

Girl Scouts of Southeastern Michigan

Financial Statements

September 30, 2021 and 2020

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, 2021 and 2020 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, 2021 and 2020 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

Southfield, Michigan
January 11, 2022

Girl Scouts of Southeastern Michigan

Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,244,541	\$ 3,895,893
Pledges and accounts receivable, net of allowance	107,317	60,787
Inventory held for resale	335,055	455,168
Prepaid expenses	278,180	294,169
Current portion of notes receivable	<u>857,425</u>	<u>9,757</u>
Total current assets	<u>2,822,518</u>	<u>4,715,774</u>
Property and Equipment, Net	<u>7,138,924</u>	<u>10,121,235</u>
Other Assets		
Investments	7,213,064	5,616,113
Beneficial interests in charitable remainder and perpetual trusts	691,105	618,749
Notes receivable, less current portion	<u>4,000,000</u>	<u>507,914</u>
Total other assets	<u>11,904,169</u>	<u>6,742,776</u>
Total assets	<u>\$ 21,865,611</u>	<u>\$ 21,579,785</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 616,780	\$ 677,280
Deferred revenue	134,621	212,448
Current portion of Paycheck Protection Program loan payable	<u>-</u>	<u>380,262</u>
Total current liabilities	<u>751,401</u>	<u>1,269,990</u>
Long-Term Liabilities		
Paycheck Protection Program loan payable, net of current portion	<u>-</u>	<u>443,638</u>
Total liabilities	<u>751,401</u>	<u>1,713,628</u>
Net Assets		
Without donor restrictions	19,975,061	18,838,184
With donor restrictions	<u>1,139,149</u>	<u>1,027,973</u>
Total net assets	<u>21,114,210</u>	<u>19,866,157</u>
Total liabilities and net assets	<u>\$ 21,865,611</u>	<u>\$ 21,579,785</u>

See notes to financial statements

Girl Scouts of Southeastern Michigan

Statement of Activities

Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Public Support			
Grants	\$ 878,330	\$ -	\$ 878,330
Contributions	252,304	466,450	718,754
Special events	87,338	-	87,338
In-kind contributions	18,075	-	18,075
Change in beneficial interest	-	72,356	72,356
Release from restriction	506,951	(506,951)	-
Total public support	<u>1,742,998</u>	<u>31,855</u>	<u>1,774,853</u>
Revenue			
Cookie and fall product revenue	10,840,261	-	10,840,261
Less direct costs	<u>(5,032,074)</u>	<u>-</u>	<u>(5,032,074)</u>
Product sales gross profit	<u>5,808,187</u>	<u>-</u>	<u>5,808,187</u>
Merchandise sales	535,805	-	535,805
Less direct costs	<u>(418,077)</u>	<u>-</u>	<u>(418,077)</u>
Merchandise sales gross profit	<u>117,728</u>	<u>-</u>	<u>117,728</u>
Product and merchandise sales gross profit	5,925,915	-	5,925,915
Program service fees	250,798	-	250,798
Investment income, net	1,016,097	79,321	1,095,418
Rental income	2,203	-	2,203
Miscellaneous income	<u>128,557</u>	<u>-</u>	<u>128,557</u>
Total net revenue	<u>7,323,570</u>	<u>79,321</u>	<u>7,402,891</u>
Total public support and net revenue	<u>9,066,568</u>	<u>111,176</u>	<u>9,177,744</u>
Expenses			
Program	8,719,160	-	8,719,160
Management and general	794,028	-	794,028
Fundraising	<u>527,114</u>	<u>-</u>	<u>527,114</u>
Total expenses	<u>10,040,302</u>	<u>-</u>	<u>10,040,302</u>
Change in net assets before other items	(973,734)	111,176	(862,558)
Other Items			
Gain on sale of property and equipment	<u>2,110,611</u>	<u>-</u>	<u>2,110,611</u>
Change in net assets	1,136,877	111,176	1,248,053
Net Assets, Beginning	<u>18,838,184</u>	<u>1,027,973</u>	<u>19,866,157</u>
Net Assets, Ending	<u>\$ 19,975,061</u>	<u>\$ 1,139,149</u>	<u>\$ 21,114,210</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>
Public Support			
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>
Revenue			
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, net	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>
Expenses			
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>
Changes in net assets before other items	(604,465)	9,400	(595,065)
Other Items			
Gain on sale of property and equipment	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Changes in net assets	(592,965)	9,400	(583,565)
Net Assets, Beginning	<u>19,431,149</u>	<u>1,018,573</u>	<u>20,449,722</u>
Net Assets, Ending	<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

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Changes in Net Assets	\$ 1,248,053	\$ (583,565)
Adjustments to reconcile changes in net assets to net cash flows provided from (used in) operating activities:		
Depreciation and amortization	893,029	867,017
Change in beneficial interests	(72,356)	(9,222)
Gain on sale of property and equipment	(2,110,611)	(11,500)
Realized and unrealized gains on investments	(1,074,451)	(477,784)
Forgiveness of loan payable, PPP	(823,900)	-
Changes in assets and liabilities:		
Pledges and accounts receivable, net	(46,530)	51,779
Inventory held for resale	120,113	(30,825)
Prepaid expenses	15,989	(61,085)
Accounts payable and accrued expenses	(60,500)	147,616
Deferred revenue	<u>(77,827)</u>	<u>(109,918)</u>
Net cash flows provided from (used in) operating activities	<u>(1,988,991)</u>	<u>(217,487)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(500,107)	(1,243,821)
Net proceeds from sale of property and equipment	200,000	11,500
Purchase of investments	(522,500)	(1,000,000)
Payments received from notes receivable	<u>160,246</u>	<u>188,561</u>
Net cash flows provided from (used in) investing activities	<u>(662,361)</u>	<u>(2,043,760)</u>
Cash Flows From Financing Activities		
Proceeds from loan payable, PPP	<u>-</u>	<u>823,900</u>
Net change in cash and cash equivalents	(2,651,352)	(1,437,347)
Cash and Cash Equivalents, Beginning	<u>3,895,893</u>	<u>5,333,240</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,244,541</u>	<u>\$ 3,895,893</u>
Noncash Investing and Financing Activities		
Issuance of notes receivable from sale of property	<u>\$ 4,500,000</u>	<u>\$ -</u>

See notes to financial statements

Girl Scouts of Southeastern Michigan

Statement of Functional Expenses

Year Ended September 30, 2021

	Troop-Related Programs	Troop and Camp Operations	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 3,156,923	\$ 451,779	\$ 3,608,702	\$ 395,245	\$ 326,419	\$ 4,330,366
Employee benefits	542,437	77,130	619,567	44,360	45,752	709,679
Payroll tax	253,613	35,209	288,822	19,952	25,716	334,490
Total salaries and related expenses	3,952,973	564,118	4,517,091	459,557	397,887	5,374,535
Professional fees	593,441	26,853	620,294	150,460	23,820	794,574
Supplies	839,842	59,306	899,148	9,151	20,802	929,101
Telephone	129,403	24,657	154,060	16,601	7,412	178,073
Postage	71,258	4,659	75,917	858	3,557	80,332
Occupancy	369,562	18,504	388,066	19,346	33,039	440,451
Building repairs and maintenance	107,510	146,243	253,753	2,690	3,103	259,546
Utilities	32,748	70,362	103,110	347	534	103,991
Real estate taxes	-	-	-	-	-	-
Printing	187,008	2,083	189,091	4,366	16,786	210,243
Transportation	55,930	23,656	79,586	3,041	492	83,119
Conference and meetings	52,623	4,654	57,277	21,759	2,718	81,754
Financial assistance	186,473	6,805	193,278	-	-	193,278
Equipment rental and maintenance	21,818	13,802	35,620	12,765	737	49,122
Insurance	69,519	104,236	173,755	26,111	7,625	207,491
Camper insurance	5,578	-	5,578	-	-	5,578
Miscellaneous	161,318	12,957	174,275	(26,792)	8,602	156,085
Depreciation and amortization	-	799,261	799,261	93,768	-	893,029
Total functional expenses	\$ 6,837,004	\$ 1,882,156	\$ 8,719,160	\$ 794,028	\$ 527,114	\$ 10,040,302
Percentage of total functional expenses	68.10 %	18.75 %	86.85 %	7.91 %	5.25 %	100.00 %

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	260,444	31,100	291,544	21,081	29,601	342,226
Total salaries and related expenses	4,053,828	497,639	4,551,467	321,227	447,188	5,319,882
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
Total functional expenses	\$ 6,644,146	\$ 1,799,341	\$ 8,443,487	\$ 798,393	\$ 618,536	\$ 9,860,416
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

Notes to Financial Statements
September 30, 2021 and 2020

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 15,000 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 6,000 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

Notes to Financial Statements
September 30, 2021 and 2020

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.

Notes Receivable

Notes receivable are stated at the amount remaining on the term of the note. There is no allowance for uncollectible notes receivable at September 30, 2021 and 2020. Future annual payments expected under the notes are disclosed in Note 4.

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.

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.

Girl Scouts of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 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, 2021 and 2020, the unrecorded fair value of the assets held by community foundations are as follows:

	<u>2021</u>	<u>2020</u>
Community Foundation of Greater Flint	\$ 1,065,076	\$ 868,419
Community Foundation for Southeastern Michigan	94,463	78,098
Community Foundation of St. Clair County	39,110	12,169
Community Foundation of Sanilac County	<u>1,842</u>	<u>1,622</u>
Total assets held at community foundations	1,200,491	960,308
Less reciprocal transfer (Southeastern Michigan)	<u>(25,000)</u>	<u>(25,000)</u>
Fair value of third-party contributions held by community foundations	<u>\$ 1,175,491</u>	<u>\$ 935,308</u>

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.

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Notes to Financial Statements
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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 2021 or 2020.

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, 2021 or 2020. 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.

Girl Scouts of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

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. An agreement's transaction price is allocated to each distinct performance obligation, however, substantially all of the agreements have only a single performance obligation.

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 65 percent and 81 percent of total public support and net revenue for the years ended September 30, 2021 and 2020, 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 \$82,000 for the year ended September 30, 2021 and \$60,000 for the year ended September 30, 2020, including in printing expense on the Statements of Functional Expenses.

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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.

Adopted Accounting Pronouncement

In 2021, the Council adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. Adopting ASU No. 2018-13 did not have a significant impact on the financial statements of the Council.

Subsequent Events

The Council has evaluated subsequent events through January 11, 2022, which is the date that the financial statements were approved and available to be issued.

The Council's Board of Directors accepted a purchase offer for the Port Huron Service Center subsequent to year end. The transaction is expected to close in February 2022.

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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,244,541	\$ 3,895,893
Pledge and account receivable, net	107,317	60,787
Notes receivable, current	857,425	9,757
Investments	<u>7,213,064</u>	<u>5,616,113</u>
Total financial assets	9,422,347	9,582,550
Less those unavailable for general expenditure:		
Net assets with donor restrictions less perpetual trust	<u>(498,061)</u>	<u>(457,774)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 8,924,286</u>	<u>\$ 9,124,776</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.

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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.

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.

	September 30, 2021			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual funds:				
Growth and income	\$ 1,153,301	\$ 1,153,301	\$ -	\$ -
Growth	1,313,537	1,313,537	-	-
Equity - income	142,271	142,271	-	-
Fixed income	3,736,821	3,736,821	-	-
Balanced	<u>867,134</u>	<u>867,134</u>	-	-
Total investments	<u>7,213,064</u>	<u>7,213,064</u>	-	-
Beneficial interests in trusts:				
Perpetual trusts	641,088	-	-	641,088
Charitable remainder trusts	25,017	-	-	25,017
Community foundations	<u>25,000</u>	-	-	<u>25,000</u>
Total beneficial interests in trusts	<u>691,105</u>	-	-	<u>691,105</u>
Total assets	<u>\$ 7,904,169</u>	<u>\$ 7,213,064</u>	<u>\$ -</u>	<u>\$ 691,105</u>

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	September 30, 2020			
	Total	Level 1	Level 2	Level 3
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	606,892	606,892	-	-
Total investments	<u>5,616,113</u>	<u>5,209,743</u>	<u>-</u>	<u>406,370</u>
Beneficial interests in trusts:				
Perpetual trusts	570,199	-	-	570,199
Charitable remainder trusts	23,550	-	-	23,550
Community foundations	25,000	-	-	25,000
Total beneficial interests in trusts	<u>618,749</u>	<u>-</u>	<u>-</u>	<u>618,749</u>
Total assets	<u>\$ 6,234,862</u>	<u>\$ 5,209,743</u>	<u>\$ -</u>	<u>\$ 1,025,119</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.

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4. Property and Equipment

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

	Depreciable Lives	2021	2020
Land	N/A	\$ 4,235,856	\$ 4,906,301
Buildings	25 yrs	11,499,785	16,185,551
Leasehold improvements	25 yrs	680,632	955,321
Camp equipment	3-7 yrs	478,464	503,984
Furniture and fixtures	3-7 yrs	1,638,054	1,630,361
Motor vehicles	5 yrs	289,568	293,983
Construction in progress	N/A	<u>4,574</u>	<u>32,021</u>
Total property and equipment		18,826,933	24,507,522
Less accumulated depreciation		<u>11,688,009</u>	<u>14,386,287</u>
		<u><u>\$ 7,138,924</u></u>	<u><u>\$ 10,121,235</u></u>

Depreciation and amortization expense totaled \$893,029 and \$867,017 for the years ended September 30, 2021 and 2020, respectively.

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

During fiscal year 2021, the Council sold Camp Innisfree for \$5,000,000. The Council received \$500,000 in cash and paid sales commission of \$300,000; the remaining \$4,500,000 of the sale price is in the form of a land contract receivable, with an interest rate of 5 percent. The annual repayment terms of this land contract receivable, as well as a previously existing receivable, as of September 30, 2021 are as follows:

Years ending September 30:	
2022	\$ 857,425
2023	1,000,000
2024	<u>3,000,000</u>
Total	<u><u>\$ 4,857,425</u></u>

5. Net Assets

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

	2021	2020
Donations and grants whose restrictions have not yet been met	\$ 122,158	\$ 89,711
Beneficial trusts	37,886	55,046
Scholarship endowment funds	38,860	36,360
Perpetual trusts	641,088	570,199
General endowment funds	<u>299,157</u>	<u>276,657</u>
Total	<u><u>\$ 1,139,149</u></u>	<u><u>\$ 1,027,973</u></u>

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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).

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.

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.

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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:

Cash/Money market	50% to 85%
Fixed income	15% to 40%

Changes in endowment net assets for the year ended September 30, 2021:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 313,017
Investment income	79,321
Contributions	34,000
Appropriation of endowment assets for expenditure	(74,312)
Other changes	<u>(14,009)</u>
Endowment net assets, ending of year	<u>\$ 338,017</u>

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

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

7. Defined Contribution Retirement Plan

The Council has a retirement savings plan covering all eligible employees and matches up to 3 percent of participating employees' eligible compensation. Employer contributions were \$72,327 and \$79,208 for the years ended September 30, 2021 and 2020, respectively.

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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 met the PPP's loan forgiveness requirements and therefore, applied for forgiveness during November of 2020. Legal release was received during May of 2021, therefore, the Council recorded forgiveness income of \$823,900 within the revenue section as Grant's on the Statement of Activities for the year ended September 30, 2021. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven and to provide that documentation to the SBA upon request.

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, 2021 and 2020, merchandise purchases made from GSUSA totaled approximately Council \$70,400 and \$226,000, 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 \$133,420 and \$199,892 for the years ended September 30, 2021 and 2020, 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.

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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 2024. These leases are accounted for as operating leases.

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

2022	\$	412,787
2023		415,665
2024		369,219
2025		356,179
2026		363,512
2027 and thereafter		<u>370,782</u>
	\$	<u>2,288,144</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 for the years ended September 30, 2021 and 2020. The amounts included in accrued liabilities representing future lease obligations under GAAP are approximately \$96,000 and \$176,000 as of September 30, 2021 and 2020, respectively.

12. Recent Accounting Pronouncements

During February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease interim. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021 and interim periods with fiscal years beginning after December 15, 2022. Early adoption is permitted. The Council is currently assessing the effects that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

During September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit for Contributed Nonfinancial assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. The Council is currently assessing the effects of ASU No. 2020-07 will have on its financial statements.