



Audited Financial Statements
September 30, 2018

Girl Scouts of the Sierra Nevada, Inc.

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Independent Auditor's Report

To the Board of Directors
Girl Scouts of the Sierra Nevada, Inc.
Reno, Nevada

We have audited the accompanying financial statements of Girl Scouts of the Sierra Nevada, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Girl Scouts of the Sierra Nevada, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Girl Scouts of the Sierra Nevada, Inc. as of and for the year ended September 30, 2017, were audited by Kohn & Company LLP, who joined Eide Bailly LLP on December 3, 2018, and whose report dated January 29, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned in the lower-left area of the page.

Reno, Nevada
February 5, 2019

Girl Scouts of the Sierra Nevada, Inc.
Statement of Financial Position
September 30, 2018

| | 2018 | 2017 (Memorandum Only) |
|---|--------------|------------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,320,666 | \$ 1,335,943 |
| Accounts and pledges receivable | 56,109 | 13,293 |
| Investments | 539,488 | 493,870 |
| Inventories | 80,609 | 82,321 |
| Prepaid expenses | 43,098 | 43,258 |
| | 2,039,970 | 1,968,685 |
| Property and Equipment, Net | 618,622 | 663,429 |
| Total assets | \$ 2,658,592 | \$ 2,632,114 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 24,134 | \$ 46,601 |
| Accrued payroll | 38,503 | 39,524 |
| Service unit trust and custodial funds | 36,317 | 38,489 |
| Accrued compensated absences | 54,548 | 47,022 |
| Cookie sale recognitions outstanding | 7,777 | 3,277 |
| Deferred revenue | 12,870 | 9,185 |
| | 174,149 | 184,098 |
| Net Assets | | |
| Unrestricted | | |
| Designated | | |
| Investment in property and equipment, net | 492,622 | 535,269 |
| Operating reserve | 350,000 | 350,000 |
| Quasi-endowment fund | 130,709 | 122,965 |
| Capital asset replacement fund | 168,620 | 107,448 |
| Undesignated | 1,117,890 | 1,102,356 |
| | 2,259,841 | 2,218,038 |
| Temporarily restricted | 97,023 | 102,399 |
| Permanently restricted | 127,579 | 127,579 |
| | 2,484,443 | 2,448,016 |
| Total net assets | 2,484,443 | 2,448,016 |
| Total Liabilities and Net Assets | \$ 2,658,592 | \$ 2,632,114 |

Girl Scouts of the Sierra Nevada, Inc.
Statement of Activities
Year Ended September 30, 2018

| | 2018 | | | Total | 2017 |
|---|------------------|---------------------------|---------------------------|------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | | (Memorandum Only) |
| Public Support and Revenue | | | | | |
| Contributions | \$ 291,884 | \$ 30,226 | \$ - | \$ 322,110 | \$ 366,620 |
| Cookie sales | 1,995,041 | - | - | 1,995,041 | 2,003,914 |
| Related expenses | (562,373) | - | - | (562,373) | (530,843) |
| Cookie sales, net | <u>1,432,668</u> | <u>-</u> | <u>-</u> | <u>1,432,668</u> | <u>1,473,071</u> |
| Fundraising events | 95,412 | - | - | 95,412 | 68,007 |
| Related expenses | (33,638) | - | - | (33,638) | (20,717) |
| Fundraising events, net | <u>61,774</u> | <u>-</u> | <u>-</u> | <u>61,774</u> | <u>47,290</u> |
| Fall sale program | 69,023 | - | - | 69,023 | 62,685 |
| Related expenses | (35,045) | - | - | (35,045) | (26,702) |
| Fall sale program, net | <u>33,978</u> | <u>-</u> | <u>-</u> | <u>33,978</u> | <u>35,983</u> |
| Legacies and bequests | 11,315 | - | - | 11,315 | 4,336 |
| Sale of merchandise | 142,084 | - | - | 142,084 | 138,837 |
| Related expenses | (102,791) | - | - | (102,791) | (102,886) |
| Sale of merchandise, net | <u>39,293</u> | <u>-</u> | <u>-</u> | <u>39,293</u> | <u>35,951</u> |
| Program service fees | 170,772 | - | - | 170,772 | 147,962 |
| Interest and dividends | 22,000 | 1,538 | 1,552 | 25,090 | 16,977 |
| Rental income | 30,604 | - | - | 30,604 | 38,182 |
| Miscellaneous | 26,325 | - | - | 26,325 | 9,009 |
| Reclassifications | | | | | |
| Net assets released from restriction - satisfaction of purpose restrictions | 37,722 | (34,430) | (3,292) | - | - |
| Total public support, revenue, and reclassifications | <u>2,158,335</u> | <u>(2,666)</u> | <u>(1,740)</u> | <u>2,153,929</u> | <u>2,175,381</u> |
| Expenses | | | | | |
| Program services | | | | | |
| Membership development | 957,851 | - | - | 957,851 | 949,586 |
| Special programs | 285,581 | - | - | 285,581 | 237,466 |
| Camping services | 502,439 | - | - | 502,439 | 465,596 |
| Total program services | <u>1,745,871</u> | <u>-</u> | <u>-</u> | <u>1,745,871</u> | <u>1,652,648</u> |

Girl Scouts of the Sierra Nevada, Inc.
Statement of Activities
Year Ended September 30, 2018

| | 2018 | | | Total | 2017 |
|---|---------------------|---------------------------|---------------------------|---------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | | (Memorandum Only) |
| Supporting services | | | | | |
| General and administrative | \$ 322,932 | \$ - | \$ - | \$ 322,932 | \$ 321,217 |
| Fundraising | 175,272 | - | - | 175,272 | 137,630 |
| Total supporting services | <u>498,204</u> | <u>-</u> | <u>-</u> | <u>498,204</u> | <u>458,847</u> |
| Total expenses | <u>2,244,075</u> | <u>-</u> | <u>-</u> | <u>2,244,075</u> | <u>2,111,495</u> |
| Other Gains (Losses) | | | | | |
| Net realized and unrealized gain (loss) on investments | 21,122 | (2,710) | 1,740 | 20,152 | 11,100 |
| Insurance recovery | 106,421 | - | - | 106,421 | - |
| Gain (loss) on disposal of assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(846)</u> |
| Total other gains (losses) | <u>127,543</u> | <u>(2,710)</u> | <u>1,740</u> | <u>126,573</u> | <u>10,254</u> |
| Change in Net Assets | 41,803 | (5,376) | - | 36,427 | 74,140 |
| Net Assets, Beginning of Year | <u>2,218,038</u> | <u>102,399</u> | <u>127,579</u> | <u>2,448,016</u> | <u>2,373,876</u> |
| Net Assets, End of Year | <u>\$ 2,259,841</u> | <u>\$ 97,023</u> | <u>\$ 127,579</u> | <u>\$ 2,484,443</u> | <u>\$ 2,448,016</u> |

Girl Scouts of the Sierra Nevada, Inc.
Statement of Functional Expenses
Year Ended September 30, 2018

| | Program Services | | | Total Program | Supporting Services | | Total | 2017 Total (Memorandum Only) |
|---------------------------------------|------------------------|-------------------|-------------------|--------------------|----------------------------|-------------------|--------------------|---------------------------------|
| | Membership Development | Special Programs | Camping Services | | General and Administrative | Fund Raising | | |
| Salaries and wages | \$ 532,858 | \$ 125,085 | \$ 234,971 | \$ 892,914 | \$ 141,905 | \$ 114,566 | \$1,149,385 | \$1,090,205 |
| Payroll taxes and employee benefits | 123,282 | 34,243 | 38,642 | 196,167 | 31,229 | 26,123 | 253,519 | 252,166 |
| Total personnel costs | <u>656,140</u> | <u>159,328</u> | <u>273,613</u> | <u>1,089,081</u> | <u>173,134</u> | <u>140,689</u> | <u>1,402,904</u> | <u>1,342,371</u> |
| Conferences, conventions and meetings | 6,974 | 5,506 | 1,044 | 13,524 | 12,186 | 1,770 | 27,480 | 27,878 |
| Insurance | 23,912 | 5,496 | 21,155 | 50,563 | 10,110 | 5,034 | 65,707 | 66,456 |
| Miscellaneous | 8,705 | 2,030 | 4,280 | 15,015 | 2,741 | 1,790 | 19,546 | 21,750 |
| Occupancy | 32,150 | 4,230 | 47,403 | 83,783 | 4,799 | 3,874 | 92,456 | 104,379 |
| Organizational dues | 1,609 | 222 | 2,023 | 3,854 | 252 | 344 | 4,450 | 4,122 |
| Postage and shipping | 2,146 | 1,606 | 2,021 | 5,773 | 553 | 694 | 7,020 | 4,902 |
| Printing and publications | 12,058 | 6,661 | 9,759 | 28,478 | 1,852 | 1,814 | 32,144 | 23,362 |
| Professional fees | 11,787 | 3,007 | 3,184 | 17,978 | 3,412 | 4,255 | 25,645 | 26,019 |
| Repairs and maintenance | 2,840 | 564 | 3,822 | 7,226 | 91,830 | 2,555 | 101,611 | 101,702 |
| Scholarships and assistance | 77,182 | - | 10,165 | 87,347 | 2,550 | - | 89,897 | 57,494 |
| Supplies | 42,766 | 75,924 | 38,968 | 157,658 | 677 | 852 | 159,187 | 133,292 |
| Telephone | 13,429 | 3,085 | 5,511 | 22,025 | 3,500 | 2,826 | 28,351 | 27,436 |
| Travel | 32,430 | 6,750 | 18,586 | 57,766 | 6,200 | 1,399 | 65,365 | 52,708 |
| Total expenses before depreciation | <u>924,128</u> | <u>274,409</u> | <u>441,534</u> | <u>1,640,071</u> | <u>313,796</u> | <u>167,896</u> | <u>2,121,763</u> | <u>1,993,871</u> |
| Depreciation expense | <u>33,723</u> | <u>11,172</u> | <u>60,905</u> | <u>105,800</u> | <u>9,136</u> | <u>7,376</u> | <u>122,312</u> | <u>117,624</u> |
| Total expenses | <u>\$ 957,851</u> | <u>\$ 285,581</u> | <u>\$ 502,439</u> | <u>\$1,745,871</u> | <u>\$ 322,932</u> | <u>\$ 175,272</u> | <u>\$2,244,075</u> | <u>\$2,111,495</u> |

Girl Scouts of the Sierra Nevada, Inc.
Statement of Cash Flows
Year Ended September 30, 2018

| | 2018 | 2017 (Memorandum Only) |
|---|--------------|------------------------------|
| Operating Activities | | |
| Change in net assets | \$ 36,427 | \$ 74,140 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 122,312 | 117,624 |
| Net realized and unrealized (gains) losses on investments | (20,152) | (11,100) |
| Net (gain) on disposal of assets | - | 846 |
| Changes in certain components of working capital | | |
| Accounts receivable | (42,816) | (8,191) |
| Inventories | 1,712 | 10,378 |
| Prepaid expenses | 160 | (3,107) |
| Accounts payable | (22,467) | 6,908 |
| Accrued payroll | (1,021) | (7,395) |
| Service unit trust and custodial funds | (2,172) | (35,529) |
| Due to Girl Scouts of the USA | - | (6,584) |
| Accrued compensated absences | 7,526 | 8,533 |
| Cookie sale recognitions outstanding | 4,500 | 1,767 |
| Deferred revenue | 3,685 | (6,095) |
| Net Cash from Operating Activities | 87,694 | 142,195 |
| Investing Activities | | |
| Purchases of property and equipment | (77,506) | (42,634) |
| Purchases of investments | (45,778) | (33,366) |
| Proceeds from redemption of investments | 20,313 | - |
| Net Cash used for Investing Activities | (102,971) | (76,000) |
| Net Change in Cash and Cash Equivalents | (15,277) | 66,195 |
| Cash and Cash Equivalents, Beginning of Year | 1,335,943 | 1,269,748 |
| Cash and Cash Equivalents, End of Year | \$ 1,320,666 | \$ 1,335,943 |

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activities

The Girl Scouts of the Sierra Nevada, Inc. (Council) participates in a nationally recognized educational program. The all-girl organization is available to any girl age five to seventeen regardless of race, nationality, religion, socioeconomic background or disability. The four program goals of the Girl Scouts are to encourage girls to develop to their full potential, relate to others with increasing understanding, skill and respect, develop a meaningful set of values to guide their actions and to provide for sound decision-making and contribute to the improvement of society.

Basis of Accounting

The Council prepares its financial statements using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Council reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Contributions for which restrictions are met in the year received are classified as unrestricted support in the statement of activities. The Board members may designate unrestricted net assets for various purposes and such designations may be revised at the Board's discretion. Please see Note 8 for additional details related to designated and restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include general checking accounts and highly liquid debt instruments purchased with original maturities of three months or less.

Investments

Investments consist principally of marketable equity and debt securities.

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses, both realized and unrealized, included in the statement of activities.

Accounts Receivable

Accounts and pledges receivable are reported at net realizable value and represent due for program activities, reimbursements, and promises to give. The allowance for doubtful accounts is based upon management's estimate of uncollectibility taking into consideration past payment history. Management considers all accounts and pledges receivable at September 30, 2018 and 2017, to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded. Furthermore, all pledges receivable are expected to be collected within one year.

Inventories

Inventories consist of Girl Scout merchandise and membership materials and are stated at the lower of cost, determined by the weighted average method, or net realizable value.

Property and Equipment

Property and equipment are recorded at cost or at the estimated fair value at the date of the gift if donated. Such gifts of property and equipment are reported as unrestricted support unless specific donor stipulations specify how the donated assets must be used. Additions and improvements in excess of \$1,000 are capitalized, whereas costs of maintenance and repairs are expensed as incurred.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. The estimated useful life for furniture, fixtures and equipment is 3 to 10 years, 10 to 20 years for building improvements and 40 years for buildings.

Service Unit Trust and Custodial Funds

Service unit trust and custodial funds include amounts earned by individual troops through various member activities and other funds held for the benefit of Council members. Such amounts are available to be used towards Girl Scout activities and merchandise.

Due to Girl Scouts of the USA

Due to Girl Scouts of the USA represents membership fees which were received for the subsequent membership year but have not yet been transferred to Girl Scouts of the USA.

Accrued Compensated Absences

Accrued compensated absences represents the Council's liability for the earned paid leave benefits available to employees at September 30 each year, as determined in accordance with the Council's personnel policies.

Cookie Sale Recognitions Outstanding

Cookie sale recognitions outstanding represent the value of undistributed prizes awarded for achieving certain cookie sales goals.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed Services

The Council is required to recognize the contributions of services if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are those provided by accountants, architects, doctors, electricians, lawyers, nurses, plumbers, teachers and other professionals and craftsmen. The Council has recognized contributed professional services of \$555 and \$600 for the years ended September 30, 2018 and 2017, respectively.

Volunteers have donated a significant amount of services, which do not meet the criteria for recognition as defined above. Accordingly, the financial statements do not reflect the value of these services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Council have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Council is a nonprofit organization, exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and has been classified as a non-private foundation that normally receives a substantial part of its support from the general public as provided by Internal Revenue Code Section 170(b)(1)(A)(VI). Accordingly, no provision for income taxes is included in the accompanying financial statements. Management annually reviews its tax positions, which are summarized as follows:

- It has not engaged in activities that would jeopardize its tax-exempt status
- It has not engaged in any activities that would result in unrelated business income tax
- It has determined that there are no material uncertain tax positions that require recognition in the financial statements

Accordingly, no provision for income taxes has been made. In addition, the Council does not expect any material change in uncertain tax positions within the next twelve months.

Subsequent Events

Subsequent events have been evaluated through February 5, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Memorandum Only – Total Columns

Total columns in the financial statements are captioned “Memorandum Only” to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net assets, or cash flows in conformity with generally accepted accounting principles.

Note 2 - Concentration of Cash

The Council maintains its cash and cash equivalents in demand deposit and collateralized sweep accounts at a national bank. Demand deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and the collateralized sweep account is backed 100% by government securities. At September 30, 2018 the Council had \$22,379 of cash deposited in a primary account at a financial institution subject to credit risk as the balance exceeded FDIC insured limits. Bank balances were fully collateralized or insured by the FDIC at September 30, 2017.

Note 3 - Investments and Fair Value

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Council uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Council measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements – Quoted Prices in Active Markets for Identical Assets – The fair values of domestic equity funds/common stock, international equity funds, and corporate bonds are based on quoted market prices, when available.

Level 2 Fair Value Measurements – Significant Other Inputs – The fair values of investments for which quoted market prices are not available are valued based on stated interest rates and accrued interest based on broker estimates. The Council has no Level 2 investments at September 30, 2018 and 2017.

Level 3 Fair Value Measurement – No Observable Inputs – In March of 2018 the Council disbanded the Level 3 pooled investment account and moved the funds into a long-term Level 1 investment account. The fair value of investments valued using level 3 measurements totals \$0 and \$17,511 at September 30, 2018 and 2017, respectively.

The fair value of investments is as follows at September 30:

| | 2018 | | | Total |
|--|------------|---------|-----------|------------|
| | Level 1 | Level 2 | Level 3 | |
| Pooled investments | \$ - | \$ - | \$ - | \$ - |
| Domestic equity funds/ common stock | 58,864 | - | - | 58,864 |
| Mutual funds | 480,624 | - | - | 480,624 |
| | \$ 539,488 | \$ - | \$ - | \$ 539,488 |
| | 2017 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Pooled investments | \$ - | \$ - | \$ 17,511 | \$ 17,511 |
| Domestic equity funds/ common stock | 195,174 | - | - | 195,174 |
| Mutual funds | 281,185 | - | - | 281,185 |
| | \$ 476,359 | \$ - | \$ 17,511 | \$ 493,870 |

The change in fair value of Level 3 investments is as follows for the years ended September 30:

| | Pooled Investments | |
|--------------------------|--------------------|-----------|
| | 2018 | 2017 |
| Beginning balance | \$ 17,511 | \$ 16,098 |
| Contributions | - | - |
| Investment activity, net | (17,511) | 1,675 |
| Expenses | - | (262) |
| Ending balance | \$ - | \$ 17,511 |

Investment return is as follows for the years ended September 30:

| | 2018 | 2017 |
|--|-----------|-----------|
| Interest dividends | \$ 25,090 | \$ 16,977 |
| Net realized and unrealized gains (losses) | 20,152 | 11,100 |
| | \$ 45,242 | \$ 28,077 |

Gains and losses (realized and unrealized) as well as interest and dividend income are reported in the statement of activities.

Note 4 - Property and Equipment

Property and equipment consists of the following at September 30:

| | 2018 | 2017 |
|-----------------------------------|-------------|-------------|
| Buildings | \$ 583,133 | \$ 583,133 |
| Building improvements | 1,163,530 | 1,129,065 |
| Office equipment | 138,858 | 147,635 |
| Camp equipment | 169,839 | 156,445 |
| Vehicles | 38,188 | 38,188 |
| | 2,093,548 | 2,054,466 |
| Less accumulated depreciation | (1,600,926) | (1,519,197) |
| Unrestricted, net | 492,622 | 535,269 |
| Temporarily restricted - building | 43,200 | 43,200 |
| Less accumulated depreciation | (9,000) | (6,840) |
| Temporarily restricted, net | 34,200 | 36,360 |
| Permanently restricted - land | 91,800 | 91,800 |
| Property and equipment, net | \$ 618,622 | \$ 663,429 |

Depreciation expense totals \$122,312 and \$117,624 for the years ended September 30, 2018 and 2017, respectively.

Note 5 - Operating Lease Commitments

The Reno service center is located on property leased from the Nevada Highway Department for \$1 per year. The lease expires on July 21, 2026, at which time the Council has the option to renew the lease for an additional period of forty-nine years with similar terms.

The Council leases office space in Bishop, California, from the Los Angeles Department of Water and Power for a current annual fee of \$545 with an escalation clause of 3% per year. The lease expired on January 31, 2018 and has not yet been renewed.

The Council leases office equipment requiring monthly payments of \$377, expiring October 2018, and quarterly payments of \$420 expiring July 2019.

Minimum future rental payments under the non-cancelable operating leases are as follows for the years ended September 30:

| <u>Year ended</u> | | |
|-------------------|----|-------|
| 2019 | \$ | 2,058 |
| 2020 | | 1 |
| 2021 | | 1 |
| 2022 | | 1 |
| 2023 | | 1 |
| Thereafter | | 3 |

The Council incurred rental expense totaling \$15,289 and \$13,648 for the years ended September 30, 2018 and 2017, respectively.

Note 6 - Retirement Plan

The Council participates in the National Girl Scout Council Retirement Plan (Plan), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA. The National Board of Girl Scouts of the USA voted to freeze the plan to new entrants and to freeze future benefit accruals for all current participants under the Plan effective July 31, 2010. The Plan covers substantially all the employees of various Girl Scout councils who were eligible to participate in the plan prior to the Plan freeze. Accrued and vested benefits prior to July 31, 2010, are based on years of service and salary levels.

Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2018. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (IRS), all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCR the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal years 2017 and 2018 were \$33.1 million and \$32.4 million, respectively. The aggregate annual contributions decreased from 2017 to 2018 due to both the reduction in the Plan's total annual contributions from \$34.3 million to \$32.5 million effective May 1, 2017 and the spin-off of Girl Scouts of Louisiana East effective May 1, 2018. Aggregate contributions to be made in fiscal 2019 are expected to be \$32.2 million.

The Council's pension expense and contributions to this Plan for 2018 and 2017 were \$68,493 and \$72,858, respectively, which represents 0.21% of aggregate contributions to the Plan for 2018 and 2017.

The Council also maintains a 403(b) tax-deferred annuity plan (TDA), which is available to all employees immediately upon hiring. Employees may make pre-tax contributions to the TDA through payroll deductions. However, the Council does not make any contributions to the TDA.

Note 7 - Endowments

The Council's endowments consist of funds established for the purposes of providing scholarships to selected individuals and various other projects including the long-term maintenance of facilities. The Council's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported as unrestricted, temporarily restricted and permanently restricted net assets based solely on the existence or absence of donor-imposed restrictions.

The endowment net asset composition by type of fund was as follows for the years ended September 30:

| | | 2018 | | | |
|--|----------------------------------|--------------|------------------------|------------------------|------------|
| | | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| | Donor-restricted endowment funds | \$ - | \$ 37,247 | \$ 35,779 | \$ 73,026 |
| | Board-designated endowment funds | 130,709 | - | - | 130,709 |
| | | \$ 130,709 | \$ 37,247 | \$ 35,779 | \$ 203,735 |
| | | 2017 | | | |
| | | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| | Donor-restricted endowment funds | \$ - | \$ 35,955 | \$ 35,779 | \$ 71,734 |
| | Board-designated endowment funds | 122,965 | - | - | 122,965 |
| | | \$ 122,965 | \$ 35,955 | \$ 35,779 | \$ 194,699 |

Changes in endowment net assets were as follows for the years ended September 30:

| | 2018 | | | Total |
|---|-------------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of year | \$ 122,965 | \$ 35,955 | \$ 35,779 | \$ 194,699 |
| Contributions | - | - | - | - |
| Interest and dividends | 2,409 | 1,538 | 1,552 | 5,499 |
| Net unrealized gain (loss) | 8,045 | (2,710) | 1,740 | 7,075 |
| Reclassifications | (1,172) | 4,464 | (3,292) | - |
| Appropriated for expenditure | (1,538) | (2,000) | - | (3,538) |
| | <u>\$ 130,709</u> | <u>\$ 37,247</u> | <u>\$ 35,779</u> | <u>\$ 203,735</u> |
| | 2017 | | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets, beginning of year | \$ 112,166 | \$ 36,779 | \$ 15,000 | \$ 163,945 |
| Contributions | - | - | 20,779 | 20,779 |
| Interest and dividends | - | 2,508 | 665 | 3,173 |
| Net unrealized gain (loss) | 11,751 | (1,702) | 36 | 10,085 |
| Reclassifications | 806 | (105) | (701) | - |
| Appropriated for expenditure | (1,758) | (1,525) | - | (3,283) |
| | <u>\$ 122,965</u> | <u>\$ 35,955</u> | <u>\$ 35,779</u> | <u>\$ 194,699</u> |

Interpretation of Relevant Law

In the absence of explicit donor stipulations to the contrary, the Council has interpreted the Prudent Management of Institutional Funds Act (Uniform Act) as set forth in Chapter 164 of the Nevada Revised Statutes as requiring the preservation of the fair value of the original gift as of the gift date for permanently restricted net assets. As a result of this interpretation, the Council classifies as permanently restricted net assets (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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence described in the Uniform Act.

The Council takes into consideration the following factors in its determination to appropriate or accumulate donor-restricted endowment funds in accordance with the Uniform Act:

- The duration and preservation of the fund
- The purposes of the Council and the donor-restricted endowment funds
- General economic conditions, including the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Council
- The Council's investment policies

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Act requires to be retained as perpetual fund. Such deficiencies are reflected as decreases in unrestricted or temporarily restricted net assets for the period.

Return Objectives and Risk Parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

The endowment fund investment strategy is reviewed and evaluated by the Finance Committee of the Board of Directors at least annually with its investment advisors to ensure the portfolio's proper diversification, security and return of investments.

Note 8 - Net Assets Classifications

Designated Net Assets

Unrestricted net assets that are not subject to donor-imposed stipulations may be designated by the Board for specific purposes to facilitate the Council's operations and administrative goals. Following is a summary of Board designated net assets at September 30:

| | 2018 | 2017 |
|---|--------------|--------------|
| Investment in property and equipment, net | \$ 492,622 | \$ 535,269 |
| Operating reserve | 350,000 | 350,000 |
| Quasi-endowment fund | 130,709 | 122,965 |
| Capital asset replacement fund | 168,620 | 107,448 |
| | \$ 1,141,951 | \$ 1,115,682 |

Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes as of September 30:

| | 2018 | 2017 |
|--|-----------|------------|
| Restricted building, net of related depreciation | \$ 34,200 | \$ 36,360 |
| Service center equipment and improvements | 35,590 | 35,590 |
| Bike project | - | 17,356 |
| Camp renovations | 2,726 | 5,836 |
| Other miscellaneous programs | 24,507 | 7,257 |
| | \$ 97,023 | \$ 102,399 |

Permanently Restricted Net Assets

During 1998, the Council received a donation for the purpose of establishing a permanent endowment, with additional donations to the fund in 2017. The principal is restricted and may not be expended. The dividends and interest may be expended for scholarships with appropriate recognition being given to the donor. These earnings are shown as temporarily restricted until expended.

During 2014, the Council received a donation of land from the City of Elko. The deed states that the property is to revert to the City of Elko should the property no longer be used for the Council's charitable purpose. The donated land has been classified as permanently restricted.

Permanently restricted net assets were restricted for the following purposes as of September 30:

| | 2018 | 2017 |
|-----------------|------------|------------|
| Endowment | \$ 35,779 | \$ 35,779 |
| Restricted land | 91,800 | 91,800 |
| | \$ 127,579 | \$ 127,579 |

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources.