



**FINANCIAL STATEMENTS**  
**September 30, 2019 and 2018**  
**(With Independent Auditor's Report Thereon)**

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas  
Little Rock, Arkansas

We have audited the accompanying financial statements of **Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas** (the Council), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 on the preceding page present fairly, in all material respects, the financial position of **Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas** 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.

**Emphasis of Matter**

As disclosed in Note 2(n) to the financial statements, the Council adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*, on October 1, 2018. Our opinion is not modified with respect to this matter.

*Landmark PLLC*  
Certified Public Accountants

January 21, 2020  
Little Rock, Arkansas

## **Financial Statements**

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## STATEMENTS OF FINANCIAL POSITION September 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,491,301	\$ 1,393,097
Investments	1,584,026	1,725,753
Accounts receivable:		
Cookie and fall sales receivable, net	18,960	21,521
Other accounts receivable	41,274	32,943
Contributions and grants receivable	104,027	94,933
Inventory	141,646	124,716
Prepaid expenses	53,670	49,549
Property and equipment, net	3,872,762	4,114,517
Other assets	9,481	9,481
	\$ 7,317,147	\$ 7,566,510
<b>TOTAL ASSETS</b>		
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 153,693	\$ 164,745
Accrued payroll expenses	115,835	108,982
Custodial funds	1,550	3,066
Capital lease obligations	2,755	35,522
Deferred revenue	4,789	6,828
Deferred rent	16,539	23,781
<b>Total Liabilities</b>	295,161	342,924
 <b>Net Assets</b>		
Net assets without donor restrictions		
Unrestricted	6,567,618	6,966,430
Board designated	83,794	83,710
Total net assets without donor restrictions	6,651,412	7,050,140
Net assets with donor restrictions		
Restricted as to purpose	223,269	27,767
Restricted in perpetuity	147,305	145,679
Total net assets with donor restrictions	370,574	173,446
<b>Total Net Assets</b>	7,021,986	7,223,586
	\$ 7,317,147	\$ 7,566,510
<b>TOTAL LIABILITIES AND NET ASSETS</b>		

See accompanying notes to financial statements.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## STATEMENT OF ACTIVITIES Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT, REVENUE, GAINS AND RECLASSIFICATIONS</b>			
<b>Support</b>			
United Way	\$ 72,337	-	\$ 72,337
Contributions	510,201	209,896	720,097
Grants	78,692	-	78,692
<b>Total Support</b>	<u>661,230</u>	<u>209,896</u>	<u>871,126</u>
<b>Program Revenue</b>			
Cookie sales	6,072,291	-	6,072,291
Cost of sales	(1,346,522)	-	(1,346,522)
Allocation to troops and service units	(891,554)	-	(891,554)
Net cookie sales revenue	<u>3,834,215</u>	<u>-</u>	<u>3,834,215</u>
Fall sales	451,999	-	451,999
Cost of sales	(185,298)	-	(185,298)
Allocation to troops and service units	(52,735)	-	(52,735)
Net fall sales revenue	<u>213,966</u>	<u>-</u>	<u>213,966</u>
Merchandise sales	257,894	-	257,894
Cost of sales	(143,119)	-	(143,119)
Net merchandise sales revenue	<u>114,775</u>	<u>-</u>	<u>114,775</u>
Camp and program fees	273,964	-	273,964
<b>Total Program Revenue</b>	<u>4,436,920</u>	<u>-</u>	<u>4,436,920</u>
<b>Other Income</b>			
Net investment return	66,705	-	66,705
Other support, gains and miscellaneous income	35,412	-	35,412
<b>Total Other Income</b>	<u>102,117</u>	<u>-</u>	<u>102,117</u>
<b>Net Assets Released from Restrictions</b>	<u>12,768</u>	<u>(12,768)</u>	<u>-</u>
<b>Total Support, Revenue, Gains and Reclassifications</b>	<u>5,213,035</u>	<u>197,128</u>	<u>5,410,163</u>
<b>Expenses</b>			
Program services	4,274,762	-	4,274,762
Management and general	1,007,232	-	1,007,232
Fundraising	329,769	-	329,769
<b>Total Expenses</b>	<u>5,611,763</u>	<u>-</u>	<u>5,611,763</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(398,728)	197,128	(201,600)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,050,140</u>	<u>173,446</u>	<u>7,223,586</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 6,651,412</u>	<u>\$ 370,574</u>	<u>\$ 7,021,986</u>

See accompanying notes to financial statements.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## STATEMENT OF ACTIVITIES Year Ended September 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT, REVENUE, GAINS AND RECLASSIFICATIONS</b>			
<b>Support</b>			
United Way	\$ 48,855	\$ 27,768	\$ 76,623
Contributions	732,468	2,857	735,325
Grants	76,886	-	76,886
<b>Total Support</b>	<u>858,209</u>	<u>30,625</u>	<u>888,834</u>
<b>Program Revenue</b>			
Cookie sales	5,695,719	-	5,695,719
Cost of sales	(1,488,796)	-	(1,488,796)
Allocation to troops and service units	(840,232)	-	(840,232)
Net cookie sales revenue	<u>3,366,691</u>	<u>-</u>	<u>3,366,691</u>
Fall sales	450,499	-	450,499
Cost of sales	(196,073)	-	(196,073)
Allocation to troops and service units	(50,581)	-	(50,581)
Net fall sales revenue	<u>203,845</u>	<u>-</u>	<u>203,845</u>
Merchandise sales	273,205	-	273,205
Cost of sales	(145,257)	-	(145,257)
Net merchandise sales revenue	<u>127,948</u>	<u>-</u>	<u>127,948</u>
Camp and program fees	271,633	-	271,633
<b>Total Program Revenue</b>	<u>3,970,117</u>	<u>-</u>	<u>3,970,117</u>
<b>Other Income</b>			
Net investment return	45,635	-	45,635
Other support and miscellaneous income	216,157	-	216,157
<b>Total Other Income</b>	<u>261,792</u>	<u>-</u>	<u>261,792</u>
<b>Net Assets Released from Restrictions</b>	<u>114,279</u>	<u>(114,279)</u>	<u>-</u>
<b>Net Assets Reclassification</b>	<u>3,400</u>	<u>(3,400)</u>	<u>-</u>
<b>Total Support, Revenue,         Gains and Reclassifications</b>	<u>5,207,797</u>	<u>(87,054)</u>	<u>5,120,743</u>
<b>Expenses</b>			
Program services	4,282,117	-	4,282,117
Management and general	1,055,789	-	1,055,789
Fundraising	273,273	-	273,273
<b>Total Expenses</b>	<u>5,611,179</u>	<u>-</u>	<u>5,611,179</u>
<b>DECREASE IN NET ASSETS</b>	(403,382)	(87,054)	(490,436)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,453,522</u>	<u>260,500</u>	<u>7,714,022</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 7,050,140</u></u>	<u><u>\$ 173,446</u></u>	<u><u>\$ 7,223,586</u></u>

See accompanying notes to financial statements.



## Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

### STATEMENT OF FUNCTIONAL EXPENSES Year Ended September 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 2,499,637	\$ 571,778	\$ 247,461	\$ 3,318,876
Professional services and fees	127,030	86,917	8,914	222,861
Program supplies and food	294,234	980	2,020	297,234
Communications and postage	136,376	32,698	16,764	185,838
Building rent, maintenance and utilities	285,819	71,454	-	357,273
Equipment rental and maintenance	81,275	-	-	81,275
Marketing and printing	25,141	85,706	3,428	114,275
Travel	128,399	11,672	5,838	145,909
Development and training	28,466	7,019	3,510	38,995
Girl and adult assistance and troop support	104,829	-	-	104,829
Sales incentives	136,258	-	-	136,258
Bad debts/loss on uncollectible contributions	48,829	-	39,952	88,781
Insurance	71,872	20,271	-	92,143
Other operating expense	51,870	55,056	1,882	108,808
Depreciation and amortization	254,727	63,681	-	318,408
<b>TOTAL EXPENSES</b>	<b>4,274,762</b>	<b>1,007,232</b>	<b>329,769</b>	<b>5,611,763</b>
Costs of sales	1,674,939	-	-	1,674,939
Allocation to troops and service units	944,289	-	-	944,289
<b>TOTAL EXPENSES AND COST OF SALES</b>	<b>\$ 6,893,990</b>	<b>1,007,232</b>	<b>329,769</b>	<b>\$ 8,230,991</b>

See accompanying notes to financial statements.

## Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

### STATEMENT OF FUNCTIONAL EXPENSES Year Ended September 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 2,414,454	\$ 619,929	\$ 228,395	\$ 3,262,778
Professional services and fees	114,188	102,991	6,718	223,897
Program supplies and food	316,734	2,123	2,604	321,461
Communications and postage	132,646	34,058	12,547	179,251
Building rent, maintenance and utilities	333,304	83,328	-	416,632
Equipment rental and maintenance	106,639	-	-	106,639
Marketing and printing	31,068	26,194	3,655	60,917
Travel	144,335	13,120	6,561	164,016
Development and training	51,134	10,490	3,933	65,557
Girl and adult assistance and troop support	122,052	-	-	122,052
Sales incentives	143,137	-	-	143,137
Bad debts/loss on uncollectible contributions	48,466	-	7,242	55,708
Insurance	66,027	16,507	-	82,534
Other operating expense	14,905	86,292	1,618	102,815
Depreciation and amortization	243,028	60,757	-	303,785
<b>TOTAL EXPENSES</b>	<b>4,282,117</b>	<b>1,055,789</b>	<b>273,273</b>	<b>5,611,179</b>
Costs of sales	1,830,126	-	-	1,830,126
Allocation to troops and service units	890,813	-	-	890,813
<b>TOTAL EXPENSES AND COST OF SALES</b>	<b><u>\$ 7,003,056</u></b>	<b><u>\$ 1,055,789</u></b>	<b><u>\$ 273,273</u></b>	<b><u>\$ 8,332,118</u></b>

See accompanying notes to financial statements.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

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

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in Total Net Assets	\$ (201,600)	\$ (490,436)
<b>Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities</b>		
Depreciation and amortization	318,408	303,785
Loss on disposal of property and equipment	115,066	5,046
Donated property and equipment	(9,108)	-
Net appreciation in fair value of investments	(4,136)	(5,069)
Contributions of investments	(25,988)	-
Proceeds from sale of investments contributed	25,988	-
Bad debts/loss on uncollectible contributions	88,781	55,708
Changes in operating assets and liabilities:		
Accounts receivable:		
Cookie and fall sales receivable	(66,025)	(39,852)
Other accounts receivable	(8,331)	(28,644)
Contributions and grants receivable	(29,289)	35,859
Inventory	(16,930)	16,755
Prepaid expenses	(4,121)	35,603
Accounts payable and accrued expenses	20,310	(22,148)
Accrued payroll expenses	6,853	(3,026)
Custodial funds	(1,516)	(8,897)
Deferred revenue	(2,039)	3,249
Deferred rent	(7,242)	8,784
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>199,081</b>	<b>(133,283)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(247,473)	(343,408)
Proceeds from sale of property and equipment	33,500	-
Purchases of investments	(673,423)	(2,337,022)
Proceeds from sale of investments	819,286	1,090,845
<b>Net Cash Used by Investing Activities</b>	<b>(68,110)</b>	<b>(1,589,585)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligations	(32,767)	(22,149)
Draws on line of credit	1,500,000	1,400,000
Payments on line of credit	(1,500,000)	(1,400,000)
<b>Net Cash Used by Financing Activities</b>	<b>(32,767)</b>	<b>(22,149)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	98,204	(1,745,017)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,393,097</b>	<b>3,138,114</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,491,301</b>	<b>\$ 1,393,097</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Purchases of property and equipment included in accounts payable	<b>\$ 1,638</b>	<b>\$ 33,000</b>

See accompanying notes to financial statements.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### **NOTE 1: NATURE OF ACTIVITIES**

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas (the Council) is a nonprofit organization incorporated under the laws of the state of Arkansas and chartered by the Girl Scouts of the United States of America (GSUSA). As part of a national strategy developed by GSUSA to streamline and consolidate operations by creating high capacity, high performing Girl Scout councils throughout the United States, the Council was created and commenced operations effective October 1, 2008, as a result of a merger of five Girl Scout Councils (Girl Scout Councils of NOARK, Ouachita, Crowley's Ridge, Mount Magazine and Conifer).

The Council's mission is to build girls of courage, confidence and character who make the world a better place. To accomplish its mission, the Council strives to provide a variety of Girl Scout programs and exciting opportunities throughout the area it serves. The Council serves over 7,800 girls and has almost 2,900 volunteers.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Accounting**

The financial statements of the Council have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

#### **(b) Basis of Presentation**

The Council is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restriction – Net assets that are not subject to or are no longer subject to donor imposed stipulations.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

#### **(c) Cash and Cash Equivalents**

The Council considers all demand deposit accounts, money market mutual funds and highly liquid investments with original maturities of three months or less at the date of purchase to be cash and cash equivalents.

The accompanying financial statements do not report balances or transactions attributable to separate bank accounts established and maintained by individual Girl Scout troops under the employer identification number (EIN) of the Council. At September 30, 2019 and 2018, management estimates that the balance in such individual troop accounts totaled approximately \$1,100,000 and \$540,000, respectively. The Council has no signature authority on or direct control over the individual troop accounts and will not access the funds as long as a troop is functioning according to Girl Scout policy and procedure. Individual troops have the responsibility to use funds in their control for purposes of conducting Girl Scout-related programs. If a troop disbands and the troop bank account has a balance, the members of that troop may elect to return it to the Council. It is the Council's policy not to use any funds received from disbanded troops for operations and to retain these funds until they can be provided to a new troop that serves the same area as the disbanded troop.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(c) Cash and Cash Equivalents (Continued)**

Any amounts received from disbanded troops are included in cash and cash equivalents, and they are also included in the custodial funds liability on the Council's statements of financial position, as described in Note 6.

#### **(d) Investments**

The Council's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. See Note 4 for further discussion of fair value measurements. Investment transactions are recorded on a trade-date basis.

Net investment return is reported in the statement of activities and consists of realized and unrealized gains and losses, as well as dividends and interest, less external investment expenses. Interest income is recorded when it is earned, and dividends are recorded as income on the ex-dividend date.

#### **(e) Inventory**

Inventory, consisting primarily of shop merchandise, is stated at the lower of cost (determined using the first-in, first-out method) or net realizable value.

#### **(f) Property and Equipment, Net**

Property and equipment are reported at historical cost, or if donated, at the approximate fair value at the date of donation. Such donations are reported as increases in net assets without donor restriction, unless the donor stipulations limit the use of the assets for a period of time or for a particular purpose, in which instance the donated assets are reported as net assets with donor restrictions.

Generally, major renewals and improvements in excess of \$5,000 are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to forty years.

#### **(g) Contributions**

Contributions, including unconditional promises to give, are recognized as support in the period received or when the Council becomes aware that an unconditional promise to give has been made, whichever occurs first. Conditional promises to give are not recognized until they become unconditional, that is when the conditions specified by the donor are substantially met.

Contributions that are restricted by the donor are recorded as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(g) Contributions (Continued)**

When a restriction expires (that is, when a stipulated time period ends or a purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restriction and reported on the statements of activities as net assets released from restrictions.

#### **(h) Revenue Recognition**

Sales of cookies and fall sale products (e.g., nuts, snack mix, magazine subscriptions) are recognized at the time of delivery of the cookies or products to the buyer. Merchandise sales, which consist primarily of Girl Scout-related equipment and supplies sold at the Council's retail stores, are recognized at the time of the sale. Camp and other program fee revenues are recognized at the time the related camp or other program occurs.

The Council records accounts receivable for cookie and fall sales proceeds due from individual troops. Accounts receivable are stated net of an allowance for doubtful accounts, determined by management based upon a review of outstanding receivables and historical collection information. Management does not anticipate material losses on the Council's receivables in excess of the established allowance, which was \$25,000 at September 30, 2019 and 2018.

#### **(i) Cost of Sales**

Costs of sales include all costs associated with the purchase of cookies, fall sale products and merchandise. Shipping and handling costs are also included in cost of sales. All cookie inventory is purchased from one vendor, and all fall sale inventory is purchased from another vendor. All Girl Scout-related merchandise is purchased from GSUSA.

#### **(j) Allocation to Troops and Service Units**

Individual troops and service units earn on average \$0.69 - \$0.80 for each box of cookies sold, \$0.75 for each candy or nut item sold in the fall sale and 13% of magazine subscriptions sold in the fall sale. In addition, individual Girl Scout members are eligible to receive awards and incentives based upon individual amounts sold.

#### **(k) Functional Expenses**

Expenses associated with certain activities and functions necessary for the support of programs provided by the Council are considered supporting services expenses. Supporting services include various costs associated with administration, fundraising, maintenance and other general functions of the Council.

The Council allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service according to their natural expenditure classification. Other expenses that are common to several functions are allocated to programs and supporting services. Payroll and benefits are allocated based on estimates of time worked, while all other common expenses are allocated based on estimated use.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(l) Income Taxes**

The Council is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and is not a private foundation.

Accounting standards require the Council to evaluate tax positions and recognize a tax liability (or asset) if the Council has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). The Council has analyzed the tax positions taken and has concluded that as of September 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Council may be subject to audit by the IRS; however, there are currently no audits for any tax periods in progress.

#### **(m) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities, and various disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

#### **(n) Recently Adopted Accounting Standard**

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 was to amend existing financial reporting standards applicable to not-for-profit entities to improve the usefulness, relevance and clarity of information presented in financial statements and to enhance the information presented in the notes thereto.

The Council adopted the provisions of ASU No. 2016-14 as required on October 1, 2018. In addition to the changes in terminology used to describe the categories of net assets throughout the financial statements, new statements of functional expenses and disclosures regarding liquidity and availability of resources were added to the financial statements.

#### **(o) Recently Issued Accounting Standards**

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which accounting guidance is applied, and the accounting may be different depending on the guidance applied. In addition, for contributions, determining whether a contribution is conditional or unconditional affects the timing of recognition. This standard will become effective for the Council as a resource recipient on October 1, 2019. Management of the Council has not yet determined the significance of the implementation of this standard.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Recently Issued Accounting Standards (Continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenues from Contracts with Customers*, requiring an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for the transfer of promised goods or services to customers. This revenue recognition standard and subsequently issued amendments, will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective. The guidance in ASU No. 2014-09 and related amendments will be effective for the Council on October 1, 2019. Management of the Council has not yet determined the significance of the impact of implementation of this standard or any related amendments.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in ASU No. 2016-02 supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The amendments in this update will be effective for the Council on October 1, 2021. The Council has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

### NOTE 3: CONTRIBUTIONS AND GRANTS RECEIVABLE

The following is a summary of contributions and grants receivable at September 30:

	2019	2018
United Way grants	\$ 34,389	\$ 74,073
STEAM	30,000	-
Other contributions and grants	39,638	20,860
Total contributions and grants receivable	\$ 104,027	\$ 94,933

Contributions and grants receivable at September 30, 2019 are expected to be collected as follows:

Amounts due in:	
Less than one year	\$ 88,544
One to five years	15,483
	\$ 104,027



# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

### **NOTE 4: FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in methodologies used during the years ended September 30, 2019 and 2018.

The fair values of mutual funds are determined based on the net asset value per share and the number of shares held by the Council.

The fair values of exchange-traded funds are determined based on the closing price as reported by the fund.

The fair values of government-sponsored entity obligations, foreign government obligations and corporate debt obligations are determined based on yields currently available on comparable securities of issuers with similar credit ratings.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The fair values of the Council’s investments measured at fair value on a recurring basis at September 30 are as follows:

	2019			Fair Value
	Level 1	Level 2	Level 3	
Mutual funds				
Allocation - 30% to 50% equity	\$ 168,184	\$ -	\$ -	\$ 168,184
Diversified emerging markets	65,226	-	-	65,226
Foreign large growth	30,851	-	-	30,851
Intermediate core bond	14,682	-	-	14,682
Intermediate core-plus bond	380,022	-	-	380,022
Large growth	46,997	-	-	46,997
Large value	90,576	-	-	90,576
Mid-cap growth	10,077	-	-	10,077
Mid-cap value	8,152	-	-	8,152
Multisector bond	12,726	-	-	12,726
Small growth	5,693	-	-	5,693
Small value	5,330	-	-	5,330
Ultrashort bond	8,854	-	-	8,854
World allocation	386,688	-	-	386,688
World large stock	89,663	-	-	89,663
World small/mid stock	91,377	-	-	91,377
Total mutual funds	<u>1,415,098</u>	<u>-</u>	<u>-</u>	<u>1,415,098</u>
Exchange-traded funds	<u>64,800</u>	<u>-</u>	<u>-</u>	<u>64,800</u>
Corporate debt obligations	<u>-</u>	<u>53,080</u>	<u>-</u>	<u>53,080</u>
Government-sponsored entity obligations	<u>-</u>	<u>25,560</u>	<u>-</u>	<u>25,560</u>
Foreign government obligations	<u>-</u>	<u>25,488</u>	<u>-</u>	<u>25,488</u>
Total investments	<u><u>\$ 1,479,898</u></u>	<u><u>\$ 104,128</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,584,026</u></u>

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	2018			Fair Value
	Level 1	Level 2	Level 3	
Mutual funds				
Allocation - 30% to 50% equity	\$ 187,909	\$ -	\$ -	\$ 187,909
Diversified emerging markets	70,511	-	-	70,511
Foreign large growth	30,609	-	-	30,609
Intermediate-term bond	425,101	-	-	425,101
Large growth	50,029	-	-	50,029
Large value	99,257	-	-	99,257
Mid-cap blend	8,747	-	-	8,747
Mid-cap growth	10,190	-	-	10,190
Multisector bond	11,147	-	-	11,147
Small growth	6,852	-	-	6,852
Small value	5,771	-	-	5,771
Ultrashort bond	8,063	-	-	8,063
World allocation	431,938	-	-	431,938
World large stock	99,017	-	-	99,017
World small/mid stock	105,539	-	-	105,539
Total mutual funds	<u>1,550,680</u>	<u>-</u>	<u>-</u>	<u>1,550,680</u>
Exchange-traded funds	<u>75,589</u>	<u>-</u>	<u>-</u>	<u>75,589</u>
Corporate debt obligations	<u>-</u>	<u>49,415</u>	<u>-</u>	<u>49,415</u>
Government-sponsored entity obligations	<u>-</u>	<u>25,283</u>	<u>-</u>	<u>25,283</u>
Foreign government obligations	<u>-</u>	<u>24,786</u>	<u>-</u>	<u>24,786</u>
Total investments	<u>\$ 1,626,269</u>	<u>\$ 99,484</u>	<u>\$ -</u>	<u>\$ 1,725,753</u>

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### **NOTE 5: PROPERTY AND EQUIPMENT, NET**

Property and equipment, net of accumulated depreciation, at September 30 consists of the following:

	<b>2019</b>	<b>2018</b>
Non-depreciable:		
Land	\$ 218,723	\$ 341,308
Idle land	94,000	94,000
Construction in progress	131,791	130,298
Depreciable:		
Buildings and improvements	5,822,570	5,869,936
Furniture and equipment	314,153	299,531
Automobiles	328,897	322,935
Land improvements	143,242	143,242
Capital leases	2,698	34,481
	7,056,074	7,235,731
Accumulated depreciation and amortization	(3,183,312)	(3,121,214)
Total property and equipment, net	\$ 3,872,762	\$ 4,114,517

Construction in progress at September 30, 2019, consists of costs incurred related to architectural fees and concepts for Camp NOARK and for the Mt. Magazine area. Construction in progress at September 30, 2018, consists of costs incurred related to improvements on Camp Cahinnio and architectural fees and concepts for the Mt. Magazine area.

### **NOTE 6: CUSTODIAL FUNDS**

Custodial funds include amounts held by the Council acting as agent for members of individual troops, as well as other groups and organizations, at September 30 as follows:

	<b>2019</b>	<b>2018</b>
GSUSA membership dues	\$ 1,000	\$ 975
Disbanded troop cash	550	2,091
Total custodial funds	\$ 1,550	\$ 3,066

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

### **NOTE 7: LINE OF CREDIT**

During the year ended September 30, 2018, the Council obtained a \$1.5 million line of credit from a financial institution. Interest payments are due monthly at a variable rate based on the Wall Street Journal prime rate, which was 4.5% at September 30, 2019. Borrowings against the line of credit are due on demand, but if no demand is made, the line matures on March 9, 2020, at which time all outstanding advances and any unpaid interest thereon are due and payable. The line is secured by camp property and the Jonesboro office with a net book value of \$930,038 at September 30, 2019. At September 30, 2019 and 2018, there was no outstanding balance on the line of credit.

### **NOTE 8: CAPITAL LEASES**

The Council leases computer equipment under agreements that are classified as capital leases. The cost of equipment under the capital leases totaled \$72,409 at September 30, 2019 and 2018, respectively, and is recorded in property and equipment on the statements of financial position. Amortization expense of the leased computer equipment for the years ended September 30, 2019 and 2018 was \$31,782 and \$22,337, respectively, and is included in depreciation and amortization expense on the statements of activities.

The future minimum lease payments under the capital lease and the present value of the net minimum lease payments for the year ended September 30, 2019 are as follows:

Total minimum lease payments - 2020	\$ 2,766
Less: amount representing interest	<u>(11)</u>
Present value of net minimum lease payments	<u>\$ 2,755</u>

### **NOTE 9: ENDOWMENTS**

At September 30, 2019 and 2018, the Council's endowment funds include four purpose restricted endowments – the Second Century Endowment established in association with the one hundredth anniversary of the Girl Scouts organization as well as three separate memorial endowment funds established by individual donors. The corpus of the restricted endowment funds must be maintained in perpetuity and the income earned thereon must be used for specific Girl Scout-related purposes.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### **NOTE 9: ENDOWMENTS (Continued)**

The Council’s Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies the original value of gifts donated in perpetuity to the endowment, the original value of subsequent gifts to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as net assets with donor restrictions. The remaining portion of the donor restricted endowment fund that are not classified as net assets with donor restrictions in perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 and (7) the Council’s investment policies.

The Council has adopted investment and spending policies, as approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Endowment assets are invested in a diversified portfolio of investments, which consists primarily of money market accounts, mutual funds, exchange-traded funds, corporate debt obligations, government-sponsored entity obligations and foreign government obligations. The Council’s investment strategy is to earn a consistent rate of return and maintain acceptable levels of risk, while providing sufficient liquidity to fund capital expenditures and various Girl Scout programs. Investment risk is measured in terms of the total endowment fund. Investment assets and allocations among asset classes and strategies are managed in an effort to not expose the fund to unacceptable levels of risk.

Changes in net assets attributable to the Council’s endowment funds during the years ended September 30 are as follows:

	<b>2019</b>	<b>2018</b>
Endowment net assets, beginning of year	\$ 145,679	\$ 146,222
Contributions	1,626	2,857
Investment income	8,304	11,824
Net (depreciation) appreciation in fair value of investments	(45)	2,228
Amounts spent	(8,259)	(14,052)
Reclassifications	-	(3,400)
Endowment net assets, end of year	\$ 147,305	\$ 145,679

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### NOTE 10: NET ASSETS

The following table provides a description of the amounts comprising net assets with donor restrictions at September 30, 2019 and 2018, all of which are restricted by purpose or in perpetuity.

	2019	2018
STEAM Center <sup>(1)</sup>	\$ 201,714	\$ 15,000
NOARK <sup>(2)</sup>	21,555	12,767
Lyon Memorial <sup>(3)</sup>	26,050	26,050
Emde Memorial <sup>(3)</sup>	7,000	7,000
Hensley Memorial <sup>(3)</sup>	10,386	10,110
Second Century Endowment <sup>(3)</sup>	103,869	102,519
Total net assets with donor restrictions	\$ 370,574	\$ 173,446

<sup>(1)</sup> Represents contributions received from various donors related to the Council's capital campaign to build a STEAM Center in the Fort Smith area.

<sup>(2)</sup> Represents the unspent balance of contributions from various individual donors to be utilized for Camp NOARK.

<sup>(3)</sup> Represents contributions received from donors, the corpus of which is to be maintained in perpetuity. The income earned thereon is to be utilized by the Council to provide various forms of assistance to girls participating in Girl Scout programs or for purposes of conducting Girl Scout programs.

The following table provides a description of the amounts comprising net assets designated by the Board of Directors at September 30, 2019 and 2018.

	2019	2018
Emergency expenditures	\$ 25,045	\$ 25,020
Second Century Endowment	3,599	3,595
Windgate Foundation Challenge Grant <sup>(1)</sup>	50,100	50,050
Other	5,050	5,045
Total board designated net assets	\$ 83,794	\$ 83,710

<sup>(1)</sup> During the year ended September 30, 2018, the Council received a conditional promise to give (challenge grant), up to \$500,000, from a foundation contingent on raising the required matching gifts. The Council designated a portion of net assets without donor restrictions to begin the process of raising the necessary funds to receive the challenge grant.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### **NOTE 11: RETIREMENT PLANS**

#### **(a) 403(b) Thrift Plan**

The Council sponsors a 403(b) thrift plan, which covers all employees of the Council. Employees are allowed to make salary deferrals to this plan subject to limitations set forth in the Internal Revenue Code. In addition, employees who have reached the age of eighteen and have completed one year of service are eligible to receive a base contribution of 3% of compensation and an employer matching contribution on salary deferrals, not to exceed 4% of the participant's compensation.

Employer contributions to the 403(b) thrift plan for the years ended September 30, 2019 and 2018 totaled approximately \$108,100 and \$96,900, respectively.

#### **(b) Defined Benefit Pension Plan**

The Council participates in the National Girl Scout Council Retirement Plan (the Retirement Plan), a noncontributory defined benefit pension plan sponsored by GSUSA. The National Board of GSUSA voted to freeze the Retirement Plan to new entrants and to freeze future benefit accruals for all participants effective July 31, 2010. The Retirement Plan covers substantially all of the employees of the various Girl Scout councils who were eligible to participate in the Retirement Plan prior to the effective date of the freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels.

GSUSA utilizes the services of an independent actuary to estimate the Retirement Plan's unfunded liability, as well as each participating council's share of the liability and contribution requirements. As of January 1, 2019, the Council's share of the total liability was estimated to be approximately \$2.5 million which is disclosed but not recorded in the accompanying financial statements in accordance with generally accepted accounting principles.

Although the Retirement Plan's net assets grew during the year, the Retirement Plan's net assets available for benefits continue to be less than the actuarial present value of accumulated Retirement Plan benefits as of January 1, 2019. The Council's required contribution rate is 16.3% of eligible salaries in 2019 and 2018, and the dollar amount of contributions totaled approximately \$299,000 during both the years ended September 30, 2019 and 2018. Legislative and regulatory solutions are being explored to reduce the minimum required contributions.

### **NOTE 12: CONCENTRATION OF CREDIT RISK**

#### **(a) Cash and Cash Equivalents**

The Council maintains cash and investment balances that may, at times, exceed applicable insurance limits available under the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). In the event of a bank or investment banking firm failure, the excess of the balance over applicable limits may not be recoverable. The actual amount of uninsured cash and cash equivalents balances is not readily determinable due to the fact that individual troops maintain deposits in the EIN of the Council and all accounts at a single financial institution established under the same EIN are aggregated for purposes of determining the amount of insured balances.



# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2019 and 2018

### **NOTE 12: CONCENTRATION OF CREDIT RISK (Continued)**

#### **(b) Support and Revenue**

The Council is dependent to some extent upon United Way grants and private donations. If this level of support varies, there may be a resulting negative impact upon the level and types of activities and program services offered by the Council.

During the years ended September 30, 2019 and 2018, approximately 68% and 63% of total support, revenue, gains and reclassifications is attributable to net cookie sales, respectively.

### **NOTE 13: RELATED PARTY TRANSACTIONS**

Certain members of the Council's Board of Directors are employed at financial institutions in which the Council maintains cash accounts and investment accounts.

### **NOTE 14: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Council monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash. The Council has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

Cash and cash equivalents	\$ 1,491,301
Investments	1,129,658
Accounts receivable:	
Cookie and fall sales receivable, net	18,960
Other accounts receivable	41,274
Contributions and grants receivable	<u>104,027</u>
	2,785,220
Less contributions due in more than one year	<u>(15,483)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,769,737</u></u>

Although not expected to be needed, the Council has available for spending without limitation board designated net assets of \$83,794. These resources are invested for long-term appreciation, but may be spent at the discretion of the Board of Directors. See Note 10 for further information regarding board designated net assets. The Council also has a line of credit which it could draw upon in the event of an anticipated liquidity need (see Note 7).

### **NOTE 15: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 21, 2020, the date that the financial statements were available to be issued.