

Girl Scouts of Southeastern Michigan

Financial Statements

September 30, 2023 and 2022

Girl Scouts of Southeastern Michigan

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Independent Auditors' Report

To the Board of Directors of
Girl Scouts of Southeastern Michigan

Opinion

We have audited the financial statements of Girl Scouts of Southeastern Michigan (the Council), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, cash flow and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of September 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Emphasis of Matter

As described in Note 1 to the financial statements, on October 1, 2022, the Council adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Southfield, Michigan
January 10, 2024

Girl Scouts of Southeastern Michigan

Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,970,672	\$ 3,226,741
Pledges and accounts receivable	73,697	119,780
Inventory held for resale	236,515	273,931
Prepaid expenses	282,444	290,008
Current portion of notes receivable	-	1,000,000
	<u>5,563,328</u>	<u>4,910,460</u>
Total current assets	<u>5,563,328</u>	<u>4,910,460</u>
Property and Equipment, Net	<u>6,076,476</u>	<u>6,013,289</u>
Other Assets		
Investments	7,767,174	7,182,958
Beneficial interests in charitable remainder and perpetual trusts	587,064	555,702
Operating right-of-use asset	1,686,549	-
Notes receivable, less current portion	-	3,000,000
	<u>10,040,787</u>	<u>10,738,660</u>
Total other assets	<u>10,040,787</u>	<u>10,738,660</u>
Total assets	<u><u>\$ 21,680,591</u></u>	<u><u>\$ 21,662,409</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 757,103	\$ 811,904
Operating lease liability	368,812	-
Deferred revenue	44,676	109,604
	<u>1,170,591</u>	<u>921,508</u>
Total current liabilities	<u>1,170,591</u>	<u>921,508</u>
Long-Term Liabilities		
Operating lease liability, less current portion	<u>1,416,240</u>	<u>-</u>
Net Assets		
Without donor restrictions	17,804,232	19,189,722
With donor restrictions	1,289,528	1,551,179
	<u>19,093,760</u>	<u>20,740,901</u>
Total net assets	<u>19,093,760</u>	<u>20,740,901</u>
Total liabilities and net assets	<u><u>\$ 21,680,591</u></u>	<u><u>\$ 21,662,409</u></u>

See notes to financial statements

Girl Scouts of Southeastern Michigan

Statement of Activities

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Public Support			
Grants	\$ 68,745	\$ -	\$ 68,745
Contributions	223,543	291,501	515,044
Special events, net of direct expenses of \$92,401	29,604	-	29,604
In-kind contributions	6,624	-	6,624
Change in beneficial interest	-	31,362	31,362
Release from restriction	641,333	(641,333)	-
Total public support	969,849	(318,470)	651,379
Revenue			
Cookie and fall product revenue	13,912,448	-	13,912,448
Less direct costs	(6,608,252)	-	(6,608,252)
Product sales gross profit	7,304,196	-	7,304,196
Merchandise sales	733,778	-	733,778
Less direct costs	(479,514)	-	(479,514)
Merchandise sales gross profit	254,264	-	254,264
Product and merchandise sales gross profit	7,558,460	-	7,558,460
Program service fees	455,242	-	455,242
Investment income, net	533,279	56,819	590,098
Other income	294,410	-	294,410
Total net revenue	8,841,391	56,819	8,898,210
Total public support and net revenue	9,811,240	(261,651)	9,549,589
Expenses			
Program	9,772,907	-	9,772,907
Management and general	948,940	-	948,940
Fundraising	460,807	-	460,807
Total expenses	11,182,654	-	11,182,654
Change in net assets before other items	(1,371,414)	(261,651)	(1,633,065)
Other Items			
Loss on sale of property and equipment	(14,076)	-	(14,076)
Change in net assets	(1,385,490)	(261,651)	(1,647,141)
Net Assets, Beginning	19,189,722	1,551,179	20,740,901
Net Assets, Ending	\$ 17,804,232	\$ 1,289,528	\$ 19,093,760

See notes to financial statements

Girl Scouts of Southeastern Michigan

Statement of Activities

Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Public Support			
Grants	\$ 153,223	\$ -	\$ 153,223
Contributions	2,661,016	803,096	3,464,112
Special events, net of direct expenses of \$165,072	(23,603)	-	(23,603)
In-kind contributions	13,463	-	13,463
Change in beneficial interest	-	(135,403)	(135,403)
Release from restriction	271,671	(271,671)	-
Total public support	3,075,770	396,022	3,471,792
Revenue			
Cookie and fall product revenue	13,011,407	-	13,011,407
Less direct costs	(6,022,097)	-	(6,022,097)
Product sales gross profit	6,989,310	-	6,989,310
Merchandise sales	661,085	-	661,085
Less direct costs	(432,411)	-	(432,411)
Merchandise sales gross profit	228,674	-	228,674
Product and merchandise sales gross profit	7,217,984	-	7,217,984
Program service fees	360,482	-	360,482
Investment income (loss), net	(1,046,923)	16,008	(1,030,915)
Rental income	941	-	941
Other income	172,639	-	172,639
Total net revenue	6,705,123	16,008	6,721,131
Total public support and net revenue	9,780,893	412,030	10,192,923
Expenses			
Program	9,236,321	-	9,236,321
Management and general	877,629	-	877,629
Fundraising	464,821	-	464,821
Total expenses	10,578,771	-	10,578,771
Changes in net assets before other items	(797,878)	412,030	(385,848)
Other Items			
Gain on sale of property and equipment	12,539	-	12,539
Changes in net assets	(785,339)	412,030	(373,309)
Net Assets, Beginning	19,975,061	1,139,149	21,114,210
Net Assets, Ending	\$ 19,189,722	\$ 1,551,179	\$ 20,740,901

See notes to financial statements

Girl Scouts of Southeastern Michigan

Statements of Cash Flows

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ (1,647,141)	\$ (373,309)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	678,303	737,689
Change in beneficial interests	(31,362)	135,403
Loss (gain) on sale of property and equipment	14,076	(12,539)
Realized and unrealized (gain) loss on investments	(404,610)	1,358,224
Non cash lease expense	9,328	-
Changes in assets and liabilities:		
Pledges and accounts receivable	46,083	(12,463)
Inventory held for resale	37,416	61,124
Prepaid expenses	7,564	(11,828)
Accounts payable and accrued expenses	(54,801)	195,124
Deferred revenue	24,247	(25,017)
Net cash flows from operating activities	<u>(1,320,897)</u>	<u>2,052,408</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(756,070)	(485,186)
Proceeds from sale of property and equipment	504	885,671
Purchase of investments	-	(2,000,000)
Proceeds from sale of investments	-	775,000
Purchase of investments - reinvested interest and dividends	(179,606)	(103,118)
Payments received from notes receivable	4,000,000	857,425
Net cash flows from investing activities	<u>3,064,828</u>	<u>(70,208)</u>
Net change in cash and cash equivalents	1,743,931	1,982,200
Cash and Cash Equivalents, Beginning	<u>3,226,741</u>	<u>1,244,541</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 4,970,672</u></u>	<u><u>\$ 3,226,741</u></u>
Supplemental Cash Flow Disclosures		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows pertaining to operating leases	<u><u>\$ 415,472</u></u>	<u><u>\$ -</u></u>

See notes to financial statements

Girl Scouts of Southeastern Michigan

Statement of Functional Expenses

Year Ended September 30, 2023

	Troop-Related Programs	Troop and Camp Operations	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 3,591,846	\$ 532,816	\$ 4,124,662	\$ 349,202	\$ 311,132	\$ 4,784,996
Employee benefits	603,639	49,689	653,328	52,091	25,970	731,389
Payroll tax	291,034	42,362	333,396	33,372	24,609	391,377
Total salaries and related expenses	4,486,519	624,867	5,111,386	434,665	361,711	5,907,762
Professional fees	801,414	46,596	848,010	209,323	18,549	1,075,882
Supplies	1,099,159	94,803	1,193,962	23,955	7,190	1,225,107
Telephone	152,090	28,294	180,384	19,498	6,821	206,703
Postage	73,161	1,171	74,332	1,990	1,140	77,462
Occupancy	386,960	32,505	419,465	24,801	30,191	474,457
Building repairs and maintenance	77,612	130,504	208,116	3,809	2,772	214,697
Utilities	25,595	71,532	97,127	537	521	98,185
Real estate taxes	-	43,089	43,089	-	-	43,089
Printing	133,706	1,708	135,414	4,044	8,501	147,959
Transportation	121,765	28,878	150,643	19,504	1,629	171,776
Conference and meetings	73,428	13,203	86,631	48,081	2,983	137,695
Financial assistance	244,474	32,991	277,465	-	-	277,465
Equipment rental and maintenance	19,849	12,417	32,266	16,575	955	49,796
Insurance	88,767	74,806	163,573	33,685	8,418	205,676
Camper insurance	5,414	-	5,414	-	-	5,414
Miscellaneous	136,043	2,505	138,548	37,252	9,426	185,226
Depreciation and amortization	-	607,082	607,082	71,221	-	678,303
Total functional expenses	\$ 7,925,956	\$ 1,846,951	\$ 9,772,907	\$ 948,940	\$ 460,807	\$ 11,182,654
Percentage of total functional expenses	70.88 %	16.52 %	87.40 %	8.49 %	4.12 %	100.00 %

See notes to financial statements

Girl Scouts of Southeastern Michigan

Statement of Functional Expenses
Year Ended September 30, 2022

	Troop-Related Programs	Troop and Camp Operations	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 3,400,892	\$ 486,046	\$ 3,886,938	\$ 333,179	\$ 263,898	\$ 4,484,015
Employee benefits	557,135	55,643	612,778	44,812	23,706	681,296
Payroll tax	268,142	36,908	305,050	28,967	20,803	354,820
Total salaries and related expenses	4,226,169	578,597	4,804,766	406,958	308,407	5,520,131
Professional fees	701,256	114,584	815,840	172,303	25,318	1,013,461
Supplies	883,948	74,670	958,618	25,318	6,558	990,494
Telephone	125,916	25,634	151,550	15,951	7,477	174,978
Postage	57,098	2,729	59,827	705	2,224	62,756
Occupancy	399,661	22,265	421,926	17,184	33,404	472,514
Building repairs and maintenance	118,958	138,402	257,360	9,667	2,361	269,388
Utilities	32,098	77,367	109,465	558	362	110,385
Real estate taxes	-	5,837	5,837	-	-	5,837
Printing	182,768	5,282	188,050	2,808	10,351	201,209
Transportation	94,083	31,989	126,072	10,918	4,368	141,358
Conference and meetings	76,497	7,420	83,917	36,232	21,759	141,908
Financial assistance	174,860	4,250	179,110	-	-	179,110
Equipment rental and maintenance	36,437	19,273	55,710	15,449	2,315	73,474
Insurance	78,747	76,457	155,204	31,012	6,400	192,616
Camper insurance	6,039	-	6,039	-	-	6,039
Miscellaneous	173,413	23,386	196,799	55,108	33,517	285,424
Depreciation and amortization	-	660,231	660,231	77,458	-	737,689
Total functional expenses	<u>\$ 7,367,948</u>	<u>\$ 1,868,373</u>	<u>\$ 9,236,321</u>	<u>\$ 877,629</u>	<u>\$ 464,821</u>	<u>\$ 10,578,771</u>
Percentage of total functional expenses	69.65 %	17.66 %	87.31 %	8.30 %	4.39 %	100.00 %

See notes to financial statements

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, 2023 and 2022

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

Accounts receivable are recorded at the amount management expects to receive from the net price of the transaction. Balances are recorded net of adjustments or discounts to determine the net transaction price. The adequacy of the Council's net realizable receivable is reviewed on an ongoing basis, using historical payment trends, write off experience and a review of specific accounts and adjustments are made as necessary. The Council reviews the adequacy of all accounts receivable and as of September 30, 2023 and 2022, did not believe there was a need for an allowance for doubtful accounts.

The Council's pledge receivable are composed primarily of amounts committed from individuals. The receivables are recorded at the present value of estimated future cash flows. Management reviews the individual contribution receivable as of September 30 and establishes an allowance for doubtful accounts based on specific identification of receivables, as necessary. Amounts deemed uncollectible are charged against income for that fiscal year. There was no allowance for doubtful accounts considered necessary as of September 30, 2023 and 2022, respectively.

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, 2023 and 2022. During fiscal year 2023, the Council received settlement in full for the remaining balance of the Innisfree note receivable, \$4,000,000, and released ownership of the Camp Innisfree.

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.

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 Codification (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, 2023 and 2022, the unrecorded fair value of the assets held by community foundations are as follows:

	<u>2023</u>	<u>2022</u>
Community Foundation of Greater Flint	\$ 907,810	\$ 831,794
Community Foundation for Southeastern Michigan	89,199	80,967
Community Foundation of St. Clair County	35,786	31,632
Community Foundation of Sanilac County	<u>1,554</u>	<u>1,337</u>
Total assets held at community foundations	1,034,349	945,730
Less reciprocal transfer (Southeastern Michigan)	<u>(25,000)</u>	<u>(25,000)</u>
Fair value of third-party contributions held by community foundations	<u>\$ 1,009,349</u>	<u>\$ 920,730</u>

Girl Scouts of Southeastern Michigan

Notes to Financial Statements
September 30, 2023 and 2022

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.

The investment income (loss) generated is estimated as follows for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 219,350	\$ 121,293
Realized and unrealized gain (loss), net	404,610	(1,358,224)
Interest on notes receivable	5,883	224,191
Investment fees	<u>(39,745)</u>	<u>(18,175)</u>
Total investment income (loss), net	<u>\$ 590,098</u>	<u>\$ (1,030,915)</u>

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 2023 or 2022.

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, 2023 or 2022. 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% 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 measurable 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 release from restriction. 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 point in 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 79% and 71% of total public support and net revenue for the years ended September 30, 2023 and 2022, 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 \$1,243 for the year ended September 30, 2023 and \$64,000 for the year ended September 30, 2022, included in printing expense on the statements of functional expenses.

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

Effective October 1, 2022, the Council adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Council's 2022 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expenses on a straight-line basis as lease expense over the non-cancelable lease term. At the date of adoption, the Council recorded operating lease right-of-use assets and lease liabilities of \$2,037,929 and \$2,127,104, respectively.

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The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Council elected:

- The package of practical expedients permitted under the transition guidance which does not require the Council to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- When the rate implicit in the lease is not determinable, rather than use the Council's incremental borrowing rate, the Council elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Council elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Council is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 10.

Subsequent Events

The Council has evaluated subsequent events through January 10, 2024, which is the date that the financial statements were approved and available to be issued.

In October 2023, the Council learned it would receive a three-year grant from the State of Michigan for \$1,000,000 for the purpose of conducting research, gathering data, and planning for the construction of the L.E.A.D. Institute, an immersive, interactive program center for young people in and around Southeastern Michigan. The primary objective is to ensure informed decision-making and strategic planning to create an impactful and sustainable facility. The grant is expected to be received in February 2024.

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>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 4,970,672	\$ 3,226,741
Pledges and accounts receivable	73,697	119,780
Notes receivable, current	-	1,000,000
Investments	<u>7,767,174</u>	<u>7,182,958</u>
Total financial assets	12,811,543	11,529,479
Less those unavailable for general expenditure:		
Net assets with donor restrictions less perpetual trust	<u>(746,430)</u>	<u>(1,038,944)</u>
Financial assets available to meet cash needs for general use within one year	<u>\$ 12,065,113</u>	<u>\$ 10,490,535</u>

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available

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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.

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, 2023			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market accounts	\$ 2,194,645	\$ 2,194,645	\$ -	\$ -
Mutual funds	3,527,113	3,527,113	-	-
Common stock	2,045,416	2,045,416	-	-
Total investments	7,767,174	7,767,174	-	-
Beneficial interests in trusts:				
Perpetual trusts	543,098	-	-	543,098
Charitable remainder trusts	18,966	-	-	18,966
Community foundations	25,000	-	-	25,000
Total beneficial interests in trusts	587,064	-	-	587,064
Total assets	\$ 8,354,238	\$ 7,767,174	\$ -	\$ 587,064

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	September 30, 2022			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market accounts	\$ 2,275,707	\$ 2,275,707	\$ -	\$ -
Mutual funds	3,239,081	3,239,081	-	-
Common stock	1,668,170	1,668,170	-	-
Total investments	7,182,958	7,182,958	-	-
Beneficial interests in trusts:				
Perpetual trusts	512,235	-	-	512,235
Charitable remainder trusts	18,467	-	-	18,467
Community foundations	25,000	-	-	25,000
Total beneficial interests in trusts	555,702	-	-	555,702
Total assets	\$ 7,738,660	\$ 7,182,958	\$ -	\$ 555,702

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:

Money market accounts, common stocks 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.

Perpetual and charitable remainder trusts and community foundations - 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. There were no purchases, sales or transfers of Level 3 assets during the years ended September 31, 2023 and 2022.

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4. Property and Equipment

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

	Depreciable Lives	2023	2022
Land	N/A	\$ 3,858,182	\$ 3,831,874
Buildings	25 yrs	10,598,974	10,276,324
Leasehold improvements	5-10 yrs	680,632	680,632
Camp equipment	3-7 yrs	484,756	471,606
Furniture and fixtures	3-7 yrs	1,379,628	1,492,237
Motor vehicles	5 yrs	289,567	289,568
Construction in progress	N/A	269,506	25,525
Total property and equipment		17,561,245	17,067,766
Less accumulated depreciation		11,484,769	11,054,477
		<u>\$ 6,076,476</u>	<u>\$ 6,013,289</u>

Depreciation and amortization expense totaled \$678,303 and \$737,689 for the years ended September 30, 2023 and 2022, respectively.

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

During fiscal year 2022, the Council sold the Port Huron Service Center for \$950,000. The Council received \$870,093 in cash, paid sales commission of \$66,500 and \$13,407 in miscellaneous charges.

5. Net Assets

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

	2023	2022
Donations and grants whose restrictions have not yet been met	\$ 242,708	\$ 259,341
Beneficial trusts	265,069	544,450
Scholarship endowment funds	46,860	43,360
Perpetual trusts	543,098	512,235
General endowment funds	191,793	191,793
Total	<u>\$ 1,289,528</u>	<u>\$ 1,551,179</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).

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, 2023:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning	\$ 337,571
Investment income	56,819
Contributions	11,500
Appropriation of endowment assets for expenditure	<u>(52,911)</u>
Endowment net assets, ending	<u><u>\$ 352,979</u></u>

Changes in endowment net assets for the year ended September 30, 2022:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning	\$ 338,017
Investment income	16,008
Contributions	12,000
Appropriation of endowment assets for expenditure	<u>(28,454)</u>
Endowment net assets, ending	<u><u>\$ 337,571</u></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 \$79,828 and \$75,458 for the years ended September 30, 2023 and 2022, respectively.

8. 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.

9. 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, 2023 and 2022, merchandise purchases made from GSUSA totaled approximately \$132,400 and \$84,000, 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 \$154,480 and \$148,405 for the years ended September 30, 2023 and 2022, 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.

10. Leases

Leases, Prior to October 1, 2022

The Council leases office space under a noncancellable operating 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. Rent expense on the operating leases was approximately \$414,000 for the year ended September 30, 2022.

Leases, October 1, 2022 and After

Right-of-use assets represent the Council's right to use an underlying asset for the lease term, while lease liabilities represent the Council's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Council's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Council's sole discretion. The Council regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Council includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Council uses the rate implicit in the lease, or if not readily available, the Council uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Council's long-lived asset policy. The Council reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Council made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Council:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Council obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.

The Council does not have any material leasing transactions with related parties.

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The following table summarizes the lease right-of-use assets and lease liabilities as of September 30, 2023:

Right of use assets:	
Operating leases	\$ 1,686,549
Lease liabilities:	
Current operating lease liabilities	\$ 368,812
Long-term operating lease liabilities	1,416,240
Total lease liabilities	\$ 1,785,052

Operating lease expense for the year ended September 30, 2023 amounted to \$424,801. The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 3.79%. As of September 30, 2023, the weighted average remaining lease term was 4.37 years.

The table below summarizes the Council's scheduled future minimum lease payments for years ending after September 30, 2023:

Years ending September 30:	
2024	\$ 428,811
2025	442,392
2026	452,194
2027	461,933
2028	123,750
Thereafter	27,540
Total lease payments	1,936,620
Less present value discount	151,568
Total lease liabilities	1,785,052
Less current portion	368,812
Long-term lease liabilities	\$ 1,416,240

11. Recent Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The guidance changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current incurred loss model with an expected loss approach. This standard will be effective for fiscal years beginning on or after December 15, 2022, with early adoption permitted. The Council is currently accessing the effects that Topic 326 will have on the statement of activities, financial position and cash flows.