



GIRL SCOUTS OF NORTH EAST OHIO

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

September 30, 2021

(with prior year summarized comparative information)

The background of the lower half of the page is an abstract, grayscale geometric pattern. It consists of numerous overlapping, semi-transparent planes and lines that create a sense of depth and movement, resembling a complex architectural or digital structure.

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GIRL SCOUTS OF NORTH EAST OHIO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girl Scouts of North East Ohio:

We have audited the accompanying financial statements of Girl Scouts of North East Ohio (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Girl Scouts of North East Ohio as of September 30, 2021, 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.

Summarized Comparative Information

We have previously audited Girl Scouts of North East Ohio's 2020 financial statements, and we expressed an unmodified opinion on those financial statements in our report January 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022, on our consideration of the Girl Scouts of North East Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Girl Scouts of North East Ohio's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Girl Scouts of North East Ohio's internal control over financial reporting and compliance.

Sikich LLP

Akron, Ohio
January 27, 2022

GIRL SCOUTS OF NORTH EAST OHIO

STATEMENT OF FINANCIAL POSITION

September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 4,783,022	\$ 4,233,003
Short-term investments	892,846	513,249
Accounts receivable, net	13,427	9,152
Grants receivable	29,845	43,058
Inventories	295,749	406,305
Prepaid expenses	<u>67,892</u>	<u>23,929</u>
Total current assets	<u>6,082,781</u>	<u>5,228,696</u>
NONCURRENT ASSETS		
Unconditional promises to give	196,500	17,500
Property, plant and equipment, net	19,753,929	20,282,090
Investments	8,332,421	7,188,886
Beneficial interests in trusts	<u>953,569</u>	<u>825,892</u>
Total noncurrent assets	<u>29,236,419</u>	<u>28,314,368</u>
TOTAL ASSETS	<u>\$ 35,319,200</u>	<u>\$ 33,543,064</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 104,121	\$ 96,790
Accounts payable, trade	197,704	301,171
Accrued expenses	349,341	329,094
Accrued payroll	141,322	212,649
Deferred revenue, deposits and custodial accounts	126,964	98,043
Refundable advance - PPP loan	<u>1,071,557</u>	<u>1,133,600</u>
Total current liabilities	<u>1,991,009</u>	<u>2,171,347</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>2,724,487</u>	<u>2,829,502</u>
Total liabilities	<u>4,715,496</u>	<u>5,000,849</u>
NET ASSETS		
Without donor restrictions	26,898,778	25,493,148
With donor restrictions	<u>3,704,926</u>	<u>3,049,067</u>
Total net assets	<u>30,603,704</u>	<u>28,542,215</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,319,200</u>	<u>\$ 33,543,064</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH EAST OHIO

STATEMENT OF ACTIVITIES

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
PUBLIC SUPPORT AND REVENUES				
Public support:				
Contributions	\$ 411,347	\$ 56,600	\$ 467,947	\$ 219,218
Foundations, trusts and other	825,331	281,302	1,106,633	568,404
United Way allocations	56,839	10,625	67,464	79,783
Sponsorships and special events, net	68,199	-	68,199	93,006
Total public support	<u>1,361,716</u>	<u>348,527</u>	<u>1,710,243</u>	<u>960,411</u>
Revenue:				
Product sales	9,471,204	-	9,471,204	12,803,469
Cost of product sales	<u>(2,262,117)</u>	<u>-</u>	<u>(2,262,117)</u>	<u>(3,239,253)</u>
	<u>7,209,087</u>	<u>-</u>	<u>7,209,087</u>	<u>9,564,216</u>
Retail operations	426,375	-	426,375	497,146
Cost of retail sales	<u>(184,398)</u>	<u>-</u>	<u>(184,398)</u>	<u>(213,788)</u>
	<u>241,977</u>	<u>-</u>	<u>241,977</u>	<u>283,358</u>
Program and camp fees	454,775	-	454,775	283,786
Interest and dividends, net	168,296	22,159	190,455	138,850
Government grants - PPP	1,133,600	-	1,133,600	0
Miscellaneous income	<u>277,799</u>	<u>-</u>	<u>277,799</u>	<u>78,745</u>
	<u>2,034,470</u>	<u>22,159</u>	<u>2,056,629</u>	<u>501,381</u>
Total revenues	<u>9,485,534</u>	<u>22,159</u>	<u>9,507,693</u>	<u>10,348,955</u>
Net assets released from restrictions	<u>185,089</u>	<u>(185,089)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>11,032,339</u>	<u>185,597</u>	<u>11,217,936</u>	<u>11,309,366</u>
EXPENSES				
Program services	8,384,320	-	8,384,320	9,600,880
Supporting services:				
Management services	1,871,712	-	1,871,712	1,749,117
Fund development	<u>456,206</u>	<u>-</u>	<u>456,206</u>	<u>546,427</u>
Total expenses	<u>10,712,238</u>	<u>-</u>	<u>10,712,238</u>	<u>11,896,424</u>
Change in net assets from operations before gains and losses	320,101	185,597	505,698	(587,058)
Gains and losses:				
Change in beneficial interest in trusts	-	127,677	127,677	40,797
Gain on sale of property, plant and equipment	5,000	-	5,000	-
Net appreciation on investments	<u>1,080,529</u>	<u>342,585</u>	<u>1,423,114</u>	<u>490,272</u>
CHANGE IN NET ASSETS	1,405,630	655,859	2,061,489	(55,989)
NET ASSETS, BEGINNING OF YEAR	<u>25,493,148</u>	<u>3,049,067</u>	<u>28,542,215</u>	<u>28,598,204</u>
NET ASSETS, END OF YEAR	<u>\$ 26,898,778</u>	<u>\$ 3,704,926</u>	<u>\$ 30,603,704</u>	<u>\$ 28,542,215</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH EAST OHIO

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

	Supporting Services				Totals	
	Program	Management	Fund	Total	2021	2020
	Services	Services	Development	Supporting Services		
PERSONNEL						
Salaries and wages	\$ 2,461,252	\$ 831,211	\$ 240,041	\$ 1,071,252	\$ 3,532,504	\$ 3,922,557
Fringe benefits and taxes	1,359,963	423,749	96,379	520,128	1,880,091	1,902,143
Total personnel	<u>3,821,215</u>	<u>1,254,960</u>	<u>336,420</u>	<u>1,591,380</u>	<u>5,412,595</u>	<u>5,824,700</u>
SUPPORT FOR TROOPS AND MEMBERS						
Troop and service unit support	1,643,480	-	-	-	1,643,480	2,115,721
Rewards for troops and members	279,085	-	-	-	279,085	304,450
Assistance and grants to members	97,478	-	-	-	97,478	177,331
Total support for troops and members	<u>2,020,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,020,043</u>	<u>2,597,502</u>
OTHER EXPENSES						
Professional services and fees	99,081	136,871	14,847	151,718	250,799	270,650
Supplies, printing, and publications	494,382	38,416	38,879	77,295	571,677	622,291
Postage and shipping	60,419	2,617	8,200	10,817	71,236	105,685
Telecommunications	293,481	18,729	5,407	24,136	317,617	295,114
Occupancy	469,622	43,501	14,946	58,447	528,069	555,820
Equipment, rental and repair	77,273	9,139	885	10,024	87,297	119,313
Meetings and travel	82,611	28,522	8,103	36,625	119,236	164,243
Interest	-	103,515	-	103,515	103,515	54,569
Insurance	143,139	28,418	10,525	38,943	182,082	185,893
Other	69,281	157,726	1,561	159,287	228,568	264,084
Total other expenses	<u>1,789,289</u>	<u>567,454</u>	<u>103,353</u>	<u>670,807</u>	<u>2,460,096</u>	<u>2,637,662</u>
Total expenses before depreciation	7,630,547	1,822,414	439,773	2,262,187	9,892,734	11,059,864
Depreciation	<u>753,773</u>	<u>49,298</u>	<u>16,433</u>	<u>65,731</u>	<u>819,504</u>	<u>836,560</u>
TOTAL EXPENSES	8,384,320	1,871,712	456,206	2,327,918	10,712,238	11,896,424
ADDITIONAL COSTS						
Cost of product sales	2,262,117	-	-	-	2,262,117	3,239,253
Cost of retail sales	184,398	-	-	-	184,398	213,788
Cost of direct benefit to donors	-	-	6,262	6,262	6,262	2,584
TOTAL EXPENSES PLUS ADDITIONAL COSTS	\$ <u>10,830,835</u>	\$ <u>1,871,712</u>	\$ <u>462,468</u>	\$ <u>2,334,180</u>	\$ <u>13,165,015</u>	\$ <u>15,352,049</u>

GIRL SCOUTS OF NORTH EAST OHIO**STATEMENT OF CASH FLOWS**

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,061,489	\$ (55,989)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	819,504	836,560
Bad debt expense	-	155,037
Net appreciation on investments	(1,423,114)	(490,272)
Change in beneficial interests in trusts	(127,677)	(40,797)
Change in operating assets and liabilities:		
Accounts receivable, grants receivable	(170,062)	(66,363)
Inventories	110,556	18,235
Prepaid expenses	(43,963)	91,475
Trade accounts payable, accrued expenses, and accrued payroll	(154,547)	(715,181)
Refundable advances - PPP loan	(62,043)	1,133,600
Deferred revenue, deposits, and custodial accounts	28,921	(58,106)
Net cash from operating activities	<u>1,039,064</u>	<u>808,199</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,110,877)	(3,828,786)
Proceeds from the sale of investments	2,010,859	4,731,893
Purchases of property, plant, and equipment	(291,343)	(1,334,079)
Net cash from investing activities	<u>(391,361)</u>	<u>(430,972)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	2,950,000
Payments on long-term debt and lease obligation	(97,684)	(421,965)
Net cash from financing activities	<u>(97,684)</u>	<u>2,528,035</u>
NET CHANGE IN CASH	550,019	2,905,262
CASH, BEGINNING OF YEAR	<u>4,233,003</u>	<u>1,327,741</u>
CASH, END OF YEAR	<u>\$ 4,783,022</u>	<u>\$ 4,233,003</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 103,515</u>	<u>\$ 54,569</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

1. NATURE OF ACTIVITIES

The Girl Scouts of North East Ohio (GSNEO) (the Organization) is an Ohio nonprofit corporation that has been issued a charter by the Girl Scouts of the U.S.A. granting it the right to develop, manage, and maintain the Girl Scout movement in a jurisdiction established by the National Board of Directors of the Girl Scouts of the U.S.A. that includes the Trumbull, Mahoning, Ashtabula, Columbiana, Stark, Tuscarawas, Carroll, Lorain, Erie, Sandusky, Seneca, Huron, Cuyahoga, Geauga, Lake, Summit, Portage, Medina, and Wayne counties in the State of Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization presents information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions include general net assets of the Organization and are not subject to donor-imposed restrictions. The net assets without donor restriction of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Net assets with donor restrictions net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Functional Allocation of Expenses – The costs of providing various programs and related supporting services have been summarized on a functional basis in the statement of activities. All salaries and most other costs are coded directly to the appropriate program or supporting service. However, occupancy and telecommunication joint costs have been allocated to the appropriate programs and supporting services using the full-time equivalent method of allocation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Cash and Cash Equivalents – The Organization considers all highly liquid investments without donor restrictions with remaining original maturities of three months or less to be cash equivalents, excluding those held in brokerage accounts.

Accounts Receivable – Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days of the invoice date and are stated at the amount billed to the customer. Accounts receivable are reduced by an allowance that reflects management’s best estimate of the amounts that will not be collected, through a charge to expense and a credit to a valuation allowance account. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At September 30, 2020, management recorded an allowance for doubtful accounts of \$101,000. There was no allowance for doubtful accounts recorded at September 30, 2021.

Support and Revenue Recognition – Grants and contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Conditional promises to give are recognized only when the conditions on which depend are substantially met and the promises become unconditional.

The Organization received \$1,071,577 and \$1,133,600 under the Paycheck Protection Program (“PPP”) in 2021 and 2020, respectively. The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The loan is forgivable over an established period of time as the Organization complies with certain requirements. During 2021, the Organization received full forgiveness for the loan received in 2020 and is recognized in Government Grants – PPP. The Organization believes that the loan received in 2021 will be forgiven and therefore is accounted for as a conditional contribution. The refundable advance will be reduced, and the contribution will be recognized as revenue once the relating conditions are substantially met or explicitly waived. Amounts determined unforgivable will be charged interest at a rate of 1.00%

Management individually reviews grants receivables to determine the need for an allowance for uncollectible accounts. At September 30, 2021 and 2020, management estimated that no such allowance was necessary. Unconditional promises to give due in the next year are recorded at net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of the net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are received to discount the amounts.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

The Organization recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, as amended. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending September 30, 2021 and 2020:

Product sale program: The Girl Scout Cookie Program helps the next generation of entrepreneurs get an important taste of what it takes to be successful: teamwork, planning, and a positive outlook. Because proceeds from the Cookie Program stay local, they also help create positive change in our community by powering life-changing experiences for Girl Scouts all year long. Troops sell cookies both in person and through the Digital Cookie platform. Cookie sales start in the winter of each year. The price for the cookies is established by Girl Scouts of the USA, and each item is individually priced, so no allocation of the transaction price is required. Cookies sold through the Digital Cookie platform require payment at the time of order placement while cookies sold in person require payment at the time the cookies are delivered. With cookie sales, the performance obligation is delivery of the product, which is fulfilled by the Troop at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Organization presents separately in its statements of activities and changes in net assets gross revenues from product sales, cost of goods sold, and commissions (retained by or paid to the unit).

Retail operations: The Organization operates retail shops at various locations, which sell scouting-related merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Organization based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Organization recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Organization estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of September 30, 2021 and 2020.

Program and Camp fees: The Organization conducts program-related experiences where the performance obligation is delivery of the program. Fees for camps and activities are set by the Organization. For camps, fees include program supplies, meals, lodging, recognition items, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. The Organization recognizes revenue over time as the performance obligation is met. Fees are collected in advance of delivery of the camp or activity and are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the program has occurred.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Disaggregation of revenue as of the year ended September 30 is as follows:

	<u>2021</u>	<u>2020</u>
Point in time:		
Product sales	\$ 9,471,204	\$ 12,803,469
Retail operations	<u>426,375</u>	<u>497,146</u>
	<u>\$ 9,897,579</u>	<u>\$ 13,300,615</u>
Over time:		
Program and camp fees	<u>\$ 454,775</u>	<u>\$ 283,786</u>

Various economic factors affect the recognition of revenue and cash flows. These economic factors consist of loss of basic utilities at camp sites, decrease in membership and prompt payment on receivables owed to the Organization.

Contract Assets and Liabilities – The Organization records these transactions as liabilities when it receives payment either prior to the delivery of services or prior to the completion of the earnings process. Monies received for the benefit of others are also recorded as liabilities (custodial accounts).

Deferred revenue, deposits, and custodial accounts consist of the following at September 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 13,427	\$ 9,152	\$ 19,953
Program fees for programs not yet held	\$ 59,114	\$ 18,651	\$ 83,805
Other contract liabilities	<u>67,850</u>	<u>73,392</u>	<u>72,344</u>
Total contract liabilities	<u>\$ 126,964</u>	<u>\$ 98,043</u>	<u>\$ 156,149</u>

Investments – Investments are stated at fair value in the statement of financial position. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur and investment income is recognized as revenue in the period earned. Investment income and gains and losses restricted by a donor are reported as net increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment return is reported net of external and direct internal investment expenses.

Inventories – Inventories are valued at the lower of cost (determined on a first-in, first-out basis) or net realizable value.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Property, Plant, and Equipment – Property, plant, and equipment are stated at cost, unless donated. Major additions and betterments are capitalized while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed currently. Property, plant, and equipment is depreciated utilizing the straight-line method over the estimated useful lives ranging from two to forty-five years. Leasehold improvements are amortized utilizing the straight-line method over the remaining term of the lease. The Organization capitalizes purchases or donations of property, plant, and equipment that exceed \$5,000.

Depreciation expense was \$819,504 and \$836,560 for the years ending September 30, 2021 and 2020, respectively.

Donations of property, plant, and equipment are recorded at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant, and equipment are reported as support with donor restrictions. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies assets restricted for time or purpose to net assets without donor restrictions at that time.

National Membership Dues – The Organization collects monies from members to be remitted to the national organization, Girl Scouts of the U.S.A. As the Organization is acting as a pass-through entity, no revenue is recorded in the statement of activities related to the national membership dues. These amounts are included in accrued expenses on the statement of financial position.

Income Taxes – The Girl Scouts of North East Ohio is a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization has not recorded provisions for federal and state income taxes. The Organization is not classified as a private foundation.

Advertising Fees – Advertising costs are expensed when incurred and are included in supplies, printing, and publications expense on the accompanying statement of functional expenses. Total advertising expense was \$118,925 in 2021 and \$103,185 in 2020.

Contributed Services – A portion of the Organization's functions are conducted by unpaid officers, board members, and volunteers. Contributed services are recognized as revenues at their estimated fair value only when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. No amounts have been recognized in the statements of activities for contributed services because the criteria for recognition has not been satisfied.

Subsequent Events – Management has evaluated subsequent events and transactions for potential recognition or disclosure through January 27, 2021, the date the financial statements were available to be issued.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

3. LIQUIDITY

The following represents the Organization's financial assets available for operating expenses and capital expenditures on fixed assets within one year of the statement of financial position date at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,783,022	\$ 4,233,003
Accounts receivable, net	13,427	9,152
Grants receivable	29,845	43,058
Investments	9,225,267	7,702,135
Beneficial interests in trusts	<u>953,569</u>	<u>825,892</u>
Total financial assets	\$15,005,130	\$ 12,830,740
Less purpose restricted net assets	(3,704,926)	(3,049,067)
Less board-designated endowment fund	<u>(5,901,726)</u>	<u>(5,053,836)</u>
Total financial assets liquid within one year	<u>\$ 5,398,478</u>	<u>\$ 4,760,699</u>

The above reflects board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization as detailed in Note 9. However, in the case of need the Board of Directors could appropriate resources for another purpose. Note 10 provides further information on the spending policy surrounding the Organization's endowment.

The Organization's goal is to generally maintain financial assets to meet 90 days of operating expenses (approximately \$2.5 million), not including variable costs of the product sales program. As part of its liquidity plan, excess cash is invested in short-term investments. The Organization maintained a \$3 million line of credit during the fiscal years ended September 30, 2021 and 2020.

4. GIRL SCOUTS OF THE USA OPERATING RESERVE

The Organization also maintains operating reserves in accordance with its Operating Reserve Policy as required by the Girl Scouts of the USA. The goal of this policy is to provide 6 months of operating reserves at each year end. Operating reserves at year-end total 12.6 months for 2021 and 9.7 months for 2020.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

4. GIRL SCOUTS OF THE USA OPERATING RESERVE, (Continued)

	<u>2021</u>	<u>2020</u>
Total net assets without donor restrictions	\$ 26,898,778	\$ 25,493,148
Less: Equity in net fixed assets	<u>(17,074,427)</u>	<u>(17,505,798)</u>
Available net assets without donor restrictions	9,824,352	7,897,350
Less: Board-designated funds for specific purposes (excluding operating reserves)	<u>(476,328)</u>	<u>(225,893)</u>
Undesignated net assets	<u>\$ 9,348,024</u>	<u>\$ 7,761,457</u>
Operating expenses (excluding variable costs of product sale program)	\$ 9,068,758	\$ 9,780,703
Less: Revenues released from restrictions (non-capital)	<u>(185,089)</u>	<u>(221,127)</u>
Total unrestricted actual expenses	<u>\$ 8,883,669</u>	<u>\$ 9,559,576</u>

5. INVESTMENTS AND BENEFICIAL INTERESTS IN TRUSTS

The Organization has a one-seventh beneficial interest in a trust for which a financial institution is the trustee. As the Organization has an irrevocable interest in this trust, it has recorded its share of the trust as an asset in the statements of financial position. Income received from the trust is restricted for the maintenance and development of camp properties. The trust's fair value was \$3,430,063 and \$2,909,564 (the Organization's share of this trust is \$490,009 and \$415,652 at September 30, 2021 and 2020, respectively).

The Organization also has a five percent interest in a trust for which a financial institution is the trustee. As the Organization has an irrevocable interest in this trust, it has recorded its share of the trust as an asset in the statements of financial position. Income received from the trust is restricted first for use for financial assistance in Elyria, then programming. The trust's fair value was \$3,282,020 and \$2,809,580 (the Organization's share of this trust is \$164,101 and \$139,852 at September 30, 2021 and 2020, respectively).

The Organization also has an interest in a trust for which a financial institution is the trustee. As the Organization has an irrevocable interest in this trust, it has recorded its share of the trust as an asset in the statements of financial position. Income received from the trust is restricted first for use of operations at Camp Timberline and council operations. The trust's fair value was \$960,654 and \$830,260 (the Organization's share of this trust is \$299,459 and \$270,388 at September 30, 2021 and 2020, respectively).

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

5. INVESTMENTS AND BENEFICIAL INTERESTS IN TRUSTS, (Continued)

In addition to those investments listed above, the Organization is the income beneficiary of various funds held at community foundations. The Organization does not control these assets and the community foundations are given variance powers in the gift instruments; as such, these investments totaling approximately \$1,900,000 at September 30, 2021 and \$1,600,000 at September 30, 2020, respectively, are not recorded on the Organization's statements of financial position.

The Organization transferred funds to Cleveland and Stark Community Foundations to establish trusts with the Organization named as the beneficiary. The Community Foundations maintain variance power over these assets. The Organization reports the fair value of the assets held by Community Foundations as investments in the statement of financial position and reports distributions received as investment income.

6. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

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

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in active markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

6. FAIR VALUE MEASUREMENTS, (Continued)

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended September 30, 2021 and 2020.

Corporate Stocks - Valued at the closing quoted price in an active market.

Mutual Funds - Valued at the NAV of shares on the last trading day of the fiscal year.

Corporate Bonds – The investment grade corporate bonds held by the Organization generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

U.S. Treasury Notes – U.S. Treasury notes in which the Organization invests are usually “off the run” on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. U.S. Treasury bonds and notes that are “on the run” are measured at quoted prices in active markets for the same security.

Beneficial Interest In Trusts - Valued using the fair value of the assets held in the trust reported by the trustee as of September 30, 2021 and 2020. The Organization considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

Investments Held By Community Foundations – Valued at NAV per unit as reported by the Community Foundation.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

6. FAIR VALUE MEASUREMENTS, (Continued)

Recurring Measurements

Assets measured at fair value on a recurring basis as of September 30 are as follows:

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 102,747	\$ -	\$ 102,747
Corporate stocks	643,233	-	-	643,233
Mutual funds - fixed income	1,718,989	-	-	1,718,989
Mutual funds - equities	5,970,628	-	-	5,970,628
Investments held by community foundations	<u>-</u>	<u>354,769</u>	<u>-</u>	<u>354,769</u>
 Total investments at fair value	<u>8,332,850</u>	<u>457,516</u>	<u>-</u>	<u>8,790,366</u>
 Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>953,569</u>	<u>953,569</u>
 Total assets at fair value	<u>\$ 8,332,850</u>	<u>\$ 457,516</u>	<u>\$ 953,569</u>	9,743,935
 Investments in money market (a)				<u>435,529</u>
 Total				<u>\$10,178,836</u>

- a) The amount presented is at cost. The amount presented in this table is intended to permit reconciliation to the line item presented in the statements of financial position.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

6. FAIR VALUE MEASUREMENTS, (Continued)

	2020			Total
	Level 1	Level 2	Level 3	
Corporate bonds	\$ -	\$ 104,829	\$ -	\$ 104,829
Corporate stocks	556,949	-	-	556,949
U.S. Treasury notes	-	100,836	-	100,836
Mutual funds - fixed income	1,683,532	-	-	1,683,532
Mutual funds - equities	4,628,060	-	-	4,628,060
Investments held by community foundations	-	295,800	-	295,800
 Total investments at fair value	<u>6,868,541</u>	<u>501,465</u>	<u>-</u>	<u>7,370,006</u>
 Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>825,892</u>	<u>825,892</u>
 Total assets at fair value	<u>\$ 6,868,541</u>	<u>\$ 501,465</u>	<u>\$ 825,892</u>	<u>\$ 8,195,898</u>
 Investments in money market (a)				<u>332,129</u>
 Total				<u>\$ 8,528,027</u>

b) The amount presented is at cost. The amount presented in this table is intended to permit reconciliation to the line item presented in the statements of financial position.

Unobservable (Level 3) Inputs

The activity for the beneficial interest in trusts, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs), are as follows:

Beneficial Interest in Trusts:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 825,892	\$ 785,095
Change in beneficial interest in trusts	<u>127,677</u>	<u>40,797</u>
 Balance, end of year	<u>\$ 953,569</u>	<u>\$ 825,892</u>

The change in value of the beneficial interest in the trust is reported in that line of the statement of activities and the change in the value of investments held by community foundations are included in net appreciation (depreciation) in the statement of activities.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 797,573	\$ 797,573
Land improvements	2,887,965	2,755,954
Buildings and improvements	22,650,096	22,563,835
Pool	1,733,994	1,733,994
Camp and office equipment	2,630,834	2,529,489
Automobiles and trucks	273,476	273,476
Construction in progress	<u>46,187</u>	<u>74,463</u>
	31,020,125	30,728,784
Less accumulated depreciation	<u>11,266,196</u>	<u>10,446,694</u>
Property, plant, and equipment, net	<u>\$ 19,753,929</u>	<u>\$ 20,282,090</u>

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

8. LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt consists of the following at September 30:

	<u>2021</u>	<u>2020</u>
Note payable due to a bank, secured by certain real estate, payable in 119 monthly installments of \$16,606 through May 2030. The interest rate is fixed at 3.70%.	\$ 2,679,502	\$ 2,776,292
Note payable due to a bank in monthly installments of \$641 for 30 years. The interest rate is fixed at 2.75%	<u>149,106</u>	<u>150,000</u>
Total long-term debt	2,828,608	2,926,292
Less current portion	<u>104,121</u>	<u>96,790</u>
Long-term debt, net of current portion	<u>\$ 2,724,487</u>	<u>\$ 2,829,502</u>

Aggregate maturities on long-term debt and future payments under capital lease are as follows:

2021	\$ 104,121
2022	108,058
2023	112,143
2024	116,384
2025	120,785
Thereafter	<u>2,267,117</u>
Total payments	<u>\$ 2,828,608</u>

The Organization has a line of credit with maximum borrowing limit of \$3,000,000 collateralized by certain investments. The line of credit bears interest at the prime rate (prime as September 30, 2021 is 3.25%) and expires on May 31, 2022. There are no outstanding borrowings at September 30, 2021 or 2020.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued
for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

9. NET ASSETS

Board-designated net assets consist of the following as of September 30:

	<u>2021</u>	<u>2020</u>
Fund V – operating reserves	\$ 1,277,630	\$ 1,100,368
Great Trails service area	210,412	171,512
Adult training	5,367	4,592
Fund XII – operating reserves	29,008	25,190
Scholarship XI	20,695	16,927
Fund for Girls - operating reserves	<u>4,358,594</u>	<u>3,735,247</u>
Total board-designated quasi-endowment funds	<u>\$ 5,901,706</u>	<u>\$ 5,053,836</u>

Net assets with donor restrictions are restricted for time and/or purpose:

	<u>2021</u>	<u>2020</u>
Time restricted within endowment funds	\$ 1,265,674	\$ 970,593
STEM Center	239,854	32,862
Grant-funded projects in progress	<u>84,205</u>	<u>60,096</u>
	<u>\$ 1,589,733</u>	<u>\$ 1,063,551</u>

Net assets with donor restrictions were released from restrictions for the following purposes during the years ended September 30:

	<u>2021</u>	<u>2020</u>
Grant-funded programs from prior year	\$ 49,096	\$ 35,912
Grant funded programs in current year	55,170	82,331
Funds with time and/or purpose restriction released in accordance with spending policy	<u>80,823</u>	<u>102,884</u>
	<u>\$ 185,089</u>	<u>\$ 221,127</u>

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

9. NET ASSETS (Continued)

Net assets with donor restrictions in perpetuity, the income from which is restricted for the following purposes as of September 30:

	<u>2021</u>	<u>2020</u>
Endowment funds restricted in perpetuity:		
Operations and camperships	\$ 76,545	\$ 75,545
Fund I – General operations	25,000	25,000
Fund II – General operations	80,000	80,000
Fund III – General operations	60,000	60,000
Fund IV – General operations	12,956	12,956
Fund for the Future - operations	75,815	75,815
Youth enrichment fund – new projects	500,000	500,000
College Scholarship Fund	100,000	100,000
Campership	9,464	9,464
Wider opportunity fund - travel	18,800	18,800
Western Reserve PE Trust - operations	<u>203,044</u>	<u>203,044</u>
 Total endowment funds restricted in perpetuity	 1,161,624	 1,159,624
 Beneficial interest in trusts	 <u>953,569</u>	 <u>825,892</u>
 Total endowment funds restricted in perpetuity	 <u>\$ 2,115,193</u>	 <u>\$ 1,985,516</u>

10. NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS

The Organization's endowment funds consist of collectively invested funds established to fund a variety of programs. The fund contains both donor-restricted and board-designated funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, 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. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

10. NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS, (Continued)

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund

	<u>September 30, 2021</u>			<u>Total</u>
	<u>Board Designated</u>	<u>Restricted for Purpose</u>	<u>Restricted in Perpetuity</u>	
Donor-restricted funds	\$ -	\$ 1,265,674	\$ 1,161,624	\$ 2,427,298
Board-designated funds	<u>5,901,706</u>	-	-	<u>5,901,706</u>
Total funds	<u>\$ 5,901,706</u>	<u>\$ 1,265,674</u>	<u>\$ 1,161,624</u>	<u>\$ 8,329,004</u>
	<u>September 30, 2020</u>			
	<u>Board Designated</u>	<u>Restricted for Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 970,683	\$ 1,159,624	\$ 2,130,577
Board-designated funds	<u>5,053,836</u>	-	-	<u>5,053,836</u>
Total funds	<u>\$ 5,083,836</u>	<u>\$ 970,683</u>	<u>\$ 1,159,624</u>	<u>\$ 7,184,143</u>

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

10. NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS (Continued)

Changes in Endowment Net Assets

	<u>With Donor Restriction</u>			
	<u>Without Donor Restriction</u>	<u>Restricted for Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets, September 30, 2019	<u>\$ 4,898,269</u>	<u>\$ 890,659</u>	<u>\$ 1,157,499</u>	<u>\$ 6,946,427</u>
Investment return:				
Interest and dividends	122,558	38,679	-	161,237
Net appreciation on investments	<u>297,152</u>	<u>105,753</u>	<u>-</u>	<u>402,905</u>
Total investment return	<u>419,710</u>	<u>144,432</u>	<u>-</u>	<u>564,142</u>
Contributions	<u>-</u>	<u>-</u>	<u>2,125</u>	<u>2,125</u>
Appropriation of endowment assets for expenditure	<u>(264,143)</u>	<u>(64,408)</u>	<u>-</u>	<u>(328,551)</u>
Endowment net assets, September 30, 2020	<u>5,053,836</u>	<u>970,683</u>	<u>1,159,624</u>	<u>7,184,143</u>
Investment return:				
Interest and dividends	84,537	21,767	-	106,304
Net appreciation on investments	<u>946,454</u>	<u>342,585</u>	<u>-</u>	<u>1,289,066</u>
Total investment return	<u>1,030,991</u>	<u>364,379</u>	<u>-</u>	<u>1,395,370</u>
Contributions	<u>500</u>	<u>-</u>	<u>2,000</u>	<u>2,500</u>
Appropriation of endowment assets for expenditure	<u>(183,621)</u>	<u>(69,388)</u>	<u>-</u>	<u>(253,009)</u>
Endowment net assets, September 30, 2021	<u>\$ 5,901,706</u>	<u>\$ 1,265,674</u>	<u>\$ 1,161,624</u>	<u>\$ 8,329,004</u>

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

10. NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for the endowment fund with the understanding that those assets will be prudently invested to maximize the long-term total return of financial assets consistent with the current and future funding needs of the Organization. Assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Directors, investments of all endowment assets are directed by the Investment Committee of the Organization who is permitted to utilize investment managers to optimize the return on the assets within the established guidelines. The standard for the Investment Committee with regard to the endowment fund assets is achieving financial returns which preserve the real asset value and are competitive relative to those offered by the financial markets. Investment performance will be measured against comparative market indices including the MSCI All Country World Index and the Barkley's Aggregate Bond Index. The performance of the overall portfolio will be monitored quarterly and compared against appropriate benchmarks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The amount available for spending by the Organization from endowment assets will be based on a percentage of the fund's assets on a multi-year moving average basis, unless otherwise specified by the donor at the time the gift was made. The Board of Directors will oversee the annual spending rate and adjust it as deemed appropriate.

Endowment Fund Deficiency

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature would be reported in net assets with donor restrictions. There were no deficiencies of this type as of September 30, 2021 and 2020. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

11. RETIREMENT PLANS

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 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, 2021. 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. In September 2020, the National Board of Girl Scouts of the USA approved to lower the contributions from \$30 million for calendar years 2021 and 2022 to \$26 million starting in calendar year 2023 until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). Aggregate annual contributions made in fiscal years 2019 and 2020 were \$32.2 million and \$32.9 million, respectively. Aggregate contributions to be made in fiscal 2021 are expected to be \$32.2 million. Contributions made by the Girl Scouts of North East Ohio in fiscal year 2021 and 2020 are \$644,760, respectively.

The Organization also maintains a 401(k) defined contribution plan. Employees can elect to make salary reduction contributions, subject to federal limitations. The plan was converted into a Safe Harbor plan on January 1, 2016. Upon employment, employee deferrals are matched 100% by the Organization up to the first 3% of the employee's compensation and matched 50% on the next 2%. An additional discretionary contribution from the Organization may be made. Total matching contributions to the plan by the Organization were \$109,886 in 2021 and \$127,460 in 2020.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

12. OBLIGATIONS UNDER LEASES

Future minimum lease payments due under non-cancellable operating leases expiring under various terms through January 2025 for equipment are as follows:

Year Ending September 30:

2022	\$	54,417
2023		48,048
2024		20,120
2025		<u>1,677</u>
	\$	<u>124,262</u>

Lease expense, net of lease incentive, was \$58,338 and \$75,132 for the years ended September 30, 2021 and 2020, respectively. A fixed payment of \$152,680 was received as a lease incentive in 2015 and was amortized over the life of the related new lease.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02, as amended by ASU No. 2020-05, is effective for non-public entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the two option transition methods.

13. CONTINGENCIES

In the normal course of its operation, the Organization is subjected to claims and legal actions. In the opinion of management, based upon information presently available, there exist no outstanding claims that are material to these financial statements.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

14. COVID 19

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time, believing it reasonably possible that operations will be negatively impacted. No adjustments have been made to these financial statements as a result of this uncertainty.

15. RELATED PARTY TRANSACTIONS

GSNEO is a charter organization of Girl Scouts USA (GSUSA) and has all rights and privileges granted by GSUSA.

The Organization incurred the following expenses during the years ended September 30 with related parties:

	<u>2021</u>	<u>2020</u>
Purchases of product inventory	\$ 105,540	\$ 145,953
Purchases of marketing services	-	18,500
Purchases of software	<u>82,639</u>	<u>74,268</u>
Total purchases	<u>\$ 188,179</u>	<u>\$ 238,721</u>

16. CONCENTRATIONS AND CREDIT RISK

The Organization's revenues are concentrated in the area of product sales and include the annual cookie and nut sales. These sales (net of costs of sales) represent 79% in 2021 and 77% in 2020 of the Organization's total public support and revenues as shown in the accompanying statement of activities.

The Organization maintains their cash and cash equivalents in accounts, which at times, may exceed federally insured limits. At September 30, 2021 the Organization's cash accounts exceeded federally insured limits by \$3,867,970. At September 30, 2020 the Organization's cash accounts exceeded federally insured limits by \$3,347,971. The Organization has not experienced any losses in such accounts. Management of the Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued
for the year ended September 30, 2021

(with summarized comparative financial information for the year ended September 30, 2020)

16. CONCENTRATIONS AND CREDIT RISK, (Continued)

The Organization holds investment securities which are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's investment account balances and the amounts reported in the statement of financial position.

Investments are managed by investment advisors in accordance with the investment policy established by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Organization.

17. COMMITMENT

There was a construction contract in progress for \$1,116,402 at September 30, 2021 to renovate a camp dining facility.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Girl Scouts of North East Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Girl Scouts of North East Ohio (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Girl Scouts of North East Ohio's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Girl Scouts of North East Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of Girl Scouts of North East Ohio's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Girl Scouts of North East Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Akron, Ohio
January 27, 2022