



**girl scouts**  
diamonds of  
arkansas, oklahoma  
and texas

**FINANCIAL STATEMENTS**  
**September 30, 2018 and 2017**  
**(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, 2018 and 2017, 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 above present fairly, in all material respects, the financial position of the Council as of September 30, 2018 and 2017, 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.

*Landmark PLLC*  
Certified Public Accountants

January 26, 2019  
Little Rock, Arkansas

## **Financial Statements**

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## STATEMENTS OF FINANCIAL POSITION September 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,393,097	\$ 3,138,114
Investments	1,725,753	474,507
Accounts receivable:		
Cookie and fall sales receivable, net	21,521	29,489
Other accounts receivable	32,943	4,299
Contributions and grants receivable	94,933	138,680
Inventory	124,716	141,471
Prepaid expenses	49,549	85,152
Property and equipment, net	4,114,517	4,024,331
Other assets	9,481	9,481
	\$ 7,566,510	\$ 8,045,524
<b>TOTAL ASSETS</b>		
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 164,745	\$ 156,919
Accrued payroll expenses	108,982	112,008
Custodial funds	3,066	11,963
Capital lease obligations	35,522	32,036
Deferred revenue	6,828	3,579
Deferred rent	23,781	14,997
<b>Total Liabilities</b>	342,924	331,502
 <b>Net Assets</b>		
Unrestricted	6,966,430	7,425,115
Unrestricted - board designated	83,710	28,407
<b>Total Unrestricted Net Assets</b>	7,050,140	7,453,522
Temporarily restricted	27,767	114,278
Permanently restricted	145,679	146,222
<b>Total Net Assets</b>	7,223,586	7,714,022
	\$ 7,566,510	\$ 8,045,524
<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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</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>27,768</u>	<u>2,857</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>-</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>-</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>-</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>-</u>	<u>3,970,117</u>
<b>Other Income</b>				
Net investment income	45,635	-	-	45,635
Other support, gains and miscellaneous income	216,157	-	-	216,157
<b>Total Other Income</b>	<u>261,792</u>	<u>-</u>	<u>-</u>	<u>261,792</u>
<b>Net Assets Released from Restrictions</b>	<u>114,279</u>	<u>(114,279)</u>	<u>-</u>	<u>-</u>
<b>Net Assets Reclassification</b>	<u>3,400</u>	<u>-</u>	<u>(3,400)</u>	<u>-</u>
<b>Total Support, Revenue,         Gains and Reclassifications</b>	<u>5,207,797</u>	<u>(86,511)</u>	<u>(543)</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>-</u>	<u>5,611,179</u>
<b>DECREASE IN NET ASSETS</b>	<u>(403,382)</u>	<u>(86,511)</u>	<u>(543)</u>	<u>(490,436)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,453,522</u>	<u>114,278</u>	<u>146,222</u>	<u>7,714,022</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 7,050,140</u>	<u>\$ 27,767</u>	<u>\$ 145,679</u>	<u>\$ 7,223,586</u>

See accompanying notes to financial statements.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## STATEMENT OF ACTIVITIES Year Ended September 30, 2017

SUPPORT, REVENUE, GAINS AND RECLASSIFICATIONS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support</b>				
United Way Contributions	\$ 79,401	\$ 78,750	\$ -	\$ 158,151
	<u>366,467</u>	<u>35,528</u>	<u>2,753</u>	<u>404,748</u>
<b>Total Support</b>	<u>445,868</u>	<u>114,278</u>	<u>2,753</u>	<u>562,899</u>
<b>Program Revenue</b>				
Cookie sales	5,387,829	-	-	5,387,829
Cost of sales	(1,436,955)	-	-	(1,436,955)
Allocation to troops and service units	(793,991)	-	-	(793,991)
Net cookie sales revenue	<u>3,156,883</u>	<u>-</u>	<u>-</u>	<u>3,156,883</u>
Fall sales	429,490	-	-	429,490
Cost of sales	(182,656)	-	-	(182,656)
Allocation to troops and service units	(48,600)	-	-	(48,600)
Net fall sales revenue	<u>198,234</u>	<u>-</u>	<u>-</u>	<u>198,234</u>
Merchandise sales	266,667	-	-	266,667
Cost of sales	(161,996)	-	-	(161,996)
Net merchandise sales revenue	<u>104,671</u>	<u>-</u>	<u>-</u>	<u>104,671</u>
Camp and program fees	<u>250,424</u>	<u>-</u>	<u>-</u>	<u>250,424</u>
<b>Total Program Revenue</b>	<u>3,710,212</u>	<u>-</u>	<u>-</u>	<u>3,710,212</u>
<b>Other Income</b>				
Net investment income	111,735	35,376	-	147,111
Other support and miscellaneous income	<u>433,957</u>	<u>-</u>	<u>-</u>	<u>433,957</u>
<b>Total Other Income</b>	<u>545,692</u>	<u>35,376</u>	<u>-</u>	<u>581,068</u>
<b>Net Assets Released from Restrictions</b>	<u>180,245</u>	<u>(180,245)</u>	<u>-</u>	<u>-</u>
<b>Total Support, Revenue, Gains and Reclassifications</b>	<u>4,882,017</u>	<u>(30,591)</u>	<u>2,753</u>	<u>4,854,179</u>
<b>Expenses</b>				
Program services	3,968,363	-	-	3,968,363
Management and general	1,127,364	-	-	1,127,364
Fundraising	313,974	-	-	313,974
<b>Total Expenses</b>	<u>5,409,701</u>	<u>-</u>	<u>-</u>	<u>5,409,701</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(527,684)	(30,591)	2,753	(555,522)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,981,206</u>	<u>144,869</u>	<u>143,469</u>	<u>8,269,544</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 7,453,522</u>	<u>\$ 114,278</u>	<u>\$ 146,222</u>	<u>\$ 7,714,022</u>

See accompanying notes to financial statements.

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

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

	Program Services	Management and General	Fundraising	Total
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>\$ 7,003,056</b>	<b>1,055,789</b>	<b>273,273</b>	<b>\$ 8,332,118</b>

See accompanying notes to financial statements.



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

### STATEMENT OF FUNCTIONAL EXPENSES Year Ended September 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 2,248,429	\$ 741,895	\$ 271,944	\$ 3,262,268
Professional services and fees	119,626	105,985	6,838	232,449
Program supplies and food	288,780	1,234	2,626	292,640
Communications and postage	127,534	36,929	4,377	168,840
Building rent, maintenance and utilities	345,801	63,266	10,305	419,372
Equipment rental and maintenance	99,140	-	-	99,140
Marketing and printing	19,867	31,233	2,484	53,584
Travel	113,218	10,334	5,167	128,719
Development and training	52,500	5,409	2,144	60,053
Girl and adult assistance and troop support	71,644	-	-	71,644
Sales incentives	140,359	-	-	140,359
Bad debts/loss on uncollectible contributions	26,258	-	7,000	33,258
Insurance	71,210	19,721	-	90,931
Other operating expense	12,533	57,390	1,089	71,012
Depreciation and amortization	231,464	53,968	-	285,432
<b>TOTAL EXPENSES</b>	<b>3,968,363</b>	<b>1,127,364</b>	<b>313,974</b>	<b>5,409,701</b>
Costs of sales	1,781,607	-	-	1,781,607
Allocation to troops and service units	842,591	-	-	842,591
<b>TOTAL EXPENSES AND COST OF SALES</b>	<b>\$ 6,592,561</b>	<b>\$ 1,127,364</b>	<b>\$ 313,974</b>	<b>\$ 8,033,899</b>

See accompanying notes to financial statements.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## STATEMENTS OF CASH FLOWS Years Ended September 30, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Decrease in Total Net Assets</b>	\$ (490,436)	\$ (555,522)
<b>Adjustments to Reconcile Changes in Net Assets to     Net Cash Used by Operating Activities</b>		
Depreciation and amortization	303,785	285,432
Loss (gain) on disposal of property and equipment	5,046	(212,645)
Net appreciation in fair value of investments	(5,069)	(82,597)
Bad debts/loss on uncollectible contributions	55,708	33,258
Changes in operating assets and liabilities:		
Accounts receivable:		
Cookie and fall sales receivable	(39,852)	(1,553)
Other accounts receivable	(28,644)	22,233
Contributions and grants receivable	35,859	(57,787)
Inventory	16,755	15,349
Prepaid expenses	35,603	(5,646)
Other assets	-	(9,481)
Accounts payable and accrued expenses	(22,148)	7,696
Accrued payroll expenses	(3,026)	(81,032)
Custodial funds	(8,897)	2,389
Deferred revenue	3,249	(16,737)
Deferred rent	8,784	14,997
<b>Net Cash Used by Operating Activities</b>	(133,283)	(641,646)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(343,408)	(395,626)
Proceeds from sale of property and equipment	-	418,999
Purchases of investments	(2,337,022)	(193,325)
Proceeds from sale of investments	1,090,845	2,566,901
<b>Net Cash (Used) Provided by Investing Activities</b>	(1,589,585)	2,396,949
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligations	(22,149)	(14,738)
Draws on line of credit	1,400,000	-
Payments on line of credit	(1,400,000)	-
<b>Net Cash Used by Financing Activities</b>	(22,149)	(14,738)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,745,017)	1,740,565
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	3,138,114	1,397,549
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,393,097	\$ 3,138,114
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Purchases of property and equipment included in accounts payable	\$ 33,000	\$ 3,026

See accompanying notes to financial statements.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

### **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 8,100 girls and has over 2,850 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 three classes of net assets – unrestricted, temporarily restricted and permanently restricted, as applicable.

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

The Council considers all 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, 2018 and 2017, management estimates that the balance in individual troop accounts totaled approximately \$540,000 and \$732,000, 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. 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 7.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

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

#### **(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 5 for further discussion of fair value measurements.

Investment transactions are recorded on a trade-date basis. Interest income is recorded when it is earned, and dividends are recorded as income on the ex-dividend date.

Realized and unrealized gains and losses, as well as dividends and interest, are included in net investment income on the statements of activities. Donor restricted investment income is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions, unless the restrictions are met (that is, when a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income is earned, in which case the investment income is reported as an increase in unrestricted net assets.

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

Inventories, consisting primarily of shop merchandise, are 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 unrestricted net assets, unless the donor has restricted the donated asset to a specified purpose.

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 unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time period ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as "net assets released from restrictions."

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

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

#### **(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, 2018 and 2017.

#### **(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 \$0.60 for each box of cookies sold, \$0.75 for each candy or nut item sold in the fall sale and 12% 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**

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 various programs and supporting services using various statistical bases.

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.

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

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

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

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

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

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, 2018 and 2017, 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 and disclosures. Accordingly, actual results could differ from those estimates.

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

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in this update primarily affect not-for-profit entities but apply to all entities, including business entities that receive or make contributions of cash and other assets. Transfers of assets from government entities to business entities are expressly excluded from the scope of this update. The amendments in this update will be applied by the Council on a modified prospective basis effective October 1, 2019. Management has not yet determined the significance of the impact that implementation of the amendments in this update will have on the Council's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 is 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. These amendments, which become effective for the Council on October 1, 2018, require the following:

- Presentation of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions.
- Elimination of the requirement to present a reconciliation of cash flows using the indirect method if the organization elects to use the direct method for purposes of preparing the statement of cash flows.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

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

#### **(n) Recently Issued Accounting Standards (Continued)**

- Enhanced disclosures about governing board designations and other self-imposed limits on the use of resources, as well as the composition of net assets with donor restrictions at the end of the period and how those restrictions affect the use of resources.
- New disclosures containing qualitative information communicating how liquid resources are managed to meet cash needs for general expenditures within one year of the financial reporting date and quantitative information communicating the availability of resources to meet cash needs for general expenditures within one year of the financial reporting date.
- Presentation of expenses by natural and functional classification, either on the statement of activities, in a separate statement or in the notes to the financial statements.
- Reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about underwater endowments.
- Enhanced disclosures about the method(s) used to allocate costs among program and support functions.
- Reporting of investment return net of external and direct internal investment expenses.

While these amendments in this update will significantly impact the presentation of the financial statements and the content of disclosures in the notes to the financial statements, they are not expected to have a material impact on the recording or measurement of amounts presented therein.

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, 2020. 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.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

### **NOTE 3: INVESTMENTS**

The Council's investments at September 30 are as follows:

	<b>2018</b>	<b>2017</b>
Mutual funds	\$ 1,550,680	\$ 370,436
Exchange-traded funds	75,589	-
Corporate debt obligations	49,415	52,363
Government-sponsored entity obligations	25,283	26,063
Foreign government obligations	24,786	25,645
	<b>\$ 1,725,753</b>	<b>\$ 474,507</b>
	<b>\$ 1,725,753</b>	<b>\$ 474,507</b>

At September 30, net investment income includes the following:

	<b>2018</b>	<b>2017</b>
Dividends and interest	\$ 48,443	\$ 73,643
Net appreciation in fair value of investments	5,069	82,597
Investment fees	(7,877)	(9,129)
	<b>\$ 45,635</b>	<b>\$ 147,111</b>
	<b>\$ 45,635</b>	<b>\$ 147,111</b>

### **NOTE 4: CONTRIBUTIONS AND GRANTS RECEIVABLE**

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

	<b>2018</b>	<b>2017</b>
Second Century Endowment	\$ -	\$ 3,400
United Way grant	74,073	120,041
Other contributions and grants	20,860	15,239
	<b>\$ 94,933</b>	<b>\$ 138,680</b>
	<b>\$ 94,933</b>	<b>\$ 138,680</b>



# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

### **NOTE 4: CONTRIBUTIONS AND GRANTS RECEIVABLE (Continued)**

Contributions and grants receivable at September 30, 2018 are expected to be collected as follows:

Amounts due in:

Less than one year	\$ 94,308
One to five years	<u>625</u>
	<u>\$ 94,933</u>

During the year ended September 30, 2018, management determined \$3,400 of contributions receivable related to the Second Century Endowment to be uncollectible. This amount has been recorded as a loss on uncollectible contributions and a reclassification of permanently restricted net assets.

### **NOTE 5: 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.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

### **NOTE 5: FAIR VALUE MEASUREMENTS (Continued)**

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, 2018 and 2017.

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.

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

	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
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	1,550,680	-	-	1,550,680
Exchange-traded funds	75,589	-	-	75,589

*(Continued)*

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

### NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

**NOTE 5: FAIR VALUE MEASUREMENTS (Continued)**

	2018			Fair Value
	Level 1	Level 2	Level 3	
Corporate debt obligations	\$ -	\$ 49,415	\$ -	\$ 49,415
Government-sponsored entity obligations	-	25,283	-	25,283
Foreign government obligations	-	24,786	-	24,786
Total investments	\$ 1,626,269	\$ 99,484	\$ -	\$ 1,725,753
	2017			
	Level 1	Level 2	Level 3	Fair Value
Mutual funds				
Diversified emerging markets	\$ 7,983	\$ -	\$ -	\$ 7,983
Energy limited partnership	9,667	-	-	9,667
Foreign large growth	27,972	-	-	27,972
Intermediate-term bond	25,096	-	-	25,096
Large blend	12,898	-	-	12,898
Large growth	62,153	-	-	62,153
Large value	48,912	-	-	48,912
Mid-cap growth	18,459	-	-	18,459
Mid-cap value	17,207	-	-	17,207
Moderate allocation	13,447	-	-	13,447
Multisector bond	24,091	-	-	24,091
Nontraditional bond	4,835	-	-	4,835
Small blend	6,960	-	-	6,960
Small growth	14,475	-	-	14,475
Small value	4,926	-	-	4,926
Tactical allocation	9,455	-	-	9,455
Ultrashort bond	7,102	-	-	7,102
World allocation	22,665	-	-	22,665
World bond	8,656	-	-	8,656
World stock	23,477	-	-	23,477
Total mutual funds	370,436	-	-	370,436

*(Continued)*

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

### NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

	2017			Fair Value
	Level 1	Level 2	Level 3	
Corporate debt obligations	\$ -	\$ 52,363	\$ -	\$ 52,363
Government-sponsored entity obligations	-	26,063	-	26,063
Foreign government obligations	-	25,645	-	25,645
Total investments	\$ 370,436	\$ 104,071	\$ -	\$ 474,507

### NOTE 6: PROPERTY AND EQUIPMENT, NET

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

	2018	2017
Non-depreciable:		
Land	\$ 341,308	\$ 341,308
Idle land	94,000	94,000
Construction in progress	130,298	55,793
Depreciable:		
Buildings and improvements	5,869,936	5,721,270
Furniture and equipment	299,531	229,714
Automobiles	322,935	274,961
Land improvements	143,242	143,242
Capital leases	34,481	31,183
	7,235,731	6,891,471
Accumulated depreciation and amortization	(3,121,214)	(2,867,140)
Total property and equipment, net	\$ 4,114,517	\$ 4,024,331

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. Construction in progress at September 30, 2017, consisted of costs incurred related to leasehold improvements at the Rogers regional office and architectural fees and concepts for the Mt. Magazine area.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

**NOTE 7: 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:

	2018	2017
GSUSA membership dues	\$ 975	\$ 4,690
Disbanded troop cash	2,091	7,273
Total custodial funds	\$ 3,066	\$ 11,963

**NOTE 8: LINE OF CREDIT**

During the year ended September 30, 2018, the Council obtained a \$1.5 million line of credit agreement with a financial institution. Interest on the line of credit accrues at 4.5%, and is paid monthly. 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 \$970,747 at September 30, 2018. At September 30, 2018, there was no outstanding balance on the line of credit.

**NOTE 9: 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 and \$46,774 at September 30, 2018 and 2017, 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, 2018 and 2017 was \$22,337 and \$15,591, 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, 2018 are as follows:

2019	\$ 33,760
2020	2,766
Total minimum lease payments	36,526
Less: amount representing interest	(1,004)
Present value of net minimum lease payments	\$ 35,522

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

### **NOTE 10: ENDOWMENTS**

The Council maintains endowment funds established for a variety of purposes. These endowment funds may include both donor-restricted funds and funds designated by the Council's Board of Directors to function as endowments. As required under generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

At September 30, 2018 and 2017, the Council's endowment funds include four permanently 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 permanently restricted endowment funds must be maintained in perpetuity and the income earned thereon must be used for specific Girl Scout-related purposes.

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 as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the 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.

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

**NOTE 10: ENDOWMENTS (Continued)**

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>2018</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 146,222	\$ 146,222
Contributions	-	2,857	2,857
Investment income	-	11,824	11,824
Net appreciation in fair value of investments	-	2,228	2,228
Amounts spent	-	(14,052)	(14,052)
Reclassifications	-	(3,400)	(3,400)
	<u>\$ -</u>	<u>\$ 145,679</u>	<u>\$ 145,679</u>
	<b>2017</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 119,651	\$ 143,469	\$ 263,120
Contributions	-	2,753	2,753
Investment income	14,042	-	14,042
Net appreciation in fair value of investments	21,334	-	21,334
Amounts spent	(155,027)	-	(155,027)
	<u>\$ -</u>	<u>\$ 146,222</u>	<u>\$ 146,222</u>

# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

### NOTE 11: NET ASSETS

The following disclosure provides a description of the amounts comprising board designated, temporarily restricted and permanently restricted net assets at September 30, 2018 and 2017. The numbers to the right of the descriptive categories reference to explanations immediately following this table.

	<b>2018</b>	<b>2017</b>
<b>Board Designated Net Assets</b>		
Emergency expenditures	\$ 25,020	\$ 19,776
Second Century Endowment	3,595	3,591
Windgate Foundation Challenge Grant <sup>(1)</sup>	50,050	-
Other	5,045	5,040
Total Board Designated Net Assets	\$ 83,710	\$ 28,407
<b>Temporarily Restricted Net Assets</b>		
Scholarships, grants and other <sup>(2)</sup>	\$ 27,767	\$ 114,278
<b>Permanently Restricted Net Assets</b>		
Lyon Memorial <sup>(3)</sup>	\$ 26,050	\$ 25,450
Emde Memorial <sup>(3)</sup>	7,000	6,000
Hensley Memorial <sup>(3)</sup>	10,110	10,103
Second Century Endowment <sup>(3)</sup>	102,519	104,669
Total Permanently Restricted Net Assets	\$ 145,679	\$ 146,222

<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 unrestricted net assets to begin the process of raising the necessary funds to receive the challenge grant.

<sup>(2)</sup> Represents the unspent balance of contributions from various donors to be utilized for scholarships awarded to girls who meet certain criteria and other purposes, as specified by individual donors.

<sup>(3)</sup> Represents contributions received from various 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 various Girl Scout programs.



# Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

## NOTES TO FINANCIAL STATEMENTS September 30, 2018 and 2017

### **NOTE 12: 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, 2018 and 2017 totaled approximately \$96,900 and \$91,600, 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, 2018, the Council's share of the total liability was estimated to be approximately \$2.3 million.

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, 2018. The Council's required contribution rate is 16.3% of eligible salaries in 2018 and 2017, and the dollar amount of contributions totaled approximately \$299,000 during both the years ended September 30, 2018 and 2017. Legislative and regulatory solutions are being explored to reduce the minimum required contributions.

### **NOTE 13: 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, 2018 and 2017

### ***NOTE 13: 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 both the years ended September 30, 2018 and 2017, approximately 63% of total support, revenue, gains and reclassifications is attributable to net cookie sales.

### ***NOTE 14: RELATED PARTY TRANSACTIONS***

During the years ended September 30, 2018 and 2017, certain members of the Council's Board of Directors also served as employees at financial institutions in which the Council maintains cash accounts and investment accounts.

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

Management has evaluated subsequent events through January 26, 2019, the date that the financial statements were available to be issued.