



Financial Statements
September 30, 2020 and 2019
(With Independent Auditor's Report Thereon)

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statement of Activities – Year Ended September 30, 2020	5
Statement of Activities – Year Ended September 30, 2019	6
Statement of Functional Expenses – Year Ended September 30, 2020	7
Statement of Functional Expenses – Year Ended September 30, 2019	8
Statements of Cash Flows	9
Notes to Financial Statements	10



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, 2020 and 2019, 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.

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

Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of the Council as of September 30, 2020 and 2019, 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 to the financial statements, the Council adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and Accounting Standards Update No. 2014-09, *Revenues from Contracts with Customers*, effective October 1, 2019. Our opinion is not modified with respect to this matter.


Certified Public Accountants

January 30, 2021
Little Rock, Arkansas

Financial Statements

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statements of Financial Position September 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,348,613	\$ 1,491,301
Investments	1,705,474	1,584,026
Accounts receivable:		
Cookie and fall sales receivable, net	2,931	18,960
Other accounts receivable	17,141	41,274
Contributions and grants receivable	184,379	104,027
Inventory	144,669	141,646
Prepaid expenses	63,294	53,670
Property and equipment, net	3,818,360	3,872,762
Other assets	44,626	9,481
	\$ 8,329,487	\$ 7,317,147
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 114,828	\$ 153,693
Accrued payroll expenses	175,979	115,835
Custodial funds	12,201	1,550
Capital lease obligations	25,431	2,755
Refundable advance	626,988	-
Deferred revenue	4,855	4,789
Deferred rent	2,102	16,539
Total Liabilities	962,384	295,161
Net Assets		
Net assets without donor restrictions		
Unrestricted	6,287,350	6,567,618
Board designated	83,878	83,794
Total net assets without donor restrictions	6,371,228	6,651,412
Net assets with donor restrictions		
Restricted as to purpose	844,138	223,269
Restricted in perpetuity	151,737	147,305
Total net assets with donor restrictions	995,875	370,574
Total Net Assets	7,367,103	7,021,986
	\$ 8,329,487	\$ 7,317,147
TOTAL LIABILITIES AND NET ASSETS		

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statement of Activities Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE, GAINS AND RECLASSIFICATIONS			
Support			
United Way	\$ 53,014	\$ -	\$ 53,014
Contributions	348,743	622,118	970,861
Grants	93,805	-	93,805
Total Support	<u>495,562</u>	<u>622,118</u>	<u>1,117,680</u>
Program Revenue			
Cookie sales	6,108,244	-	6,108,244
Cost of sales	(1,379,047)	-	(1,379,047)
Allocation to troops and service units	(951,783)	-	(951,783)
Net cookie sales revenue	<u>3,777,414</u>	<u>-</u>	<u>3,777,414</u>
Fall sales	492,292	-	492,292
Cost of sales	(200,259)	-	(200,259)
Allocation to troops and service units	(60,702)	-	(60,702)
Net fall sales revenue	<u>231,331</u>	<u>-</u>	<u>231,331</u>
Merchandise sales	173,155	-	173,155
Cost of sales	(90,419)	-	(90,419)
Net merchandise sales revenue	<u>82,736</u>	<u>-</u>	<u>82,736</u>
Camp and program fees	37,854	-	37,854
Total Program Revenue	<u>4,129,335</u>	<u>-</u>	<u>4,129,335</u>
Other Income			
Net investment return	130,862	3,183	134,045
Other support, gains and miscellaneous income	60,864	-	60,864
Total Other Income	<u>191,726</u>	<u>3,183</u>	<u>194,909</u>
Total Support, Revenue, Gains and Reclassifications	<u>4,816,623</u>	<u>625,301</u>	<u>5,441,924</u>
Expenses			
Program services	3,765,979	-	3,765,979
Management and general	944,119	-	944,119
Fundraising	386,709	-	386,709
Total Expenses	<u>5,096,807</u>	<u>-</u>	<u>5,096,807</u>
INCREASE (DECREASE) IN NET ASSETS	(280,184)	625,301	345,117
NET ASSETS, BEGINNING OF YEAR	<u>6,651,412</u>	<u>370,574</u>	<u>7,021,986</u>
NET ASSETS, END OF YEAR	<u>\$ 6,371,228</u>	<u>\$ 995,875</u>	<u>\$ 7,367,103</u>

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>
SUPPORT, REVENUE, GAINS AND RECLASSIFICATIONS			
Support			
United Way	\$ 72,337	\$ -	\$ 72,337
Contributions	510,201	209,896	720,097
Grants	78,692	-	78,692
Total Support	<u>661,230</u>	<u>209,896</u>	<u>871,126</u>
Program Revenue			
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
Total Program Revenue	<u>4,436,920</u>	<u>-</u>	<u>4,436,920</u>
Other Income			
Net investment return	66,705	-	66,705
Other support and miscellaneous income	35,412	-	35,412
Total Other Income	<u>102,117</u>	<u>-</u>	<u>102,117</u>
Net Assets Released from Restrictions	<u>12,768</u>	<u>(12,768)</u>	<u>-</u>
Total Support, Revenue, Gains and Reclassifications	<u>5,213,035</u>	<u>197,128</u>	<u>5,410,163</u>
Expenses			
Program services	4,274,762	-	4,274,762
Management and general	1,007,232	-	1,007,232
Fundraising	329,769	-	329,769
Total Expenses	<u>5,611,763</u>	<u>-</u>	<u>5,611,763</u>
INCREASE (DECREASE) IN NET ASSETS	(398,728)	197,128	(201,600)
NET ASSETS, BEGINNING OF YEAR	<u>7,050,140</u>	<u>173,446</u>	<u>7,223,586</u>
NET ASSETS, END OF YEAR	<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 Functional Expenses Year Ended September 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 2,363,647	\$ 617,045	\$ 345,229	\$ 3,325,921
Professional services and fees	131,057	66,790	9,978	207,825
Program supplies and food	194,043	962	11,028	206,033
Communications and postage	105,922	26,969	14,311	147,202
Building rent, maintenance and utilities	248,645	62,161	-	310,806
Equipment rental and maintenance	53,951	-	-	53,951
Marketing and printing	6,322	28,957	790	36,069
Travel	58,553	4,493	2,246	65,292
Development and training	11,346	3,036	1,598	15,980
Girl and adult assistance and troop support	50,983	-	-	50,983
Sales incentives	137,963	-	-	137,963
Bad debts/loss on uncollectible contributions	54,206	-	-	54,206
Insurance	66,585	17,853	-	84,438
Other operating expense	47,391	57,011	1,529	105,931
Depreciation and amortization	235,365	58,842	-	294,207
TOTAL EXPENSES	3,765,979	944,119	386,709	5,096,807
Costs of sales	1,669,725	-	-	1,669,725
Allocation to troops and service units	1,012,485	-	-	1,012,485
TOTAL EXPENSES AND COST OF SALES	\$ 6,448,189	944,119	386,709	\$ 7,779,017

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
TOTAL EXPENSES	4,274,762	1,007,232	329,769	5,611,763
Costs of sales	1,674,939	-	-	1,674,939
Allocation to troops and service units	944,289	-	-	944,289
TOTAL EXPENSES AND COST OF SALES	<u>\$ 6,893,990</u>	<u>\$ 1,007,232</u>	<u>\$ 329,769</u>	<u>\$ 8,230,991</u>

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statements of Cash Flows Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Total Net Assets	\$ 345,117	\$ (201,600)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization	294,207	318,408
Loss on disposal of property and equipment	3,422	115,066
Donated property and equipment	-	(9,108)
Net appreciation in fair value of investments	(86,561)	(4,136)
Contributions of investments	-	(25,988)
Proceeds from sale of investments contributed	-	25,988
Bad debts/loss on uncollectible contributions	54,206	88,781
Changes in operating assets and liabilities:		
Accounts receivable:		
Cookie and fall sales receivable	(38,142)	(66,025)
Other accounts receivable	24,133	(8,331)
Contributions and grants receivable	(80,387)	(29,289)
Inventory	(3,023)	(16,930)
Prepaid expenses	(9,624)	(4,121)
Other assets	(35,145)	-
Accounts payable and accrued expenses	(37,227)	20,310
Accrued payroll expenses	60,144	6,853
Custodial funds	10,651	(1,516)
Refundable advance	626,988	-
Deferred revenue	66	(2,039)
Deferred rent	(14,437)	(7,242)
Net Cash Provided by Operating Activities	1,114,388	199,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(216,429)	(247,473)
Proceeds from sale of property and equipment	-	33,500
Purchases of investments	(172,346)	(673,423)
Proceeds from sale of investments	137,459	819,286
Net Cash Used by Investing Activities	(251,316)	(68,110)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(5,760)	(32,767)
Draws on line of credit	1,400,000	1,500,000
Payments on line of credit	(1,400,000)	(1,500,000)
Net Cash Used by Financing Activities	(5,760)	(32,767)
NET INCREASE IN CASH AND CASH EQUIVALENTS	857,312	98,204
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,491,301	1,393,097
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,348,613	\$ 1,491,301
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Purchases of property and equipment included in accounts payable	\$ -	\$ 1,638

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

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 6,900 girls and has almost 2,700 volunteers.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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, 2020 and 2019, management estimates that the balance in such individual troop accounts totaled approximately \$1,600,000 and \$1,100,000, 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

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

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 in the Council's statements of financial position.

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.

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.

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.

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, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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.

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 in the statements of activities as “net assets released from restrictions.”

Revenue Recognition

Grants are recognized as revenue on a reimbursement of expense basis or when services are provided. Receivables from grants represent amounts required for reimbursement for allowable expenses incurred or services provided in excess of funds received. Grants are reported as refundable advances to the extent funds are received before the required service is provided.

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 \$40,000 and \$25,000 at September 30, 2020 and 2019, respectively.

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.

Allocation to Troops and Service Units

Individual troops and service units earn \$0.70 - \$0.85 and \$0.04 - \$0.05, respectively, for each box of cookies sold. Individual troops earn 11% - 13% for their gross fall sale and service units earn up to \$250 on meeting certain benchmarks during the fall sale.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020 and 2019, 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.

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.

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (ASU No. 2014-09), 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 in exchange for those goods or services. Management adopted ASU No. 2014-09 effective October 1, 2019. Analysis of the various provisions of this standard resulted in no significant changes to the way the Council recognizes revenue and therefore no changes to the previously issued financial statements were required on a retrospective basis. The disclosures of revenue have been enhanced in accordance with this standard.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU No. 2018-08), 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. Management adopted ASU No. 2018-08 effective October 1, 2019. Implementation of this standard did not have a significant impact on the Council's financial statements.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. 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, 2022. 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.

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to enhance disclosures about the valuation of those contributions and their use in programs and other activities, including any donor-imposed restrictions on such use. The amendments in this ASU should be applied on a retrospective basis and will be effective for the Council on October 1, 2021. Management has not yet determined the significance of the impact of implementation of this standard or any related amendments.

NOTE 3: CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
United Way grants	\$ 15,163	\$ 34,389
STEAM	40,500	30,000
Other contributions and grants	<u>128,716</u>	<u>39,638</u>
Total contributions and grants receivable	<u>\$ 184,379</u>	<u>\$ 104,027</u>

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 3: CONTRIBUTIONS AND GRANTS RECEIVABLE (Continued)

Contributions and grants receivable at September 30, 2020 are expected to be collected as follows:

	<u>2020</u>
Amounts due in:	
Less than one year	\$ 112,929
One to five years	56,450
More than five years	15,000
	<u>\$ 184,379</u>

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, 2020 and 2019.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

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 funds are priced continuously throughout the day, but are required to publish their daily net asset value at market close based on the value of the underlying securities. The funds held by the Council are deemed to be actively traded.

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:

	2020			Fair Value
	Level 1	Level 2	Level 3	
Mutual funds				
Allocation - 30% to 50% equity	\$ 171,031	\$ -	\$ -	\$ 171,031
Diversified emerging markets	81,578	-	-	81,578
Foreign large growth	44,239	-	-	44,239
Intermediate core-plus bond	370,930	-	-	370,930
Large growth	44,284	-	-	44,284
Large value	88,223	-	-	88,223
Mid-cap growth	13,306	-	-	13,306
Mid-cap value	10,320	-	-	10,320
Multisector bond	5,315	-	-	5,315
Nontraditional Bond	7,558	-	-	7,558
Small growth	8,917	-	-	8,917
Small value	6,946	-	-	6,946
Ultrashort bond	5,359	-	-	5,359
World allocation	425,080	-	-	425,080
World large stock	110,914	-	-	110,914
World small/mid stock	127,035	-	-	127,035
Total mutual funds	<u>1,521,035</u>	<u>-</u>	<u>-</u>	<u>1,521,035</u>
Exchange-traded funds	<u>77,199</u>	<u>-</u>	<u>-</u>	<u>77,199</u>
Corporate debt obligations	<u>-</u>	<u>55,648</u>	<u>-</u>	<u>55,648</u>
Government-sponsored entity obligations	<u>-</u>	<u>25,975</u>	<u>-</u>	<u>25,975</u>
Foreign government obligations	<u>-</u>	<u>25,617</u>	<u>-</u>	<u>25,617</u>
Total investments	<u>\$ 1,598,234</u>	<u>\$ 107,240</u>	<u>\$ -</u>	<u>\$ 1,705,474</u>

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	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>\$ 1,479,898</u>	<u>\$ 104,128</u>	<u>\$ -</u>	<u>\$ 1,584,026</u>

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 5: PROPERTY AND EQUIPMENT, NET

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

	2020	2019
Non-depreciable:		
Land	\$ 218,723	\$ 218,723
Idle land	94,000	94,000
Construction in progress	149,847	131,791
Depreciable:		
Buildings and improvements	5,975,543	5,822,570
Furniture and equipment	314,153	314,153
Automobiles	328,897	328,897
Land improvements	160,178	143,242
Capital leases	25,276	2,698
	7,266,617	7,056,074
Accumulated depreciation and amortization	(3,448,257)	(3,183,312)
Total property and equipment, net	\$ 3,818,360	\$ 3,872,762

Construction in progress at September 30, 2020 and 2019, consists of costs incurred related to architectural fees and concepts for Camp NOARK and for the Mt. Magazine areas.

NOTE 6: 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 4.25% at September 30, 2020. Borrowings against the line of credit are due on demand, but if no demand is made, the line matures on March 15, 2022, at which time all outstanding advances and any unpaid interest thereon are due and payable. The line is secured by cash held at a financial institution totaling \$100,000, and camp property and the Jonesboro office with a net book value of \$893,377 at September 30, 2020. At September 30, 2020 and 2019, there was no outstanding balance on the line of credit.

NOTE 7: CAPITAL LEASES

The Council leases computer equipment under agreements that are classified as capital leases. The cost of equipment under the capital leases totaled \$54,070 and \$72,409 at September 30, 2020 and 2019, respectively, and is recorded in property and equipment in the statements of financial position. Amortization expense of the leased computer equipment for the years ended September 30, 2020 and 2019 was \$5,858 and \$31,782, respectively, and is included in depreciation and amortization expense in the statements of activities.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 7: CAPITAL LEASES (Continued)

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments for the year ended September 30, 2020 are as follows:

2021	\$ 10,617
2022	10,617
2023	<u>7,078</u>
Total minimum lease payments	28,312
Less: amount representing interest	<u>(2,881)</u>
Present value of net minimum lease payments	<u>\$ 25,431</u>

NOTE 8: REFUNDABLE ADVANCES

On April 14, 2020, the Council qualified for and received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Act, Relief, and Economic Security Act, the principal amount of which is approximately \$627,000 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, is unsecured and guaranteed by the SBA. All or a portion of the principal amount of the PPP Loan may be forgiven upon the Council's request to the extent that the PPP Loan proceeds are used to pay those expenses expressly permitted by the Program, including payroll costs, rent and mortgage obligations, and utility payments incurred by the Council. The principal balance of the PPP Loan is recorded as a conditional contribution for the purposes of these financial statements and is included in refundable advance in the statements of financial position.

NOTE 9: ENDOWMENTS

At September 30, 2020 and 2019, 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.

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

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 9: ENDOWMENTS (Continued)

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:

	2020	2019
Endowment net assets, beginning of year	\$ 147,305	\$ 145,679
Contributions	1,250	1,626
Investment income	5,011	8,304
Net appreciation (depreciation) in fair value of investments	9,169	(45)
Amounts spent	(10,998)	(8,259)
Endowment net assets, end of year	<u>\$ 151,737</u>	<u>\$ 147,305</u>

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 10: NET ASSETS

The following table provides a description of the amounts comprising net assets with donor restrictions at September 30, 2020 and 2019, all of which are restricted by purpose or in perpetuity.

	2020	2019
STEAM Center ⁽¹⁾	\$ 784,290	\$ 201,714
Camp NOARK ⁽²⁾	53,423	21,555
Camperships ⁽³⁾	6,425	-
Lyon Memorial ⁽⁴⁾	28,558	26,050
Emde Memorial ⁽⁴⁾	8,674	7,000
Hensley Memorial ⁽⁴⁾	10,386	10,386
Second Century Endowment ⁽⁴⁾	104,119	103,869
Total net assets with donor restrictions	\$ 995,875	\$ 370,574

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

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

⁽³⁾ Represents the unspent balance of contributions from various donors to be utilized for camp scholarships awarded to girls who meet certain criteria, as specified by individual donors.

⁽⁴⁾ 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, 2020 and 2019.

	2020	2019
Emergency expenditures	\$ 25,070	\$ 25,045
Second Century Endowment	3,603	3,599
Windgate Foundation Challenge Grant ⁽¹⁾	50,150	50,100
Other	5,055	5,050
Total board designated net assets	\$ 83,878	\$ 83,794

⁽⁵⁾ 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, 2020 and 2019

NOTE 11: RETIREMENT PLANS

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, 2020 and 2019 totaled approximately \$97,500 and \$108,100, respectively.

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, 2020, the Council's share of the total liability was estimated to be approximately \$2.2 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, 2020. The Council's required contribution rate is 16.3% of eligible salaries in 2020 and 2019, and the dollar amount of contributions totaled approximately \$290,000 and \$299,000 during the years ended September 30, 2020 and 2019, respectively. Legislative and regulatory solutions are being explored to reduce the minimum required contributions.

NOTE 12: CONCENTRATION OF CREDIT RISK

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, 2020 and 2019

NOTE 12: CONCENTRATION OF CREDIT RISK (Continued)

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, 2020 and 2019, approximately 67% and 68% 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:

	2020	2019
Cash and cash equivalents	\$ 2,348,613	\$ 1,491,301
Investments	625,721	1,129,658
Accounts receivable:		
Cookie and fall sales receivable, net	2,931	18,960
Other accounts receivable	17,141	41,274
Contributions and grants receivable	184,379	104,027
	3,178,785	2,785,220
Less contributions due in more than one year	(56,450)	(15,483)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,122,335	\$ 2,769,737

Although not expected to be needed, the Council has available for spending without limitation board designated net assets of approximately \$84,000. 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 6).

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2020 and 2019

NOTE 15: RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Council and its financial results will depend on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain. Management is unable to accurately predict the full effect COVID-19 will have on the Council.

NOTE 16: SUBSEQUENT EVENTS

On November 10, 2020, the Council received notification that its PPP Loan in the amount of \$616,988 has been forgiven, along with any accrued interest. In addition, on December 27, 2020, a bill was signed to forgive the remaining \$10,000 of the PPP Loan. Management has evaluated subsequent events through January 30, 2021, the date that the financial statements were available to be issued.