

# **Girl Scouts of Southeastern Michigan**

Financial Statements

September 30, 2020 and 2019

# Girl Scouts of Southeastern Michigan

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## Independent Auditors' Report

To the Board of Directors of  
Girl Scouts of Southeastern Michigan

We have audited the accompanying financial statements of Girl Scouts of Southeastern Michigan (the Organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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.

### Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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.



Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)  
Southfield, Michigan  
January 13, 2021

# Girl Scouts of Southeastern Michigan

Statements of Financial Position  
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,895,893	\$ 5,333,240
Accounts receivable, net of allowance	60,787	112,566
Inventory held for resale	455,168	424,343
Prepaid expenses	294,169	233,084
Current portion of notes receivable	<u>9,757</u>	<u>188,071</u>
Total current assets	<u>4,715,774</u>	<u>6,291,304</u>
<b>Property and Equipment, Net</b>	<u>10,121,235</u>	<u>9,744,430</u>
<b>Other Assets</b>		
Investments	5,616,113	4,138,329
Beneficial interests in charitable remainder and perpetual trusts	618,749	609,528
Notes receivable, less current portion	<u>507,914</u>	<u>518,161</u>
Total other assets	<u>6,742,776</u>	<u>5,266,018</u>
Total assets	<u>\$ 21,579,785</u>	<u>\$ 21,301,752</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 677,280	\$ 529,664
Deferred revenue	212,448	322,366
Current portion of Paycheck Protection Program loan payable	<u>380,262</u>	<u>-</u>
Total current liabilities	<u>1,269,990</u>	<u>852,030</u>
<b>Long-Term Liabilities</b>		
Paycheck Protection Program loan payable, net of current portion	<u>443,638</u>	<u>-</u>
Total liabilities	<u>1,713,628</u>	<u>852,030</u>
<b>Net Assets</b>		
Without donor restrictions	18,838,184	19,431,149
With donor restrictions	<u>1,027,973</u>	<u>1,018,573</u>
Total net assets	<u>19,866,157</u>	<u>20,449,722</u>
Total liabilities and net assets	<u>\$ 21,579,785</u>	<u>\$ 21,301,752</u>

See notes to financial statements

# Girl Scouts of Southeastern Michigan

## Statement of Activities

Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
<b>Public Support</b>			
Grants	\$ 71,767	\$ -	\$ 71,767
Contributions	585,069	264,512	849,581
Special events	70,553	-	70,553
In-kind contributions	42,910	-	42,910
Change in beneficial interest	-	9,222	9,222
Release from restriction	322,962	(322,962)	-
Total public support	<u>1,093,261</u>	<u>(49,228)</u>	<u>1,044,033</u>
<b>Revenue</b>			
Cookie and fall product revenue	13,499,314	-	13,499,314
Less direct costs	<u>(6,236,546)</u>	<u>-</u>	<u>(6,236,546)</u>
Product sales gross profit	<u>7,262,768</u>	<u>-</u>	<u>7,262,768</u>
Merchandise sales	672,167	-	672,167
Less direct costs	<u>(467,779)</u>	<u>-</u>	<u>(467,779)</u>
Merchandise sales gross profit	<u>204,388</u>	<u>-</u>	<u>204,388</u>
Product and merchandise sales gross profit	7,467,156	-	7,467,156
Program service fees	91,138	-	91,138
Investment income	474,818	58,628	533,446
Rental income	1,964	-	1,964
Miscellaneous income	<u>127,614</u>	<u>-</u>	<u>127,614</u>
Total net revenue	<u>8,162,690</u>	<u>58,628</u>	<u>8,221,318</u>
Total public support and net revenue	<u>9,255,951</u>	<u>9,400</u>	<u>9,265,351</u>
<b>Expenses</b>			
Program	8,443,487	-	8,443,487
Management and general	798,393	-	798,393
Fundraising	<u>618,536</u>	<u>-</u>	<u>618,536</u>
Total expenses	<u>9,860,416</u>	<u>-</u>	<u>9,860,416</u>
Change in net assets before other items	(604,465)	9,400	(595,065)
<b>Other Items</b>			
Gain on sale of property and equipment	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Change in net assets	(592,965)	9,400	(583,565)
<b>Net Assets, Beginning</b>	<u>19,431,149</u>	<u>1,018,573</u>	<u>20,449,722</u>
<b>Net Assets, Ending</b>	<u>\$ 18,838,184</u>	<u>\$ 1,027,973</u>	<u>\$ 19,866,157</u>

See notes to financial statements

# Girl Scouts of Southeastern Michigan

## Statement of Activities

Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
<b>Public Support</b>			
Grants	\$ 70,215	\$ -	\$ 70,215
Contributions	335,563	243,483	579,046
Special events	143,487	-	143,487
In-kind contributions	40,732	-	40,732
Change in beneficial interest	-	(12,351)	(12,351)
Release from restriction	251,354	(251,354)	-
Total public support	<u>841,351</u>	<u>(20,222)</u>	<u>821,129</u>
<b>Revenue</b>			
Cookie and fall product revenue	13,267,173	-	13,267,173
Less direct costs	<u>(6,003,818)</u>	<u>-</u>	<u>(6,003,818)</u>
Product sales gross profit	<u>7,263,355</u>	<u>-</u>	<u>7,263,355</u>
Merchandise sales	1,045,350	-	1,045,350
Less direct costs	<u>(698,516)</u>	<u>-</u>	<u>(698,516)</u>
Merchandise sales gross profit	<u>346,834</u>	<u>-</u>	<u>346,834</u>
Product and merchandise sales gross profit	7,610,189	-	7,610,189
Program service fees	412,108	-	412,108
Investment income	185,645	6,583	192,228
Rental income	2,212	-	2,212
Miscellaneous income	<u>77,955</u>	<u>-</u>	<u>77,955</u>
Total net revenue	<u>8,288,109</u>	<u>6,583</u>	<u>8,294,692</u>
Total public support and net revenue	<u>9,129,460</u>	<u>(13,639)</u>	<u>9,115,821</u>
<b>Expenses</b>			
Program	8,601,472	-	8,601,472
Management and general	680,299	-	680,299
Fundraising	<u>597,786</u>	<u>-</u>	<u>597,786</u>
Total expenses	<u>9,879,557</u>	<u>-</u>	<u>9,879,557</u>
Changes in net assets before other items	(750,097)	(13,639)	(763,736)
<b>Other Items</b>			
Gain on sale of property and equipment	<u>2,374,709</u>	<u>-</u>	<u>2,374,709</u>
Changes in net assets	1,624,612	(13,639)	1,610,973
<b>Net Assets, Beginning</b>	<u>17,806,537</u>	<u>1,032,212</u>	<u>18,838,749</u>
<b>Net Assets, Ending</b>	<u>\$ 19,431,149</u>	<u>\$ 1,018,573</u>	<u>\$ 20,449,722</u>

See notes to financial statements

# Girl Scouts of Southeastern Michigan

## Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Changes in Net Assets	\$ (583,565)	\$ 1,610,973
Adjustments to reconcile changes in net assets to net cash flows provided by operating activities:		
Depreciation and amortization	867,017	817,199
Bad debts	17,759	13,252
Change in beneficial interests	(9,222)	12,351
Gain on sale of property and equipment	(11,500)	(2,374,709)
Realized and unrealized gains on investments	(477,784)	(119,912)
Changes in assets and liabilities:		
Accounts receivable	34,020	36,572
Inventory held for resale	(30,825)	107,920
Prepaid expenses	(61,085)	(18,623)
Accounts payable and accrued expenses	147,616	10,010
Deferred revenue	(109,918)	74,196
Net cash flows provided by operating activities	<u>(217,487)</u>	<u>169,229</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(1,243,821)	(1,675,575)
Proceeds from sale of property and equipment	11,500	2,743,563
Purchase of investments	(1,000,000)	-
Proceeds from sale of investments	-	2,000,000
Payments received from notes receivable	188,561	11,286
Net cash flows provided from investing activities	<u>(2,043,760)</u>	<u>3,079,274</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loan payable - PPP	823,900	-
Net change in cash and cash equivalents	(1,437,347)	3,248,503
<b>Cash and Cash Equivalents, Beginning</b>	<u>5,333,240</u>	<u>2,084,737</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 3,895,893</u>	<u>\$ 5,333,240</u>

See notes to financial statements

# Girl Scouts of Southeastern Michigan

## Statement of Functional Expenses

Year Ended September 30, 2020

	Troop-Related Programs	Troop and Camp Operations	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 3,253,031	\$ 388,073	\$ 3,641,104	\$ 259,636	\$ 365,938	\$ 4,266,678
Employee benefits	540,353	78,466	618,819	40,510	51,649	710,978
Payroll tax expense	260,444	31,100	291,544	21,081	29,601	342,226
<b>Total salaries and related expenses</b>	<b>4,053,828</b>	<b>497,639</b>	<b>4,551,467</b>	<b>321,227</b>	<b>447,188</b>	<b>5,319,882</b>
Professional fees	459,134	23,172	482,306	145,395	22,426	650,127
Supplies	704,587	52,247	756,834	16,288	42,869	815,991
Telephone	165,769	38,949	204,718	15,777	11,002	231,497
Postage	76,680	3,255	79,935	1,301	5,514	86,750
Occupancy	393,620	21,904	415,524	20,407	32,987	468,918
Building repairs and maintenance	102,233	163,258	265,491	6,451	3,677	275,619
Utilities	32,477	65,722	98,199	399	578	99,176
Real estate taxes	-	4,400	4,400	-	-	4,400
Printing	168,588	15,202	183,790	6,202	15,463	205,455
Transportation	55,885	23,708	79,593	12,113	3,118	94,824
Conference and meetings	43,113	6,335	49,448	19,621	10,470	79,539
Financial assistance	205,309	-	205,309	-	-	205,309
Equipment rental and maintenance	19,437	4,730	24,167	13,652	882	38,701
Insurance	73,822	94,265	168,087	28,332	8,356	204,775
Camper insurance	3,214	-	3,214	-	-	3,214
Miscellaneous	86,450	8,575	95,025	100,191	14,006	209,222
Depreciation and amortization	-	775,980	775,980	91,037	-	867,017
<b>Total functional expenses</b>	<b>\$ 6,644,146</b>	<b>\$ 1,799,341</b>	<b>\$ 8,443,487</b>	<b>\$ 798,393</b>	<b>\$ 618,536</b>	<b>\$ 9,860,416</b>
Percentage of total functional expenses	67.38 %	18.25 %	85.63 %	8.10 %	6.27 %	100.00 %

See notes to financial statements



# Girl Scouts of Southeastern Michigan

## Statement of Functional Expenses

Year Ended September 30, 2019

	<u>Troop-Related Programs</u>	<u>Troop and Camp Operations</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,107,037	\$ 429,928	\$ 3,536,965	\$ 242,140	\$ 354,150	\$ 4,133,255
Employee benefits	532,317	44,210	576,527	40,788	48,920	666,235
Payroll tax expense	<u>270,060</u>	<u>35,595</u>	<u>305,655</u>	<u>28,778</u>	<u>29,080</u>	<u>363,513</u>
Total salaries and related expenses	3,909,414	509,733	4,419,147	311,706	432,150	5,163,003
Professional fees	496,232	24,683	520,915	113,911	23,571	658,397
Supplies	762,543	92,304	854,847	13,027	44,354	912,228
Telephone	145,413	31,879	177,292	12,017	8,742	198,051
Postage	41,829	2,125	43,954	791	6,426	51,171
Occupancy	379,830	17,898	397,728	20,405	32,769	450,902
Building repairs and maintenance	55,804	255,306	311,110	1,396	556	313,062
Utilities	24,551	88,287	112,838	280	451	113,569
Real estate taxes	-	3,684	3,684	-	-	3,684
Printing	175,916	20,902	196,818	3,572	23,566	223,956
Transportation	132,472	34,273	166,745	14,120	3,280	184,145
Conference and meetings	79,265	3,060	82,325	17,003	7,710	107,038
Financial assistance	224,755	7,295	232,050	-	-	232,050
Equipment rental and maintenance	33,453	22,614	56,067	13,613	1,092	70,772
Insurance	72,621	67,417	140,038	29,297	8,394	177,729
Camper insurance	5,419	-	5,419	-	-	5,419
Miscellaneous	108,843	40,259	149,102	43,355	4,725	197,182
Depreciation and amortization	<u>-</u>	<u>731,393</u>	<u>731,393</u>	<u>85,806</u>	<u>-</u>	<u>817,199</u>
Total functional expenses	<u>\$ 6,648,360</u>	<u>\$ 1,953,112</u>	<u>\$ 8,601,472</u>	<u>\$ 680,299</u>	<u>\$ 597,786</u>	<u>\$ 9,879,557</u>
Percentage of total functional expenses	67.29 %	19.77 %	87.06 %	6.89 %	6.05 %	100.00 %

See notes to financial statements

# Girl Scouts of Southeastern Michigan

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Notes to Financial Statements  
September 30, 2020 and 2019

## 1. Summary of Significant Accounting Policies

### Nature of Activities

Girl Scouts of Southeastern Michigan (GSSEM or the Council) is a 501(c)(3) tax exempt, charitable, local council chartered by Girl Scouts of the USA that provides support for Girl Scouting and Girl Scout Troops in Southeastern Michigan. GSSEM builds girls of courage, confidence and character who make the world a better place. The Council provides a girl-centered, fun-filled, quality leadership experience that meets the needs of today's girls. Partnering with mentoring adults and infused with the principles of inclusion and diversity, GSSEM stands as the premier leadership development organization for girls within Southeastern Michigan.

The Council proudly serves more than 24,000 girls in Genesee, Lapeer, Macomb, Oakland, Sanilac, and St. Clair Counties, as well as parts of Livingston, Monroe and Wayne Counties. These girls are supported by nearly 7,000 adult volunteers. The Council's operations are funded primarily through the sale of products and the receipt of donations and grants.

The Council has been issued a Girl Scout council charter by Girl Scouts of the USA, granting it the right to develop, manage and maintain Girl Scouting in its chartered area of jurisdiction, which is established by the National Board of Directors of Girl Scouts of the USA.

### Major Programs

The programs offered by GSSEM help girls recognize their uniqueness as individuals by showing them new ways to perceive their world and exposing them to the rich diversity in which they live, and emphasizing critical decision-making and problem solving techniques for dealing with modern-day issues that concern girls the most.

**Girl Scout Leadership Journeys** - A Girl Scout journey represents a new way that girls can experience Girl Scouting. Each journey is a coordinated series of activities grouped around one central theme that is delivered over a set period of time with the intention of being a complete leadership experience module, and each journey has a specific leadership award associated with it. As girls journey through the challenges in the books, they earn Girl Scouting's prestigious new leadership pins and badges.

Each journey is linked to the "Discover, Connect and Take Action" philosophy of leadership and is tied to national outcomes for girls. Activities engage girls in practicing leadership skills, based on the values of the Girl Scout Promise and Law.

**Outdoor Camp Programs** - Troop, residential and day camp experiences are integral to the Girl Scout mission. Our camps have become a center for progressive outdoor programs that are focused on enhancing the personal growth of girls. Girls or their troops can participate in a variety of year-round outdoor programming experiences such as swimming, canoeing, nature classes, archery, challenge courses, crafts and orienteering.

**Entrepreneurship Skills Gained Through Product Sales Programs** - Each year, GSSEM offers the girls the opportunities to sell cookies and fall products (nuts and magazines) to support the activities of their troops and the Council. These opportunities allow the girls to experience the business sales and money management process through goal setting, budgeting, advance order taking, order fulfillment, record keeping and direct sales. As a result of this annual experience, the girls refine their skills and are rewarded for their achievements.

# Girl Scouts of Southeastern Michigan

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Notes to Financial Statements  
September 30, 2020 and 2019

## **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting, with revenues being recorded when earned and expenses when incurred, except for revenue from grants and pledges that represent an unconditional promise to give, which are recorded when notification is received from the donor. The financial reports have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

## **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Council considers all highly liquid investments, such as money market funds and certificates of deposit, with an original maturity of ninety days or less, to be cash equivalents, except for cash equivalents maintained in the Council's investment accounts. The Council maintains its cash balances with major financial institutions operating in the State of Michigan. At times throughout the year, the Council may have bank balances that exceed federally insured limits. Management does not believe the Council is exposed to any unusual credit or interest rate risk on such uninsured balances. Cash balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC).

Various Troop bank accounts may be established under the Council's tax identification number. All Troop accounts are maintained for the benefit of the girls within the respective troop. These funds are not under the financial control of the Council and have been appropriately excluded from the financial statements.

## **Inventory Held for Resale**

Inventory, which consists of Girl Scout related merchandise for resale, is stated at the lower of cost or market, with cost determined on the weighted average basis.

## **Pledges and Accounts Receivable**

Pledges and accounts receivable are stated at the amount management expects to collect from outstanding balances. The Council provides for probable uncollectible amounts through an expense in the statements of activities and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Council has attempted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account.

The allowance for doubtful accounts receivable was \$53,333 and \$51,263 at September 30, 2020 and 2019, respectively. There was no allowance for uncollectible pledges at September 30, 2020 and 2019.

## **Notes Receivable**

Notes receivable are stated at the amount left on the term of the note. The note is expected to be collected in full no later than April 2022. The note is for the final land parcel at the former Camp O'Fairwinds. There is no allowance for uncollectible notes receivable at September 30, 2020 and 2019.

## **Beneficial Interest in Charitable Remainder and Perpetual Trusts / Split-Interest Agreements**

Certain donors to the Council have entered into irrevocable trust arrangements under which the Council (and in some cases other beneficiaries) is entitled to receive future benefits. These types of arrangements, known as "split-interest agreements", include perpetual trusts and charitable remainder trusts.

## Girl Scouts of Southeastern Michigan

Notes to Financial Statements  
September 30, 2020 and 2019

Under a perpetual trust, a donor requires that the trust's assets must be held in perpetuity, and stipulates the amount or percentage of trust income distributions that the Council may receive. Generally, such distributions bear no donor restrictions. Management annually estimates the present value of estimated future distributions from the trusts and records any material change in value as either an increase or decrease to the beneficial interest and net assets with donor restrictions.

Under a charitable remainder trust, a donor indicates that the Council is to receive the trust's "remainder" after other beneficiaries receive their required distributions. Often, multiple beneficiaries are entitled to distributions before the Council receives the remainder. Such distributions may or may not be limited to the trust's income, and the actual ages and number of beneficiaries may vary widely. Further, demographic information about these beneficiaries may not be available to the Council. As a result, there are inherent uncertainties in determining the present value of the remainder interest. Accordingly, the Council does not estimate a value for any remainder interest where management believes accurate information about beneficiaries, underlying trust assets and or the nature of distributions available to beneficiaries are not reasonably determinable.

### Beneficial Interest in Assets Held by Community Foundations

The Council has established endowment funds that are held and managed with various community foundations (unrelated nonprofit foundations), including a "reciprocal transfer" of \$25,000, as defined by FASB ASC Topic 958. In addition to the reciprocal transfer made by the Council, third-party donors may also make contributions to the funds for the benefit of the Council. The community foundations have explicit variance power over the third-party gifts in the funds; therefore, in accordance with FASB ASC Topic 958, the interest and principal balance related to the third party gifts is not reflected in the financial statements unless and until distributed. Earnings are available for distribution to the Council for operations at the discretion of the various community foundations.

At September 30, 2020 and 2019, the unrecorded fair value of the assets held by community foundations are as follows:

	<u>2020</u>	<u>2019</u>
Community Foundation of Greater Flint	\$ 868,419	\$ 843,650
Community Foundation for Southeastern Michigan	78,098	73,411
Community Foundation of St. Clair County	12,169	12,311
Community Foundation of Sanilac County	<u>1,622</u>	<u>1,550</u>
Total assets held at community foundations	960,308	930,922
Less reciprocal transfer (Southeastern Michigan)	<u>(25,000)</u>	<u>(25,000)</u>
Fair value of third-party contributions held by community foundations	<u>\$ 935,308</u>	<u>\$ 905,922</u>

# Girl Scouts of Southeastern Michigan

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Notes to Financial Statements  
September 30, 2020 and 2019

## Investments

Investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which is considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Council records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Realized gains and losses are measured based on the difference between net selling price and original cost or other basis. Unrealized gains and losses are calculated using the difference between fair value at the beginning of the period and end of the period for investments held for the entire period, and the difference between cost and fair value at the end of the period for investments purchased during the period. Investment income shown on the Statement of Activities is net of related expenses.

## Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in net assets without donor restriction at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. Management annually reviews these assets to determine whether carrying values have been impaired.

## Impairment of Long-Lived Assets

The Council reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No impairment losses were recognized in 2020 or 2019.

# Girl Scouts of Southeastern Michigan

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Notes to Financial Statements  
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## Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. There are no board designated net assets as of September 30, 2020 or 2019. Accordingly, net assets of the Council are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Council pursuant to those stipulations and net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Council.

## Tax-Exempt Status

Girl Scouts of Southeastern Michigan has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes on related activity.

The Council follows guidance included in an accounting standard related to the accounting for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Council recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority.

Based on its evaluation, the Council has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

## Revenue Recognition - Contributions and Grants

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give - that is, those with a measureable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

The Council reports gifts of cash and other assets as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When net assets with donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

## Revenue Recognition - Cookie and Fall Product and Merchandise Sales

Cookie and Fall Product and Merchandise Sales revenue is recognized when the Council satisfies its performance obligation(s) under the agreement by transferring the promised goods to its customers. Customers are deemed to be an individual responsible for accepting the product sales, usually a troop leader or other parent. A performance obligation is a promise in an agreement to transfer a distinct good to its customers. This transfer of control occurs over time when the revenue is earned. In accordance with the ASU, an agreement's transaction price is allocated to each distinct performance obligation, however, substantially all of the agreements have only a single performance obligation.

# Girl Scouts of Southeastern Michigan

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The Council's policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. The Council records the amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.

## Product Sales

Consistent with the recommendations of Girl Scouts of the USA, the statements of activities present gross revenue the Council receives from these sales less the direct cost of the product and the proceed amounts retained by the troops. Net revenue from cookie, fall product and merchandise sales comprised approximately 81 percent and 83 percent of total public support and net revenue for the years ended September 30, 2020 and 2019, respectively.

## Functional Allocation of Expenses

The Council allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various bases. The Council did not conduct any activities for which joint costs were allocated between fundraising expenses and program services or management and general expenses.

## Advertising Costs

The Council charges advertising costs to operations as incurred. Advertising expense was approximately \$60,000 for the year ended September 30, 2020 and \$56,000 for the year ended September 30, 2019, including in printing expense on the Statement of Functional Expenses.

## Reclassification

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

## Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Adoption of Financial Accounting Standard Board's Accounting Standards Update

In 2020, the Council adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements. Under the modified retrospective approach, the guidance is applied as of October 1, 2019, recognizing a cumulative effect of the adoption change as an adjustment to beginning net assets. Adopting ASU No. 2014-09 did not have a significant impact on the financial statements.

# Girl Scouts of Southeastern Michigan

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In 2020, the Council adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adopting ASU No. 2018-08 did not have a significant impact on the financial statements.

## Subsequent Events

The Council has evaluated subsequent events through January 13, 2021, which is the date that the financial statements were approved and available to be issued.

## 2. Availability of Financial Assets

The following reflects the Council's financial assets reduced by amounts not available for general use within one year of the statements of financial position date, at September 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 3,895,893	\$ 5,333,240
Accounts receivable, current	60,787	112,566
Notes receivable, current	9,757	188,071
Investments	<u>5,616,113</u>	<u>4,138,329</u>
Total financial assets	9,582,550	9,772,206
Less those unavailable for general expenditure:		
Net assets with donor restrictions	<u>(1,027,973)</u>	<u>(1,018,573)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 8,554,577</u>	<u>\$ 8,753,633</u>

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## 3. Fair Value Measurements

### Fair Value Hierarchy

As defined in the accounting standards, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Council uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Council attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Council is required to provide the following information according to the fair value hierarchy.



## Girl Scouts of Southeastern Michigan

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The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data. Level 2 inputs include (a) quoted prices for similar investments in active markets; (b) quoted price for identical or similar investments in markets that are not active; and (c) inputs other than quoted prices that are observable for the investment.

Level 3 - Unobservable inputs that are not corroborated by market data. Unobservable inputs are inputs that reflect the Council's own assumptions used in valuing an asset based on the best information available.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	<b>September 30, 2020</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments:				
Variable annuity	\$ 406,370	\$ -	\$ -	\$ 406,370
Equities	22,145	22,145	-	-
Mutual funds:				
Growth and income	1,306,928	1,306,928	-	-
Growth	1,098,299	1,098,299	-	-
Equity - income	216,656	216,656	-	-
Fixed income	1,958,823	1,958,823	-	-
Balanced	<u>606,892</u>	<u>606,892</u>	-	-
Total investments	<u>5,616,113</u>	<u>5,209,743</u>	-	<u>406,370</u>
Beneficial interests in trusts				
Perpetual trusts	570,199	-	-	570,199
Charitable remainder trusts	23,550	-	-	23,550
Community foundations	<u>25,000</u>	-	-	<u>25,000</u>
Total beneficial interests in trusts	<u>618,749</u>	-	-	<u>618,749</u>
Total assets	<u>\$ 6,234,862</u>	<u>\$ 5,209,743</u>	<u>\$ -</u>	<u>\$ 1,025,119</u>

## Girl Scouts of Southeastern Michigan

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	September 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments:				
Variable annuity	\$ 381,716	\$ -	\$ -	\$ 381,716
Equities	36,529	36,529	-	-
Mutual funds:				
Growth and income	1,210,186	1,210,186	-	-
Growth	895,602	895,602	-	-
Equity - income	215,615	215,615	-	-
Fixed income	887,145	887,145	-	-
Balanced	511,536	511,536	-	-
Total investments	<u>4,138,329</u>	<u>3,756,613</u>	<u>-</u>	<u>381,716</u>
Beneficial interests in trusts				
Perpetual trusts	561,023	-	-	561,023
Charitable remainder trusts	23,505	-	-	23,505
Community foundations	25,000	-	-	25,000
Total beneficial interests in trusts	<u>609,528</u>	<u>-</u>	<u>-</u>	<u>609,528</u>
Total assets	<u>\$ 4,747,857</u>	<u>\$ 3,756,613</u>	<u>\$ -</u>	<u>\$ 991,244</u>

### Valuation Techniques and Inputs

The following methods and assumptions were used to estimate the fair value for each asset measured at fair value on a recurring basis:

Equities and mutual funds - These investments are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Variable annuity and beneficial interests in trusts - These investments have no readily determinable fair value and are classified as Level 3, as the valuation is based on significant unobservable inputs that are not corroborated by market data. Variable annuity is valued at the market value of the underlying investments, mainly stock and bond mutual funds; beneficial interests in trusts are valued at the present value of future distributions to be received using various life expectancy and discount rates.

## Girl Scouts of Southeastern Michigan

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For the years ended September 30, 2020 and 2019, recurring changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	<b>Variable Annuity</b>	<b>Beneficial Interests in Trusts</b>
Balances, October 1, 2018	\$ 384,544	\$ 621,879
Unrealized loss	(2,828)	-
Change in beneficial interests	-	(12,351)
Balances, September 30, 2019	381,716	609,528
Unrealized gain	24,654	-
Change in beneficial interests	-	9,221
Balances, September 30, 2020	<u>\$ 406,370</u>	<u>\$ 618,749</u>

There have been no changes in the techniques and inputs used as of September 30, 2020 and 2019.

#### 4. Property and Equipment

The major categories of property and equipment at September 30 are summarized as follows:

	<b>Depreciable Lives</b>	<b>2020</b>	<b>2019</b>
Land	N/A	\$ 4,906,301	\$ 4,823,146
Buildings	25 yrs	16,185,551	14,652,665
Leasehold improvements	25 yrs	955,321	955,321
Camp equipment	3-7 yrs	503,984	525,585
Furniture and fixtures	3-7 yrs	1,630,361	1,506,496
Motor vehicles	5 yrs	293,983	149,959
Construction in progress	N/A	<u>32,021</u>	<u>741,937</u>
Total property and equipment		24,507,522	23,355,109
Less accumulated depreciation		<u>14,386,287</u>	<u>13,610,679</u>
		<u>\$ 10,121,235</u>	<u>\$ 9,744,430</u>

Depreciation and amortization expense totaled \$867,017 and \$817,199 for the years ended September 30, 2020 and 2019, respectively.

Construction in progress relates mostly to renovations to the various camps.

## Girl Scouts of Southeastern Michigan

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### 5. Net Assets

Net assets without donor restrictions are comprised of the following at September 30:

	<u>2020</u>	<u>2019</u>
Without donor restriction	\$ 18,838,184	\$ 19,431,149

Net assets with donor restrictions are comprised of the following at September 30:

	<u>2020</u>	<u>2019</u>
Donations and grants whose restrictions have not yet been met	\$ 89,711	\$ 122,127
Beneficial trusts	55,046	48,504
Scholarship endowment funds	36,360	33,360
Perpetual trusts	570,199	561,023
General endowment funds	<u>276,657</u>	<u>253,559</u>
Total	<u>\$ 1,027,973</u>	<u>\$ 1,018,573</u>

### 6. Endowment Funds

Endowment funds consist of donor-restricted endowment funds contributed to support various programs of the Council.

The Council follows accounting standards that provide a framework for classifying net assets with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of that framework is a requirement to classify the portion of donor-restricted endowment funds that are not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The GSSEM Endowment Fund (the Fund) was established to segregate various donor-restricted endowments established for the benefit of the mission. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# Girl Scouts of Southeastern Michigan

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**Interpretation of Relevant Law** - The Council classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not permanently restricted is also classified as net assets with donor restriction 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 Fund
2. The purposes of the Fund and the donor-restricted endowment fund
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 Fund
7. The investment policy of the Fund

The primary long term financial objective for the Council's endowment is to produce income to help support programs. The second objective is to maintain the value of the original principal through retention of a portion of income, as required. Performance of the overall endowment against the objective is measured over rolling periods of one, three, and five years.

The Fund shall be managed to optimize the long term total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides funding for the Council's existing spending policy. Over the short term the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested. From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Council to retain as a fund of perpetual duration. In such cases, subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. The Council Investment Policy states that all income or gains generated by the endowment fund investments may be expended for Council programs unless restricted by direction of the donor. The Council's appropriation policy is to consider investment earnings appropriated in the year earned, at the time the expenditure is approved.

The Fund is managed by the Finance Committee of the Council, who is charged with monitoring the performance of investment fund managers. Investment performance is measured on a total return basis including gains, losses, and income. The Fund assets are expected to produce returns that are competitive with or exceed the median performance of a group of funds operating with similar investment criteria. Returns above the median are expected over a rolling five-year period. It is expected that total portfolio risk will be below the median. The Fund is managed in a balanced fashion with the percentage range of each asset class as follows:

Equities	30% to 60%
Long term fixed income	30% to 60%
Cash and cash equivalents	0% to 15%

## Girl Scouts of Southeastern Michigan

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Changes in endowment net assets for the year ended September 30, 2020:

	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 286,919	\$ 286,919
Investment income	38,874	38,874
Contributions	12,000	12,000
Appropriation of endowment assets for expenditure	(41,004)	41,004
Other changes	<u>16,228</u>	<u>16,228</u>
Endowment net assets, ending of year	<u>\$ 313,017</u>	<u>\$ 313,017</u>

Changes in endowment net assets for the year ended September 30, 2019:

	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 270,419	\$ 270,419
Investment income	15,000	15,000
Appropriation of endowment assets for expenditure	<u>(1,500)</u>	<u>(1,500)</u>
Endowment net assets, end of year	<u>\$ 286,919</u>	<u>\$ 286,919</u>

### 7. Defined Contribution Retirement Plan

The Council has a retirement savings plan covering all eligible employees and matches up to 3% of participating employees' eligible compensation. Employer contributions were \$79,208 and \$66,694 for the years ended September 30, 2020 and 2019, respectively.

### 8. Paycheck Protection Program Loan Payable

The Council participated in and received funds under the Paycheck Protection Program (PPP) through the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 in the amount of \$823,900. Loans under the PPP are administered by the Small Business Administration (SBA) and are designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. Subsequent changes to the program allow for loan payments to be deferred up to ten months after the covered period ends. The Council elected the 24 week covered period resulting in the 10 month deferral period ending December 2020. There is no prepayment penalty. PPP loans can be forgiven to the extent that employee levels are maintained and the loan principal is used for eligible expenses. Any portion of the loan balance that is not forgiven will carry interest at 1 percent and will have a maturity of two years.

The Council has assessed its application and PPP guidance and has determined to record the PPP loan as a financial liability under Accounting Standards Codification 470. As of September 30, 2020, the Council recorded the \$823,900 of PPP proceeds as a loan payable. The Council applied for forgiveness in November 2020 and will record any forgiveness of the PPP loan as other income when the Council is legally released of any liability.

# Girl Scouts of Southeastern Michigan

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## 9. Contingencies

The Council may be party to various legal actions that are incidental to its activities. The outcome of legal actions directly involving the Council cannot be predicted with certainty.

## 10. Related Party Transactions

GSSEM is a separate chartered council under the Girl Scouts of the United States of America (GSUSA) national organization. GSUSA provides services to the chartered councils, which includes the selling of Girl Scouts merchandise for re-sale. During the years ended September 30, 2020 and 2019, merchandise purchases made from GSUSA totaled approximately Council \$226,000 and \$289,000, respectively.

The Council is also required to pay GSUSA \$25 for every girl and adult registered as members. It is the Council's policy to register the girls and adults through collected self pay or financial assistance from the Council. The amount paid to GSUSA totaled \$199,892 and \$242,060 for the years ended September 30, 2020 and 2019, respectively, and is included within professional fees expenses in the statement of functional expenses.

GSSEM purchases their cookie products from Little Brownie Baker, one of two Girl Scouts of the USA sanctioned bakers.

## 11. Operating Leases

The Council leases office space under a noncancellable operating lease agreement, which expires in 2027. The Council also leases several copiers and contracts for reproduction and distribution services under noncancellable agreements expiring at various dates through January 2022. These leases are accounted for as operating leases.

Future minimum lease payments as of September 30 are as follows:

2021	\$	414,099
2022		412,020
2023		415,472
2024		369,219
2025		356,179
2026 and thereafter		<u>734,294</u>
	\$	<u>2,701,283</u>

The above schedule represents approximate cash payments due; according to the lease agreement for the office space. Rent payments periodically increase throughout the term of the lease as specified in the agreement. The Council records rent expense on a straight-line basis in accordance with GAAP. Rent expense on the operating leases was approximately \$396,000 and \$394,000 for the years ended September 30, 2020 and 2019, respectively. The amounts included in accrued liabilities representing future lease obligations under GAAP are approximately \$176,000 and \$167,000 as of September 30, 2020 and 2019, respectively.

## 12. Recent Accounting Pronouncements

During February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases was issued. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. The Council will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2021 (fiscal 2023). Early adoption is permitted. The Council is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.