

**GIRL SCOUTS OF CENTRAL
CALIFORNIA SOUTH, INC.**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Girl Scouts of Central California South, Inc.
(A California Non-Profit Corporation)
Fresno, California

We have audited the accompanying financial statements of Girl Scouts of Central California South, Inc. (A California Non-Profit Corporation), which comprise the statement of financial position as of September 30, 2019, 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.

Auditors' 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 of 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.

INDEPENDENT AUDITORS' REPORT - Continued

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 Girl Scouts of Central California South, Inc. as of September 30, 2019, 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.

Vossin, Hryn + Co.

Calabasas, California
January 21, 2020

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

	<u>2019</u>
ASSETS	
Cash and cash equivalents	\$ 499,953
Accounts receivable	34,551
Inventory	158,161
Investments	1,186,987
Property and equipment, net	<u>1,009,694</u>
 Total assets	 <u>\$ 2,889,346</u>
 LIABILITIES	
Accounts payable and accrued expenses	\$ 30,043
Accrued payroll and related liabilities	72,613
Custodial funds	4,973
Program related liabilities	988
Deferred revenue	8,600
Other liabilities	226
Mortgage payable	<u>213,145</u>
 Total liabilities	 330,588
 COMMITMENTS AND CONTINGENCIES	
 NET ASSETS	
Without donor restrictions	2,086,419
With donor restrictions	<u>472,339</u>
 Total net assets	 <u>2,558,758</u>
 Total liabilities and net assets	 <u>\$ 2,889,346</u>

See accompanying auditors' report and notes to financial statements.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Cash Contributions	\$ 259,337	\$ 115,762	\$ 375,099
In-kind goods and supplies	135,452	-	135,452
In-kind services	52,751	-	52,751
Interest income	12,529	10,462	22,991
Realized gain(loss) on investments	1,111	-	1,111
Unrealized gain(loss) on investments	18,718	-	18,718
Miscellaneous revenue	65,980	-	65,980
Program product sales	5,168,768	-	5,168,768
Program fees	192,639	-	192,639
Retail store sales	269,992	-	269,992
Fundraising, net of expenses	123,243	-	123,243
Restrictions released	99,631	(99,631)	-
Total revenue, support and restrictions released	6,400,151	26,593	6,426,744
EXPENSES			
Program services	5,376,532	-	5,376,532
Support services	303,024	-	303,024
Fundraising expenses	168,349	-	168,349
Total expenses	5,847,905	-	5,847,905
CHANGE IN NET ASSETS	552,246	26,593	578,839
NET ASSETS - beginning of year	1,534,173	445,746	1,979,919
NET ASSETS - end of year	\$ 2,086,419	\$ 472,339	\$2,558,758

See accompanying auditors' report and notes to financial statements.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Program Services</u>	<u>Support Services</u>	<u>Fund- raising</u>	<u>2019 Total Expenses</u>
Salaries and related expenses				
Salaries	\$ 1,319,252	\$ 138,062	\$ 76,701	\$ 1,534,015
Payroll taxes	136,966	14,333	7,963	159,262
Employee benefits	<u>254,632</u>	<u>27,823</u>	<u>15,458</u>	<u>297,913</u>
	1,710,850	180,218	100,122	1,991,190
Other Expenses				
Administrative service fees	1,615	169	94	1,878
Advertising	30,145	3,155	1,753	35,053
Auto expense	23,079	2,415	1,342	26,836
Bad debts	7,166	750	417	8,333
Bank and finance charges	11,751	1,229	683	13,663
Computer expenses	2,344	245	-	2,589
Conferences and meetings	64,677	6,745	3,748	75,170
Consultants	5,410	566	315	6,291
Cost of goods sold - product	1,154,498	-	-	1,154,498
Cost of goods sold - retail	152,649	-	-	152,649
Depreciation	35,816	3,748	2,082	41,646
Dues and subscriptions	19,685	2,065	1,147	22,897
Equipment purchase - IT	13,544	1,417	787	15,748
Equipment rental and maintenance	36,965	3,869	2,149	42,983
Food and beverage costs	36,903	3,862	2,146	42,911
In-kind goods and supplies	116,489	12,190	6,773	135,452
In-kind services	45,365	4,748	2,638	52,751
Insurance	29,722	3,111	1,729	34,562
Interest expense	21,105	2,209	1,227	24,541
Licenses, permits and fees	30,998	3,203	1,780	35,981
Miscellaneous expenses	56,684	5,934	3,295	65,913
Postage and delivery	3,187	334	321	3,842
Printing and publications	15,472	1,620	900	17,992
Professional fees	194,328	20,337	11,299	225,964
Public relations	771	81	45	897
Recognitions and proceeds	1,193,244	-	-	1,193,244
Rent and utilities	21,817	2,283	1,268	25,368
Repairs and maintenance	50,149	5,248	2,915	58,312
Scholarships	8,600	900	500	10,000
Small equipment	8,271	866	481	9,618
Supplies	54,416	6,608	3,671	64,695
Taxes and licenses	8,226	861	478	9,565
Telephone	75,096	7,859	4,366	87,321
Transportation	93,981	9,835	5,464	109,280
Utilities	<u>41,514</u>	<u>4,344</u>	<u>2,414</u>	<u>48,272</u>
Total expenses	<u>\$ 5,376,532</u>	<u>\$ 303,024</u>	<u>\$ 168,349</u>	<u>\$ 5,847,905</u>

See accompanying auditors' report and notes to financial statements.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 578,839
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	41,646
Provision for bad debt	8,333
Donated stock	5,110
(Gain) Loss on sale of investments	(1,111)
Realized and unrealized (gain)loss on investments, net	(18,718)
(Increase) decrease in:	
Accounts receivable	(31,346)
Inventory	17,596
Increase (decrease) in:	
Accounts payable and accrued expenses	(7,269)
Accrued payroll and related liabilities	(13,649)
Custodial funds	4,907
Program related liabilities	988
Deferred revenue	8,600
Other liabilities	<u>226</u>
 Total adjustments	 <u>15,313</u>
 Net Cash Provided (Used) by Operating Activities	 594,152
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Sales/Purchase of investments - net	41,851
Purchase of property and equipment	<u>(35,371)</u>
 Net Cash Provided (Used) by Investing Activities	 6,480
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of mortgage payable	<u>(237,344)</u>
 Net Cash Provided (Used) by Financing Activities	 (237,344)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 363,288
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>136,665</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 499,953</u>
 Non-cash activities:	
In-kind goods and supplies	<u>\$ 135,452</u>
In-kind services	<u>\$ 52,751</u>
 Supplementary Disclosures:	
Interest paid	<u>\$ 24,541</u>

See accompanying auditors' report and notes to financial statements.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. DESCRIPTION OF ORGANIZATION

The Girl Scouts of Central California South, Inc. (the Council) is a California non-profit organization. The Council's primary purpose is to develop girls of courage, confidence, and character, who make the world a better place.

The Council operates independently in selecting, implementing, financing, and managing various programs and activities. These functions are executed under direction of the Chief Executive Officer, Dr. Russel Statham, who is accountable to the Board of Directors.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Council prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues are recognized when earned and expenditures are recognized when the obligation is incurred.

Financial Statement Presentation

The financial statements are presented based on Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. ASC Topic 958, Sections 210 and 225 requires classification of the Council's net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the two classes of net assets – with donor restrictions, and without donor restrictions – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of the net assets without donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets - Continued

- *With donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Council's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Council unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Accounts Receivable

Accounts receivable are recorded primarily for product sales stated at estimated realizable value. An allowance for doubtful accounts is based on an analysis of Management's expected collection rates determined from experience. There was no allowance for doubtful accounts balance at September 30, 2019.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

Inventory consists of uniforms, pins, badges, books and various other items and is stated at the lower of cost or market on a first-in first-out method.

Investments

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets with donor restrictions in the accompanying statement of activities.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions assets unless their use is restricted by donor stipulations or by law.

Property and Equipment, Net

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year and leasehold improvements are amortized over the life of the asset or the term of the related lease, whichever is shorter. The repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and leasehold improvements	10 to 40 years
Furniture, fixtures and equipment	5 to 15 years
Vehicles	5 to 10 years

The Council follows the practice of capitalizing all expenditures or gifts of property and equipment in excess of \$5,000 with an estimated useful life greater than one year.

Vacation and Sick Leave

All full-time employees of the Council are eligible for sick leave pay and vacation pay; part-time employees are eligible for sick leave. In the event of termination, an employee is paid for 100% of accumulated vacation. Vested vacation pay has been accrued. Sick leave is not accrued because it does not vest. Employees are not paid for any sick leave at termination of employment. Total accrued vacation at September 30, 2019, was \$72,613.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor-restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional; that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Revenue Recognition

Contributions, including pledges, are recognized as income when received. The Council does not pursue uncollected pledges. Revenues are generated primarily from the sale of Girl Scout cookies and nuts and from outside donations and special fundraising events.

Income Taxes

The Council is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

The Council has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended September 30, 2019, the Council had no material unrecognized tax benefits, tax penalties or interest.

The Council's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended September 30; 2018, 2017, and 2016, are subject to examination by the IRS, generally for 3 years after they were filed.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Recognition and Allocation

The cost of providing the Council's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Council.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Council generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred with a total of \$35,053 at September 30, 2019 with an additional \$43,956 in contributed advertising.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Council's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Council's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The Council reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which The Council has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents, accounts receivable, approximate fair value because of the terms and relatively short maturity of these financial instruments. The mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Council at year end.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, the Council measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets measured at fair value during the years are as follows:

	Prices in Active Markets (Level 1)	Prices in Inactive Markets (Level 2)
Measured on a recurring basis at September 30, 2019		
Mutual funds	<u>\$ 1,186,987</u>	<u>\$ -</u>
Measured on a nonrecurring basis at September 30, 2019		
Non-cash contributions	<u>\$ -</u>	<u>\$ 188,203</u>

3. INVESTMENTS

Investments consist of mutual funds carried at fair value and are intended to provide income for the Council's programs. The fair value of investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level I). Significant information about investments is summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Investments consists of:		
Mutual funds	<u>\$ 1,189,001</u>	<u>\$ 1,186,987</u>

The following schedule summarizes the investment return and its classifications in the statement of activities for the years ended:

	<u>2019</u>
Dividend and interest income, net of fees	<u>\$ 22,991</u>
Realized gains(losses)	1,111
Unrealized gains (losses)	<u>18,718</u>
Total investment return included in investment income	<u>\$ 42,820</u>
Without donor restrictions	\$ 32,358
With donor restrictions	<u>10,462</u>
Total investment return included in investment income	<u>\$ 42,820</u>

For 2019 investment management fees were \$5,654.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(CONTINUED)

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at September 30, 2019:

	2019
Building and land	\$ 1,522,683
Furniture and fixtures	194,964
Leasehold improvements	297,093
Machinery and equipment	258,395
Vehicles	31,881
Total Property and Equipment	2,305,016
Less Accumulated Depreciation and Amortization	(1,295,322)
Property and Equipment, Net	\$ 1,009,694

Depreciation expense charged to operation for the year ending September 30, 2019 was \$41,646.

5. LINES OF CREDIT

The Council has a \$250,000 revolving line of credit with Wells Fargo Bank that expires September 15, 2020. Borrowings on the line of credit bear interest at the greater of the prime rate plus 1.5% or the floor rate of 5%. Inventory, equipment and other Council property assets are pledged as collateral. At September 30, 2019, the Council had no outstanding balance.

The Council has a \$400,000 revolving line of credit with Citizens Bank that expires April 3, 2021. Borrowings on the line of credit bear interest at the prime rate plus 1%, with a minimum floor of 5%. The current interest rate is 6.25%. A deed of trust on the real property located at 1831 Brundage Rd, Bakersfield, CA is pledged as collateral. At September 30, 2019, the Council had no outstanding balance.

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(CONTINUED)

6. MORTGAGE PAYABLE

	2019
Wells Fargo Bank, note payable \$6,739 monthly including interest at 4.75% beginning May 4, 2010. Fresno Council office building is pledged as collateral.	\$ 213,145
Less current portion	<u>(72,384)</u>
Total Long Term Debt	<u>\$ 140,761</u>

The following is a schedule of future maturities of long-term debt as of September 30, 2019:

Year Ended	Amount
2020	\$ 72,384
2021	75,866
2022	<u>64,895</u>
Total	<u>\$ 213,145</u>

GIRL SCOUTS OF CENTRAL CALIFORNIA SOUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(CONTINUED)

7. ENDOWMENT FUND

The Council's Endowment Fund includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Council has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as net assets with donor restrictions: (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 is classified as net assets with donor restrictions until those amounts are appropriate for expenditure by the Council in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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 Council 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 Council
- (7) The investment policies of the Council

	With Donor <u>Restrictions</u>	Total <u>Endowment</u>
Endowment Fund net assets, September 30, 2018	\$ 445,746	\$ 445,746
Investment return	10,462	10,462
Contribution	15,801	15,801
Earnings released from restriction	<u> (-)</u>	<u> (-)</u>
Endowment Fund net assets, September 30, 2019	<u>\$ 472,009</u>	<u>\$ 472,009</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or SPMIFA requires the Council to retain as net assets with donor restrictions. Deficiencies of this nature result from unfavorable market fluctuations and would be included in net assets without donor restrictions. For the year ended September 30, 2019 there was no deficiency.

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2019, consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

<u>Purpose</u>	<u>Balance at 9-30-18</u>	<u>Income</u>	<u>Expenditures</u>	<u>Balance at 9-30-19</u>
Endowment Fund	\$ 445,746	\$ 26,263	\$ (7,110)	\$ 464,899
Building Fund	-	99,961	(92,521)	7,440
Total net assets with donor restrictions	<u>\$ 445,746</u>	<u>\$ 126,224</u>	<u>\$ (99,631)</u>	<u>\$ 472,339</u>

Amounts released from net assets with donor restrictions during the year ending September 30, 2019, were as follows:

<u>Grant</u>	<u>Expenditures</u>	<u>Amount</u>
Building Fund Gifts	Pay down on mortgage	\$ 92,521
Endowment Expenditures	Investment fees and scholarships	<u>7,110</u>
Total		<u>\$ 99,631</u>

9. IN-KIND CONTRIBUTIONS

Donated goods and services which are recorded in the financial statements at their estimated fair value (Level 2) at date of receipt were \$188,203 and are included in in-kind revenue and program services expenses for 2019. The fair value of the contributed goods and services has been measured on a nonrecurring basis using quoted prices for identical assets in active or inactive markets for the same or similar assets and services.

In-kind contributions are recorded at their fair market value; at September 30, 2019 consist of the following:

Goods and Supplies	\$ 135,452
Services	<u>52,751</u>
Total	<u>\$ 188,203</u>

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10. CONTINGENCIES

From time to time, the Council may have certain contingent liabilities, including the results of on-going litigation that arise in the ordinary course of its business activities. The Council accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management there are no pending claims of which the outcome is expected to result in a material adverse effect on the financial position, results of operations or cash flow of the Council.

11. PENSION PLAN

The Council participates in the National Girl Scout Council Retirement Plan (NGSCR), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA. The National Board of the 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 of 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 contribution from \$34.3 million to \$32.5 million effective May 1, 2017 and the spin-off of the Girl Scouts of Louisiana East effective May 1, 2018. Aggregate contributions to be made in fiscal year 2019 are expected to be \$32.2 million. Girl Scouts of Central California South's contributions made in fiscal year 2018 and 2019 were \$131,290 and \$134,928 respectively.

The Council sponsors a 401(k) defined contribution plan. All full-time employees are eligible to participate and are fully vested upon enrollment. Contributions for the years September 30, 2019 were \$37,359.

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12. LIQUIDITY AND AVAILABILITY

	2019
Total financial assets	\$ 1,721,491
Donor-imposed restrictions:	
Designated Funds(formerly Temporarily Restricted)	(84,333)
Endowments(formerly Permanently Restricted)	<u>(388,006)</u>
Net financial assets after donor-imposed restrictions	<u>\$ 1,249,152</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,249,152</u>

In addition to existing financial assets available to meet general expenditures within one year the Council receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Council manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Council has a liquidity goal to maintain current financial assets less current liabilities at a minimum of six months operating expenses and has a goal to target a year-end balance of reserves of unrestricted, undesignated net assets at six months of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended September 30, 2019 the level of liquidity and reserves was improved and the Council is making progress towards its reserve goals.

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13. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Council deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

The majority of the Council's contributions and grants are received from corporations, foundations, and individuals and from agencies located throughout the state of California. As such, the Council's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Council's services.

14. SUBSEQUENT EVENTS

The Council has evaluated events subsequent to September 30, 2019, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 21, 2020, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.