



Financial Statements
September 30, 2022 and 2021
(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

Opinion

We have audited the financial statements of **Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas** (the Council), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of September 30, 2022 and 2021, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Other

As disclosed in Note 2 to the financial statements, the Council adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on October 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings and certain internal control-related matters that we identified during the audits.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
January 28, 2023

Financial Statements

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statements of Financial Position September 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,764,864	\$ 1,443,512
Investments	1,575,251	1,975,860
Accounts receivable:		
Cookie and fall product programs receivable, net	2,907	110
Other accounts receivable	79,346	19,094
Contributions and grants receivable	92,833	154,402
Inventory	124,209	134,976
Prepaid expenses	59,091	36,711
Property and equipment, net	3,704,373	3,741,863
Other assets	24,750	26,235
	\$ 7,427,624	\$ 7,532,763
TOTAL ASSETS		
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 157,774	\$ 71,678
Accrued payroll expenses	59,020	56,221
Custodial funds	650	1,299
Capital lease obligations	23,766	16,519
Deferred revenue	12,076	9,035
Total Liabilities	253,286	154,752
 Net Assets		
Net assets without donor restrictions		
Unrestricted	6,071,159	6,239,438
Board designated	84,046	83,962
Total net assets without donor restrictions	6,155,205	6,323,400
Net assets with donor restrictions		
Restricted as to purpose	899,199	901,599
Restricted in perpetuity	119,934	153,012
Total net assets with donor restrictions	1,019,133	1,054,611
Total Net Assets	7,174,338	7,378,011
 TOTAL LIABILITIES AND NET ASSETS		
	\$ 7,427,624	\$ 7,532,763

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statement of Activities Year Ended September 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE, GAINS AND RECLASSIFICATIONS			
Support			
Contributions of financial assets	\$ 1,797,757	\$ 54,537	\$ 1,852,294
Contributions of nonfinancial assets	17,625	-	17,625
Total Support	<u>1,815,382</u>	<u>54,537</u>	<u>1,869,919</u>
Program Revenue			
Cookie program	4,308,706	-	4,308,706
Cost of cookies	(993,136)	-	(993,136)
Allocation to troops and service units	(683,636)	-	(683,636)
Net cookie program revenue	<u>2,631,934</u>	<u>-</u>	<u>2,631,934</u>
Fall product program	383,067	-	383,067
Cost of fall products	(154,087)	-	(154,087)
Allocation to troops and service units	(47,919)	-	(47,919)
Net fall product program revenue	<u>181,061</u>	<u>-</u>	<u>181,061</u>
Merchandise sales	163,997	-	163,997
Cost of sales	(90,142)	-	(90,142)
Net merchandise sales revenue	<u>73,855</u>	<u>-</u>	<u>73,855</u>
Camp and program fees	25,746	-	25,746
Total Program Revenue	<u>2,912,596</u>	<u>-</u>	<u>2,912,596</u>
Other Income			
Net investment loss	(313,936)	(33,079)	(347,015)
Other support, gains and miscellaneous income	412,439	-	412,439
Total Other Income	<u>98,503</u>	<u>(33,079)</u>	<u>65,424</u>
Net Assets Released from Restrictions	<u>56,936</u>	<u>(56,936)</u>	<u>-</u>
Total Support, Revenue, Gains and Reclassifications	<u>4,883,417</u>	<u>(35,478)</u>	<u>4,847,939</u>
Expenses			
Program services	3,851,880	-	3,851,880
Management and general	921,633	-	921,633
Fundraising	278,099	-	278,099
Total Expenses	<u>5,051,612</u>	<u>-</u>	<u>5,051,612</u>
DECREASE IN NET ASSETS	<u>(168,195)</u>	<u>(35,478)</u>	<u>(203,673)</u>
NET ASSETS, BEGINNING OF YEAR	<u>6,323,400</u>	<u>1,054,611</u>	<u>7,378,011</u>
NET ASSETS, END OF YEAR	<u>\$ 6,155,205</u>	<u>\$ 1,019,133</u>	<u>\$ 7,174,338</u>

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statement of Activities Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, GAINS AND RECLASSIFICATIONS			
Support			
Contributions of financial assets	\$ 481,163	\$ 54,140	\$ 535,303
Contributions of nonfinancial assets	19,733	-	19,733
Grants	1,263,977	-	1,263,977
Total Support	1,764,873	54,140	1,819,013
Program Revenue			
Cookie program	4,016,985	-	4,016,985
Cost of cookies	(931,034)	-	(931,034)
Allocation to troops and service units	(626,526)	-	(626,526)
Net cookie program revenue	2,459,425	-	2,459,425
Fall product program	382,306	-	382,306
Cost of fall products	(152,863)	-	(152,863)
Allocation to troops and service units	(44,326)	-	(44,326)
Net fall product program revenue	185,117	-	185,117
Merchandise sales	140,969	-	140,969
Cost of sales	(76,446)	-	(76,446)
Net merchandise sales revenue	64,523	-	64,523
Camp and program fees	95,551	-	95,551
Total Program Revenue	2,804,616	-	2,804,616
Other Income			
Net investment return	263,956	6,846	270,802
Other support and miscellaneous income	39,867	-	39,867
Total Other Income	303,823	6,846	310,669
Net Assets Released from Restrictions	2,250	(2,250)	-
Total Support, Revenue, Gains and Reclassifications	4,875,562	58,736	4,934,298
Expenses			
Program services	3,721,503	-	3,721,503
Management and general	897,009	-	897,009
Fundraising	304,878	-	304,878
Total Expenses	4,923,390	-	4,923,390
INCREASE (DECREASE) IN NET ASSETS	(47,828)	58,736	10,908
NET ASSETS, BEGINNING OF YEAR	6,371,228	995,875	7,367,103
NET ASSETS, END OF YEAR	\$ 6,323,400	\$ 1,054,611	\$ 7,378,011

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statement of Functional Expenses Year Ended September 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 2,521,276	\$ 590,630	\$ 239,723	\$ 3,351,629
Professional services and fees	137,297	97,221	7,639	242,157
Program supplies and food	160,183	1,076	10,415	171,674
Communications and postage	80,748	18,254	7,640	106,642
Building rent, maintenance and utilities	190,934	47,733	-	238,667
Equipment rental and maintenance	71,499	-	-	71,499
Marketing and printing	29,016	16,862	5,098	50,976
Travel	79,254	5,321	2,661	87,236
Development and training	33,206	7,496	3,042	43,744
Girl and adult assistance and troop support	36,311	-	-	36,311
Cookie and fall product programs incentives	110,992	-	-	110,992
Bad debts/loss on uncollectible contributions	50,051	-	-	50,051
Insurance	75,131	20,454	-	95,585
Other operating expense	56,289	61,788	1,006	119,083
Depreciation and amortization	219,693	54,798	875	275,366
TOTAL EXPENSES	3,851,880	921,633	278,099	5,051,612
Costs of cookies, fall products and sales	1,237,365	-	-	1,237,365
Allocation to troops and service units	731,555	-	-	731,555
TOTAL EXPENSES AND COST OF COOKIES, FALL PRODUCTS AND SALES	<u>\$ 5,820,800</u>	<u>\$ 921,633</u>	<u>\$ 278,099</u>	<u>\$ 7,020,532</u>

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statement of Functional Expenses Year Ended September 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 2,316,923	\$ 561,949	\$ 255,991	\$ 3,134,863
Professional services and fees	135,513	82,169	8,402	226,084
Program supplies and food	300,984	852	10,630	312,466
Communications and postage	100,782	23,585	11,023	135,390
Building rent, maintenance and utilities	175,651	43,915	-	219,566
Equipment rental and maintenance	63,609	-	-	63,609
Marketing and printing	71,190	44,083	12,809	128,082
Travel	53,054	3,340	1,671	58,065
Development and training	22,242	5,150	2,360	29,752
Girl and adult assistance and troop support	26,403	-	-	26,403
Cookie and fall product programs incentives	96,928	-	-	96,928
Bad debts/loss on uncollectible contributions	11,211	-	-	11,211
Insurance	74,714	35,071	-	109,785
Other operating expense	44,801	40,075	1,215	86,091
Depreciation and amortization	227,498	56,820	777	285,095
TOTAL EXPENSES	3,721,503	897,009	304,878	4,923,390
Costs of cookies, fall products and sales	1,160,343	-	-	1,160,343
Allocation to troops and service units	670,852	-	-	670,852
TOTAL EXPENSES AND COST OF COOKIES, FALL PRODUCTS AND SALES	<u>\$ 5,552,698</u>	<u>\$ 897,009</u>	<u>\$ 304,878</u>	<u>\$ 6,754,585</u>

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Statements of Cash Flows Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in Total Net Assets	\$ (203,673)	\$ 10,908
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization	275,366	285,095
Loss on disposal of property and equipment	4,552	37,500
Net depreciation (appreciation) in the fair value of investments	402,591	(222,255)
Bad debts/loss on uncollectible contributions	50,051	11,211
Forgiveness of the Paycheck Protection Program	-	(626,988)
Changes in operating assets and liabilities:		
Accounts receivable:		
Cookie and fall product programs receivable	(22,848)	(6,990)
Other accounts receivable	(60,252)	(1,953)
Contributions and grants receivable	31,569	28,577
Inventory	10,767	9,693
Prepaid expenses	(22,380)	26,583
Other assets	1,485	18,391
Accounts payable and accrued expenses	72,017	(43,150)
Accrued payroll expenses	2,799	(119,758)
Custodial funds	(649)	(10,902)
Deferred revenue	3,041	4,180
Deferred rent	-	(2,102)
Net Cash Provided (Used) by Operating Activities	544,436	(601,960)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(209,098)	(246,098)
Purchases of investments	(277,163)	(1,427,552)
Proceeds from sale of investments	275,181	1,379,421
Net Cash Used by Investing Activities	(211,080)	(294,229)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(12,004)	(8,912)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	321,352	(905,101)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,443,512	2,348,613
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,764,864	\$ 1,443,512
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 14,079	\$ -

See accompanying notes to financial statements.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

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 approximately 4,300 girls and has approximately 3,000 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 accounting principles generally accepted in the United States of America (U.S. GAAP).

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, 2022 and 2021, management estimates that the balance in such individual troop accounts totaled approximately \$1,600,000 and \$1,800,000, respectively. The Council has no signature authority on or direct control over the individual troop accounts and will only have read-only access to 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

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Council. It is the Council's policy not to use any funds received from disbanded troops for operations for one year, so any continuing girls may get a portion of the funds for their new troop. After one year, any remaining funds are used for general operations.

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 (loss) is reported in the statements 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, 2022 and 2021

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.

Revenues from cookie and fall product programs (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 uniform components 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 product programs 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 \$20,000 and \$9,000 at September 30, 2022 and 2021, respectively.

Cost of Cookies, Fall Products and Sales

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

Allocation to Troops and Service Units

Individual troops and service units earn \$0.70 - \$0.85 and \$0.04 - \$0.06, respectively, for each box of cookies sold. Individual troops earn 11% - 13% for their gross fall product program revenues and service units earn \$200 when they meet a certain benchmark.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

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. Salaries, benefits and taxes 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, 2022 and 2021, 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 U.S. GAAP 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 September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. 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 statements 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 Council implemented ASU No. 2020-07 as required on October 1, 2021; however, ASU No. 2020-07 had minimal impact on the Council's financial statements and the notes thereto as contributed nonfinancial assets were not significant to the Council's operations during the year ended September 30, 2022, and had no donor restrictions on the use of the assets.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Council’s financial statements.

Reclassifications

Certain amounts previously reported in the 2021 financial statements have been reclassified to conform to presentation in the 2022 financial statements.

NOTE 3: CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	2022	2021
Juliette's Circle	\$ 36,530	\$ 48,900
STEAM	-	30,900
Other contributions and grants	56,303	74,602
Total contributions and grants receivable	\$ 92,833	\$ 154,402

Contributions and grants receivable at September 30, 2022 are expected to be collected as follows:

	2022
Amounts due in:	
Less than one year	\$ 24,230
One to five years	63,603
More than five years	5,000
	\$ 92,833

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

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, 2022 and 2021.

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 and corporate debt obligations are determined based on yields currently available on comparable securities of issuers with similar credit ratings.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

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

	2022			Fair Value
	Level 1	Level 2	Level 3	
Mutual funds				
Diversified emerging markets	\$ 14,954	\$ -	\$ -	\$ 14,954
Foreign large blend	42,815	-	-	42,815
Foreign large growth	97,770	-	-	97,770
Global large stock growth	16,130	-	-	16,130
High yield bond	66,629	-	-	66,629
Intermediate core bond	430,450	-	-	430,450
Large blend	155,724	-	-	155,724
Large growth	122,417	-	-	122,417
Large value	34,698	-	-	34,698
Mid-cap growth	41,287	-	-	41,287
Mid-cap value	12,154	-	-	12,154
Multisector bond	6,154	-	-	6,154
Nontraditional bond	10,806	-	-	10,806
Short-term Bond	19,061	-	-	19,061
Small growth	11,379	-	-	11,379
Small value	13,970	-	-	13,970
Ultrashort bond	7,146	-	-	7,146
World allocation	277,063	-	-	277,063
Total mutual funds	<u>1,380,607</u>	<u>-</u>	<u>-</u>	<u>1,380,607</u>
Exchange-traded funds	<u>73,290</u>	<u>-</u>	<u>-</u>	<u>73,290</u>
Corporate debt obligations	<u>-</u>	<u>121,354</u>	<u>-</u>	<u>121,354</u>
Total investments	<u><u>\$ 1,453,897</u></u>	<u><u>\$ 121,354</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,575,251</u></u>

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	2021			Fair Value
	Level 1	Level 2	Level 3	
Mutual funds				
Intermediate core bond	\$ 496,417	\$ -	\$ -	\$ 496,417
Diversified emerging markets	19,762	-	-	19,762
Foreign large blend	59,158	-	-	59,158
Foreign large growth	178,481	-	-	178,481
Global large stock growth	22,068	-	-	22,068
High yield bond	76,453	-	-	76,453
Intermediate core-plus bond	26,641	-	-	26,641
Large blend	187,340	-	-	187,340
Large growth	180,016	-	-	180,016
Large value	39,916	-	-	39,916
Mid-cap growth	67,776	-	-	67,776
Mid-cap value	14,413	-	-	14,413
Multisector bond	5,865	-	-	5,865
Nontraditional bond	8,093	-	-	8,093
Small growth	12,571	-	-	12,571
Small value	12,088	-	-	12,088
Ultrashort bond	5,731	-	-	5,731
World allocation	349,691	-	-	349,691
Total mutual funds	<u>1,762,480</u>	<u>-</u>	<u>-</u>	<u>1,762,480</u>
Exchange-traded funds	<u>101,677</u>	<u>-</u>	<u>-</u>	<u>101,677</u>
Corporate debt obligations	<u>-</u>	<u>86,372</u>	<u>-</u>	<u>86,372</u>
Government-sponsored entity obligations	<u>-</u>	<u>25,331</u>	<u>-</u>	<u>25,331</u>
Total investments	<u>\$ 1,864,157</u>	<u>\$ 111,703</u>	<u>\$ -</u>	<u>\$ 1,975,860</u>

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 5: PROPERTY AND EQUIPMENT, NET

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

	2022	2021
Non-depreciable:		
Land	\$ 218,723	\$ 218,723
Idle land	94,000	94,000
Construction in progress	176,619	347,912
Depreciable:		
Buildings and improvements	6,183,103	5,911,914
Furniture and equipment	246,984	303,835
Automobiles	446,909	328,897
Land improvements	195,610	190,341
Capital leases	22,896	15,797
	7,584,844	7,411,419
Accumulated depreciation and amortization	(3,880,471)	(3,669,556)
Total property and equipment, net	\$ 3,704,373	\$ 3,741,863

Construction in progress at September 30, 2022 and 2021, consists of costs incurred related to updates to Camp NOARK and architectural fees for Camp NOARK and for the Mt. Magazine areas.

NOTE 6: LINES OF CREDIT

During the year ended September 30, 2022, the Council obtained two separate lines of credit of \$800,000 (the LOC1) and \$1,500,000 (the LOC2) from the same financial institution. Interest payments are due monthly at a variable rate based on the Wall Street Journal prime rate, which was 3.25% at September 30, 2022. Borrowings against the lines of credit are due on demand, but if no demand is made, both mature on March 15, 2024, at which time all outstanding advances and any unpaid interest thereon are due and payable. The LOC1 is secured by cash held at a financial institution totaling \$100,000, and the Little Rock office with a net book value of \$1,094,764 at September 30, 2022. The LOC2 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 \$1,221,743 at September 30, 2022. At September 30, 2022 and 2021, there were no outstanding balances on either line of credit.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 7: LEASES

Capital Leases

The Council leases computer equipment under agreements that are classified as capital leases. The cost of equipment under the capital leases totaled \$47,686 and \$28,435 at September 30, 2022 and 2021, 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, 2022 and 2021 was \$12,152 and \$9,478, respectively, and is included in depreciation and amortization expense in the statements of activities.

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, 2022 are as follows:

2023	\$ 14,138
2024	7,060
2025	<u>4,118</u>
Total minimum lease payments	25,316
Less: amount representing interest	<u>(1,550)</u>
Present value of net minimum lease payments	<u>\$ 23,766</u>

Operating Leases

At September 30, 2022, the Council leases an office facility under a noncancellable operating lease with terms in excess of one year. Rent expense under this operating lease for the years ended September 30, 2022 and 2021 were approximately \$43,273 and 51,009, respectively.

The following is a schedule of future minimum lease payments, by fiscal year, under the non-cancellable lease:

2023	\$ 42,923
2024	42,923
2025	42,923
2026	<u>42,923</u>
	<u>\$ 171,692</u>

NOTE 8: CARES ACT FUNDING

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress and signed into law in March 2020, to preserve jobs and provide fast and direct economic assistance to workers, families and small businesses. The Paycheck Protection Plan (PPP) is one of several forms of assistance authorized by the CARES Act and provides small businesses with resources to maintain payroll, rehire employees who have been laid off and cover certain overhead costs. During the years ended September 30, 2021 and 2020, the Council was approved and received two loans totaling \$1,253,976, under PPP.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 8: CARES ACT FUNDING (Continued)

PPP funds are provided to eligible employers in the form of 100% federally guaranteed loans that will ultimately be forgiven if certain conditions are met and funds are used for specific costs (as defined under the Act and related implementation guidance). On November 10, 2020, the Council was granted forgiveness for the first loan amount. On August 24, 2021 the Council received forgiveness for the second loan amount. The related revenue is included in grant revenue on the statement of activities for the year ended September 30, 2021.

The Employee Retention Credit (ERC) is another form of assistance authorized by the CARES Act. The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees during a specific time period. The ERC is provided to eligible employers by reducing employment tax deposits they are otherwise required to make. If the employer's employment tax deposits are not sufficient to cover the credit, the employer may get an advance payment from the Internal Revenue Service. During the year ended September 30, 2022, the Council received an ERC payment in the amount of \$297,033. This amount is included in other support, gains and miscellaneous income on the statement of activities for the year ended September 30, 2022.

NOTE 9: ENDOWMENTS

At September 30, 2022 and 2021, 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 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.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 9: ENDOWMENTS (Continued)

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:

	2022	2021
Endowment net assets, beginning of year	\$ 158,582	\$ 151,737
Investment income	5,791	22,699
Net (depreciation) appreciation in fair value of investments	(38,869)	5,200
Amounts spent	-	(21,054)
Endowment net assets, end of year	<u>\$ 125,504</u>	<u>\$ 158,582</u>

During the year ended September 30, 2022, the Council had funds with underwater endowment net assets as a result of unfavorable market performance. The fair value of these underwater endowments totaled \$125,504, with an original gift amount of \$148,555, resulting in deficiencies of \$23,051 as of September 30, 2022.

Girl Scouts – Diamonds of Arkansas, Oklahoma and Texas

Notes to Financial Statements September 30, 2022 and 2021

NOTE 10: NET ASSETS

The following table provides a description of the amounts comprising net assets with donor restrictions at September 30, 2022 and 2021, all of which are restricted by purpose or in perpetuity.

	2022	2021
STEAM Center ⁽¹⁾	\$ 784,841	\$ 784,841
Camp NOARK ⁽²⁾	70,888	62,051
Camperships ⁽³⁾	7,665	6,965
Alternative Program Delivery ⁽⁴⁾	30,235	42,172
Lyon Memorial ⁽⁵⁾	26,756	33,808
Emde Memorial ⁽⁵⁾	8,127	10,269
Hensley Memorial ⁽⁵⁾	8,220	10,386
Second Century Endowment ⁽⁵⁾	82,401	104,119
Total net assets with donor restrictions	\$ 1,019,133	\$ 1,054,611

⁽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 various donors to be utilized for Girl Scout leadership experiences outside of the normal troop/volunteer led model.

⁽⁵⁾ 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, 2022 and 2021.

	2022	2021
Emergency expenditures	\$ 25,120	\$ 25,095
Second Century Endowment	3,611	3,607
Windgate Foundation Challenge Grant ⁽⁶⁾	50,250	50,200
Other	5,065	5,060
Total board designated net assets	\$ 84,046	\$ 83,962

⁽⁶⁾ 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, 2022 and 2021

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, 2022 and 2021 totaled approximately \$102,000 and \$111,700, 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, 2022, the Council's share of the total liability was estimated to be approximately \$1.2 million, which is disclosed but not recorded in the accompanying financial statements in accordance with U.S. GAAP.

Net plan assets grew during the year and are greater than the actuarial present value of accumulated Plan benefits as of January 1, 2022. The Council's required contribution rate is 16.3% of eligible salaries in 2022 and 2021, and the dollar amount of contributions totaled approximately \$252,000 during both of the years ended September 30, 2022 and 2021. 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, 2022 and 2021

NOTE 12: CONCENTRATION OF CREDIT RISK (Continued)

Support and Revenue

The Council is dependent to some extent upon 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, 2022 and 2021, approximately 52% and 46% of total support, revenue, gains and reclassifications is attributable to net cookie program revenue, 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 statements of financial position to fund expenses without limitations:

	2022	2021
Cash and cash equivalents	\$ 1,764,864	\$ 1,443,512
Investments	472,072	837,287
Accounts receivable:		
Cookie and fall product programs receivable, net	2,907	110
Other accounts receivable	79,346	19,094
Contributions and grants receivable	92,833	154,402
	2,412,022	2,454,405
Less contributions due in more than one year	(68,603)	(55,550)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,343,419	\$ 2,398,855

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 two lines 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, 2022 and 2021

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.

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets and thus performance of the investments; at this time, an aggregate effect on assets and performance cannot be reasonably estimated. Management is continuing to monitor these developments and evaluate other impacts they may have had on the investments.

NOTE 16: SUBSEQUENT EVENTS

On December 8, 2022, the Council sold its Little Rock office for \$1,500,000. The net book value of this property at the time of the sale was approximately \$1,083,000. The Council will maintain occupancy of the bottom floor until May 31, 2023.

As disclosed in Note 6, LOC1 (\$800,000) is mainly secured by the Little Rock office. The Council terminated this line of credit in tandem with the sale of the Little Rock office, as disclosed above. The Council still maintains LOC2 (\$1,500,000).

Management has evaluated subsequent events through January 28, 2023, the date that the financial statements were available to be issued.