of courage, confidence, and character who make the world a better place. The Council serves nearly 30,000 members throughout Oregon, and Clark and Skamania Counties in Washington. The Council's revenues are derived primarily from contributions and product sales within those geographic areas.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for potentially uncollectable amounts through a valuation allowance based on its assessment of the current status of individual accounts. The Council determines its allowance for uncollectible accounts by considering a number of factors, including the length of time accounts are past due, ability to pay and previous collection history, as well as the economy as a whole.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Council is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Council has an established right to the bequest and the proceeds are measurable. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Inventory

Inventory consists of uniforms, badges, and other Girl Scout related merchandise. Inventory is valued at the lower of average cost or net realizable value.

Investments

Investments in equity securities, money market funds, and all debt securities are carried at fair value. Investments in bank savings accounts are carried at cost plus accumulated interest. Donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction. All other investment income is reported as an increase in net assets without donor restrictions. Interest and dividend income is accrued as earned and reported net of investment advisory fees.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 10 to 40 years for land improvements, buildings, and building improvements and from 3 to 10 years for office and program equipment. Land is not subject to depreciation.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about the duration these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets and Services, Continued

The Council recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would be purchased if not provided by donation. These donated services are recognized at fair value. During 2019, the Council recorded approximately \$4,800 of in-kind professional services which are included in management and general.

Program Revenue and Deferred Revenue

Revenue from product sales and program fees (exchange transactions) are recognized at the time the goods or services are provided and the revenue is earned. Funds received in advance of a program are recorded as deferred revenue.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for the years ended September 30, 2019 and 2018 approximated \$24,900 and \$26,500, respectively.

Unemployment Insurance

The Council is self-insured for unemployment and maintains a balance with a trust company in an amount sufficient to pay estimated future claims. Deposits to the trust are recorded as prepaid expenses. Unemployment claims paid reduce the trust asset and are expensed. Unpaid claims outstanding at year end represent a potential liability of the Council.

Income Tax Status

Girl Scouts of Oregon and Southwest Washington is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as the Council has no activities subject to unrelated business income tax. The Council is not a private foundation.

The Council follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Council's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and related expenses, insurance, telephone, printing, supplies, professional fees, postage and shipping, equipment rental and maintenance, frozen defined benefit plan contributions, and other expenses which are allocated on the basis of estimates of time and effort.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Change in Accounting Principle

The Council has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented, except for the disclosure on available resources and liquidity (see Note 2).

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Summarized Financial Information for 2018

The financial information as of September 30, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Council has evaluated all subsequent events through February 12, 2020, the date the financial statements were available to be issued.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Council regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Council considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Council consist of the following at September 30, 2019:

	Total Financial Assets	Board Designated	With Donor Restrictions		Available for General Expenditure
			<u>Expiring</u>	<u>Perpetual</u>	
Cash and cash equivalents	\$ 3,212,658	\$ -	\$225,946	\$ 17,652	\$ 2,969,060
Accounts receivable, net	25,904	-	-	-	25,904
Contributions receivable, net	78,252	-	60,000	-	18,252
Investments	6,193,775	5,352,995	78,892	761,888	-
Beneficial interest in perpetual trusts	718,821	-	-	718,821	-
Total financial assets	<u>\$10,229,410</u>	<u>\$ 5,352,995</u>	<u>\$ 364,838</u>	<u>\$1,498,361</u>	<u>\$ 3,013,216</u>

The board designated operating reserve is available for spending when approved by the board of directors. See Note 8 regarding board designated net assets.

3. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accrued interest receivable	\$ 20,221	\$ 20,872
Accounts receivable	22,233	76,037
Other receivables	2,201	-
Total receivables	44,655	96,909
Less allowance for uncollectible accounts	18,751	61,974
Accounts receivables, net	<u>\$ 25,904</u>	<u>\$ 34,935</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give as follows at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Contributions receivable within one year	\$ 49,079	\$ 30,892
Within two to five years	<u>30,000</u>	<u>-</u>
Total contributions receivable	79,079	30,892
Less allowance for uncollectible accounts	<u>827</u>	<u>827</u>
Contributions receivable, net	<u><u>\$ 78,252</u></u>	<u><u>\$ 30,065</u></u>

5. INVESTMENTS

Investments are summarized as follows at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 30,226	\$ 28,675
U.S. Government and corporate debt securities	2,352,073	2,115,510
Equity securities	2,752,141	2,713,822
Beneficial interest in assets held at Oregon		
Community Foundation	<u>1,059,335</u>	<u>1,003,615</u>
Total investments	<u><u>\$ 6,193,775</u></u>	<u><u>\$ 5,861,622</u></u>

The Council has entered into various agreements with the Oregon Community Foundation (OCF) in order to achieve improved performance results with respect to investments and enhance long-term planned giving goals. Under the terms of the agreements, variance power has been granted to OCF; however, the Council is the beneficiary of the funds and the transfer is reciprocal in nature. Accordingly, OCF recognizes the funds as liabilities on its statement of financial position. The Council receives distributions based on the provisions of the agreement with OCF. Additional distributions up to the entire balance of the funds may be made on a resolution of both of the organizations' Boards of Directors.

A portion of the investments held at OCF consists of investments held in limited partnerships and real estate whose fair market values have been estimated by OCF management in the absence of readily determinable market values. The estimates are based on information provided by fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used, had a quoted market price existed.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2019

6. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Council has a beneficial interest in two perpetual trusts that are held and administered by third-party trustees. Under the terms of the agreements, the Council receives periodic distributions from the trustees and retains an irrevocable right to such future distributions. The Council has recorded its interest in these trusts as a component of net assets with perpetual donor restrictions, since the Council does not have access to the principal of the trusts.

The beneficial interest has been recorded using the fair value of each trust (based on quoted market prices) multiplied by the Council's interest in each as follows:

	<u>Value</u>	<u>Percentage</u>	<u>Beneficial Interest</u>
September 30, 2019			
Vanstrom Trusts	\$ 1,989,756	25%	\$ 497,439
Lynch Trust	1,106,911	20%	<u>221,382</u>
Total beneficial interest			<u>\$ 718,821</u>
September 30, 2018			
Vanstrom Trusts	\$ 2,082,699	25%	\$ 520,675
Lynch Trust	1,141,019	20%	<u>228,204</u>
Total beneficial interest			<u>\$ 748,879</u>

In accordance with the trust agreement, distributions from the Lynch Trust are restricted for use in specific Council programs. A separate bank account has been established to account for unspent distributions from the trust.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 2,044,348	\$ 1,969,361
Buildings	8,951,750	8,951,750
Building improvements	3,323,845	3,011,724
Furniture and equipment	1,871,277	1,802,662
Vehicles	<u>157,868</u>	<u>115,735</u>
	16,349,088	15,851,232
Less accumulated depreciation	<u>7,641,587</u>	<u>7,217,978</u>
Property and equipment, net	<u>\$ 8,707,501</u>	<u>\$ 8,633,254</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

7. PROPERTY AND EQUIPMENT, Continued

Property and equipment includes land carried at \$10,486 that was received as a donation in a previous year. The donor included a stipulation that the land must always be used for Girl Scouting activities. As such, this land has been recorded as a component of the net assets with perpetual restrictions class (Note 9).

Property and equipment includes buildings and improvements with a net book value of \$4,621 and \$5,231 at September 30, 2019 and 2018, respectively that were received as a donation in a previous year. The donors included a stipulation that the buildings must be used for Girl Scouting activities. Since these buildings do not have a permanent life, they have been recorded as a component of the net assets with expiring restrictions class (Note 9). Releases from restrictions are recorded ratably over the estimated useful lives of the buildings.

8. BOARD DESIGNATED NET ASSETS

Board designated net assets include investments totaling \$5,134,440 and \$4,858,007 at September 30, 2019 and 2018, respectively, that the board has reserved for future programs and unexpected circumstances. The board has also designated funds to function as an endowment totaling \$218,555 and \$210,166 at September 30, 2019 and 2018, respectively (see Note 11). Funds can be released from the reserve by a vote of the Board.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2019 and 2018:

	2019	2018
Net assets with expiring donor restrictions:		
Lynch Trust distributions	\$ 2,331	\$ 11,276
Net book value of donated buildings	4,621	5,231
Endowment earnings (Note 11)	78,892	79,759
Other program restrictions	205,363	112,998
Pledges receivable	78,252	30,065
Total net assets with expiring donor restrictions	369,459	239,329
Net assets with perpetual donor restrictions:		
General endowments	88,373	88,373
Named endowments	691,167	642,969
Beneficial interest in perpetual trusts	718,821	748,879
Total endowments (Note 11)	1,498,361	1,480,221
Donated land	10,486	10,486
Total net assets with perpetual donor restrictions	1,508,847	1,490,707
Total net assets with donor restrictions	\$ 1,878,306	\$ 1,730,036

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2019

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with expiring restrictions were released from associated restrictions during the years ended September 30, 2019 and 2018 as follows:

	2019	2018
Satisfaction of purpose and time restrictions	\$ 472,364	\$ 467,119
Expended earnings from donor-restricted endowment funds and other adjustment	31,388	32,646
Depreciation of donated buildings and improvements	610	666
Total net assets released from restrictions	\$ 504,362	\$ 500,431

11. ENDOWMENTS

The Council's endowment consists of 16 individual funds established for a variety of purposes. These funds include beneficial interests in perpetual trusts, which are further discussed in Note 6. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles in the United States of America, funds invested in the endowment may be included in net asset with and without donor restrictions.

Interpretation of Relevant Law

The Board of Directors of Girl Scouts of Oregon and Southwest Washington has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or 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 classifies as net assets with perpetual restrictions (a) the original value of gifts, including subsequent gifts, donated to the perpetual endowment and (b) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by the Act.

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 Council
- (2) The purposes of the Council and the donor-restricted Council
- (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) Other resources of the Council
- (7) The investment policies of the Council

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

II. ENDOWMENTS, Continued

Interpretation of Relevant Law, Continued

The Council classifies gift amounts received from donors that are restricted to the endowment fund as net assets with perpetual restrictions. If the market value of a donor-restricted endowment fund exceeds the original gift as a result of investment earnings, then the excess amount is classified within net assets with expiring restrictions, until all or a portion of the excess is appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

If the market value of an endowment is less than the original gift amount, the valuation difference is reflected in the financial statements as a reduction of net assets without donor restrictions. Funds designated by the Board of Directors to function as endowments are classified as net assets without donor restrictions. Donated land that is perpetually restricted is not included in the endowment fund.

Investment Objectives and Endowment Spending Policies

The Council has adopted investment and spending policies, approved by the Board of Directors, which attempt to provide a predictable stream of funding to programs supported by its endowment funds without subjecting those assets to investment risk. As such, the Council's endowment assets (except for funds held at OCF and its interests in perpetual trusts) have been invested in a savings account, where the amount expended each year is the amount of interest actually earned.

Funds held at OCF follow investment and spending policies determined by the Board of Directors of OCF. OCF's investment policy is intended to provide for long-term growth and currently the spending rate is 4.5 percent (per annum) of the average fair market value of the invested assets based on a 13-quarter trailing average.

The Council's interest in perpetual trusts, described in Note 6, is included in the Council's endowment funds. The investment of these funds is determined by the trustees of the trusts rather than the Council.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

II. ENDOWMENTS, Continued

Changes in endowment net assets and the composition of those endowment net assets, for the year ended September 30, 2019, are as follows:

Endowment fund activity	Board Designated	<u>Donor-Restricted Endowment</u>		Total
	<u>Endowment</u>	With Expiring <u>Restrictions</u>	With Perpetual <u>Restrictions</u>	
Endowment net assets -				
September 30, 2018	\$ 210,166	\$ 79,759	\$ 1,480,221	\$ 1,770,146
Contributions	-	-	48,198	48,198
Investment return	8,389	30,521	-	38,910
Appropriation of endowment assets for expenditure, net	-	(31,388)	-	(31,388)
Change in value of interest in perpetual trusts	-	-	(30,058)	(30,058)
Endowment net assets -				
September 30, 2019	<u>\$ 218,555</u>	<u>\$ 78,892</u>	<u>\$ 1,498,361</u>	<u>\$ 1,795,808</u>
Endowment fund composition				
September 30, 2019				
OCF balances	\$ 218,555	\$ 78,892	\$ 761,888	\$ 1,059,335
Perpetual trusts	-	-	718,821	718,821
Savings account	-	-	<u>17,652</u>	<u>17,652</u>
	<u>\$ 218,555</u>	<u>\$ 78,892</u>	<u>\$ 1,498,361</u>	<u>\$ 1,795,808</u>

Changes in endowment net assets and the composition of those endowment net assets, for the year ended September 30, 2018, are as follows:

Endowment fund activity	Board Designated	<u>Donor-Restricted Endowment</u>		Total
	<u>Endowment</u>	With Expiring <u>Restrictions</u>	With Perpetual <u>Restrictions</u>	
Endowment net assets -				
September 30, 2017	\$ 194,109	\$ 50,398	\$ 1,432,465	\$ 1,676,972
Contributions	-	-	46,605	46,605
Investment return	16,057	58,696	-	74,753
Appropriation of endowment assets for expenditure, net	-	(29,335)	-	(29,335)
Change in value of interest in perpetual trusts	-	-	1,151	1,151
Endowment net assets -				
September 30, 2018	<u>\$ 210,166</u>	<u>\$ 79,759</u>	<u>\$ 1,480,221</u>	<u>\$ 1,770,146</u>
Endowment fund composition				
September 30, 2018				
OCF balances	\$ 210,166	\$ 79,759	\$ 713,690	\$ 1,003,615
Perpetual trusts	-	-	748,879	748,879
Savings account	-	-	<u>17,652</u>	<u>17,652</u>
	<u>\$ 210,166</u>	<u>\$ 79,759</u>	<u>\$ 1,480,221</u>	<u>\$ 1,770,146</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

11. ENDOWMENTS, Continued

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the donor or UPMIFA requires the Council to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in the net assets with expiring restrictions are \$265 and \$65 at September 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations and continued distributions from OCF.

12. PRODUCT SALES ACTIVITY

Product sales activity consists of the following for the year ended September 30, 2019, with comparative net proceeds totals for September 30, 2018:

	Sales	Cost of Sales	Net proceeds	
			2019	2018
Cookies and fall sale	\$ 11,164,076	\$ 4,793,047	\$ 6,371,029	\$ 6,335,144
Council shop and trading post	709,455	379,458	329,997	332,676
	<u>\$ 11,873,531</u>	<u>\$ 5,172,505</u>	<u>\$ 6,701,026</u>	<u>\$ 6,667,820</u>

13. PENSION PLANS

Defined Benefit Plan

The council participates in the National Girl Scout Council Retirement Plan (NGSCR or the Plan), 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, 2018. 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 million is remitted. The \$30 million 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).

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

13. PENSION PLANS, Continued

Defined Benefit Plan, Continued

In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCRП the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCRП has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal years 2019 and 2018 totaled approximately \$233,400 and \$233,800, respectively.

Defined Contribution Plan

The Council has established a 403(b) employer contribution plan covering all employees meeting certain eligibility requirements. The Council's contribution is at the discretion of the Board of Directors and is currently 3.5% of eligible participants' gross wages. The Council's contributions to this plan for the years ended September 30, 2019 and 2018 totaled approximately \$133,200 and \$141,100, respectively.

14. UNEMPLOYMENT RESERVE

The Council has elected to be self-insured for unemployment benefits. The Council has mitigated the potential for a large number of claims in one year by purchasing a stop loss policy that limits the annual benefit payments. The Council has contracted with a third party trust to manage its unemployment program, and generally maintains a deposit with the trust which is used to pay unemployment claims as they arise. The deposit balance totaled approximately \$101,200 and \$82,400 at September 30, 2019 and 2018, respectively, which is included with prepaid expenses on the statement of financial position.

15. LEASE COMMITMENTS

The Council leases some of its administrative offices and various office equipment under non-cancellable operating leases expiring at various dates through January 2024. Rent expense for the above leases and other short-term rentals totaled approximately \$85,700 and \$83,500 for the years ended September 30, 2019 and 2018, respectively.

Future minimum lease commitments under operating leases are as follows:

Year ending September 30, 2020	\$ 76,500
2021	61,100
2022	60,000
2023	57,000
2024	<u>19,200</u>
Total	<u>\$ 273,800</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

16. CONCENTRATIONS OF CREDIT RISK

The Council maintains its cash balances in two financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$2,965,000 and \$2,928,000 as of September 30, 2019 and 2018.

For the years ended September 30, 2019 and 2018, the Council received approximately 73% and 74% of total revenue from its cookie sales and fall sale programs respectively. The cookie sale program, which is the most significant program, takes place during the winter each year and involves the selling of cookies by Girl Scout members. This program provides life-long business literacy skills such as goal setting, decision making, money management, people skills, and business ethics. The Council contracts with one supplier for the purchase of the cookies (Note 17).

Financial instruments that could potentially subject the Council to concentrations of credit risk include investments. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

17. COMMITMENTS

The Council has entered into a contract with, an unrelated company, for the purchase of all cookies related to the cookie sale program described in Note 16. The contract was renewed for a new term ending September 30, 2021. Based on historical trends, purchases under this contract have approximated \$2,494,000 per year.

18. FAIR VALUE MEASUREMENTS

Assets recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

18. FAIR VALUE MEASUREMENTS, Continued

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at September 30, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government and corporate				
debt securities:				
Treasury bonds	\$ -	\$ 1,420,132	\$ -	\$ 1,420,132
Agency bonds	-	39,539	-	39,539
Corporate bonds	-	892,402	-	892,402
Total U.S. Government and corporate debt securities	<u>\$ -</u>	<u>\$ 2,352,073</u>	<u>\$ -</u>	<u>\$ 2,352,073</u>
Equity securities:				
Common stocks:				
Communication services	\$ 246,512	\$ -	\$ -	\$ 246,512
Consumer discretionary	146,911	-	-	146,911
Consumer staples	142,745	-	-	142,745
Energy	65,959	-	-	65,959
Financials	234,175	-	-	234,175
Healthcare	264,350	-	-	264,350
Industrials	181,854	-	-	181,854
Information technology	451,975	-	-	451,975
Other	145,673	-	-	145,673
Small cap mutual fund	94,478	-	-	94,478
International stocks:				
Europe	160,054	-	-	160,054
Asia and emerging markets	96,357	-	-	96,357
Canada	45,404	-	-	45,404
International equity mutual funds	149,386	-	-	149,386
Real estate investment trusts	326,308	-	-	326,308
Total equity securities	<u>\$ 2,752,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,752,141</u>
Investments held at OCF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,335</u>	<u>\$ 1,059,335</u>
Perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,821</u>	<u>\$ 718,821</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2019

18. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at September 30, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government and corporate				
debt securities:				
Treasury bonds	\$ -	\$ 1,304,848	\$ -	\$ 1,304,848
Agency bonds	-	39,298	-	39,298
Corporate bonds	-	771,364	-	771,364
Total U.S. Government and				
corporate debt securities	<u>\$ -</u>	<u>\$ 2,115,510</u>	<u>\$ -</u>	<u>\$ 2,115,510</u>
Equity securities:				
Common stocks:				
Communication services	\$ 186,101	\$ -	\$ -	\$ 186,101
Consumer discretionary	101,529	-	-	101,529
Consumer staples	49,404	-	-	49,404
Energy	143,401	-	-	143,401
Financials	236,049	-	-	236,049
Healthcare	346,561	-	-	346,561
Industrials	213,670	-	-	213,670
Information technology	441,519	-	-	441,519
Other	95,271	-	-	95,271
Small cap mutual fund	104,665	-	-	104,665
International stocks:				
Europe	204,451	-	-	204,451
Asia and emerging markets	89,899	-	-	89,899
Canada	36,650	-	-	36,650
International equity mutual funds	143,036	-	-	143,036
Real estate investment trusts	321,616	-	-	321,616
Total equity securities	<u>\$ 2,713,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,713,822</u>
Investments held at OCF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,615</u>	<u>\$ 1,003,615</u>
Perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,879</u>	<u>\$ 748,879</u>

The fair value of equity securities is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

The fair value for U.S. Government obligations and corporate debt securities are based on pricing models, quoted prices of securities with similar characteristics, yield curves, and other relevant economic measures.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2019

18. FAIR VALUE MEASUREMENTS, Continued

Investments held at OCF represent the Council's share of a pooled investment portfolio managed by OCF. The Council's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. The Council carries its interest in perpetual trusts, described in Note 6, at fair value based on the Council's proportionate share of the underlying investments.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	2019		2018	
	OCF	Perpetual Trusts	OCF	Perpetual Trusts
Balance at beginning of year	\$ 1,003,615	\$ 748,879	\$ 911,592	\$ 747,728
Investment return	38,910	(30,058)	74,753	1,151
Additions	48,198	-	46,605	-
Distributions and adjustments	(31,388)	-	(29,335)	-
Balance at end of year	<u>\$ 1,059,335</u>	<u>\$ 718,821</u>	<u>\$ 1,003,615</u>	<u>\$ 748,879</u>

19. RELATED PARTY TRANSACTIONS

The Council purchases the majority of the inventory for the Council shop from the Girl Scouts of the United States of America, its national affiliate. For the years ended September 30, 2019 and 2018, total inventory purchases approximated \$280,000 and \$330,000, respectively.

In addition, the Council collects member dues on behalf of Girl Scouts of the United States of America and remits those dues periodically throughout the year for members who register through the Council's office. Dues for members who register online are collected directly by Girl Scouts of the United States of America and are at no time in the custody of the Council. For the years ended September 30, 2019 and 2018, dues remitted totaled approximately \$104,500 and \$125,800 respectively.