



**GIRL SCOUTS OF NORTH EAST OHIO**

**(A NONPROFIT ORGANIZATION)**

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**FINANCIAL STATEMENTS**

**September 30, 2023**  
**(With Prior Year Summarized Comparative Information)**

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

### **Opinion**

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Girl Scouts of North East Ohio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024, on our consideration of 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 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.

## Report on Summarized Comparative Information

We have previously audited Girl Scouts of North East Ohio's 2022 financial statements, and we expressed an unmodified opinion on those audited statements in our report dated February 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sikich LLP*

Richfield, Ohio  
January 29, 2024

## FINANCIAL STATEMENTS

**GIRL SCOUTS OF NORTH EAST OHIO**

STATEMENT OF FINANCIAL POSITION

September 30, 2023

(With Summarized Comparative Financial Information for the Year Ended September 30, 2022)

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,324,907	\$ 1,061,783
Short-term investments	3,660,683	3,576,881
Accounts receivable, net	50,012	23,583
Grants receivable	89,277	34,117
Inventories	260,709	275,691
Prepaid expenses	150,149	140,465
	<b>5,535,737</b>	<b>5,112,520</b>
<b>NONCURRENT ASSETS</b>		
Unconditional promises to give for long-lived assets, net	1,763,774	1,030,774
Property, plant and equipment, net	21,205,824	20,877,466
Investments	9,849,686	7,444,519
Beneficial interests in trusts	906,203	738,982
	<b>33,725,487</b>	<b>30,091,741</b>
	<b>\$ 39,261,224</b>	<b>\$ 35,204,261</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 112,143	\$ 108,058
Accounts payable, trade	296,384	420,113
Accrued expenses	401,580	368,100
Accrued payroll	138,623	137,537
Deferred revenue, deposits and custodial accounts	169,124	156,800
	<b>1,117,854</b>	<b>1,190,608</b>
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	<b>2,504,286</b>	<b>2,616,429</b>
	<b>3,622,140</b>	<b>3,807,037</b>
<b>NET ASSETS</b>		
Without donor restrictions	27,168,641	26,455,530
With donor restrictions	8,470,443	4,941,694
	<b>35,639,084</b>	<b>31,397,224</b>
	<b>\$ 39,261,224</b>	<b>\$ 35,204,261</b>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH EAST OHIO

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

(With Summarized Comparative Financial Information for the Year Ended September 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>PUBLIC SUPPORT AND REVENUES</b>				
Public support:				
Contributions	\$ 277,931	\$ 1,116,955	\$ 1,394,886	\$ 1,974,610
Foundations, trusts and other	1,447,751	2,208,032	3,655,783	1,261,992
United Way allocations	36,740	10,000	46,740	50,104
Sponsorships and special events, net	69,841	-	69,841	55,221
Total public support	<u>1,832,263</u>	<u>3,334,987</u>	<u>5,167,250</u>	<u>3,341,927</u>
Revenue:				
Product sales	12,599,143	-	12,599,143	11,716,644
Cost of product sales	(3,172,490)	-	(3,172,490)	(2,796,631)
	<u>9,426,653</u>	<u>-</u>	<u>9,426,653</u>	<u>8,920,013</u>
Retail operations	610,634	-	610,634	569,273
Cost of retail sales	(283,930)	-	(283,930)	(269,635)
	<u>326,704</u>	<u>-</u>	<u>326,704</u>	<u>299,638</u>
Program and camp fees	867,926	-	867,926	682,207
Interest and dividends, net	425,396	37,842	463,238	312,628
Government grants - PPP	-	-	-	1,071,557
Gain on sale of property, plant and equipment	4,500	-	4,500	207,776
Miscellaneous income	203,685	-	203,685	180,986
	<u>1,501,507</u>	<u>37,842</u>	<u>1,539,349</u>	<u>2,455,154</u>
Total revenues	<u>11,254,864</u>	<u>37,842</u>	<u>11,292,706</u>	<u>11,674,805</u>
Net assets released from restrictions	213,664	(213,664)	-	-
Total public support and revenues	<u>13,300,791</u>	<u>3,159,165</u>	<u>16,459,956</u>	<u>15,016,732</u>
<b>EXPENSES</b>				
Program services	10,462,246	-	10,462,246	9,632,888
Supporting services:				
Management services	2,075,201	-	2,075,201	1,898,576
Fund development	622,132	-	622,132	593,959
Total expenses	<u>13,159,579</u>	<u>-</u>	<u>13,159,579</u>	<u>12,125,423</u>
Change in net assets from operations before gains and losses	141,212	3,159,165	3,300,377	2,891,309
Other gains and losses:				
Change in beneficial interest in trusts	-	167,221	167,221	(214,587)
Net gain (loss) on investments	571,899	202,363	774,262	(1,883,202)
CHANGE IN NET ASSETS	713,111	3,528,749	4,241,860	793,520
NET ASSETS, BEGINNING OF YEAR	<u>26,455,530</u>	<u>4,941,694</u>	<u>31,397,224</u>	<u>30,603,704</u>
NET ASSETS, END OF YEAR	<u>\$ 27,168,641</u>	<u>\$ 8,470,443</u>	<u>\$ 35,639,084</u>	<u>\$ 31,397,224</u>

See accompanying notes to financial statements.



GIRL SCOUTS OF NORTH EAST OHIO

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2023

(With Summarized Comparative Financial Information for the Year Ended September 30, 2022)

	Supporting Services				Totals	
	Program	Management	Fund	Total	2023	2022
	Services	Services	Development	Supporting Services		
<b>PERSONNEL</b>						
Salaries and wages	\$ 2,862,346	\$ 924,890	\$ 273,881	\$ 1,198,771	\$ 4,061,117	\$ 3,697,008
Fringe benefits and taxes	1,426,266	493,130	116,292	609,422	2,035,688	1,943,699
Total personnel	4,288,612	1,418,020	390,173	1,808,193	6,096,805	5,640,707
<b>SUPPORT FOR TROOPS AND MEMBERS</b>						
Troop and service unit support	2,190,038	-	-	-	2,190,038	2,038,595
Rewards for troops and members	411,798	-	-	-	411,798	355,018
Assistance and grants to members	202,927	-	-	-	202,927	183,525
Total support for troops and members	2,804,763	-	-	-	2,804,763	2,577,138
<b>OTHER EXPENSES</b>						
Professional services and fees	326,207	210,579	66,352	276,931	603,138	515,937
Supplies, printing, and publications	643,762	54,788	55,725	110,513	754,275	674,956
Postage and shipping	58,260	2,074	5,468	7,542	65,802	80,127
Telecommunications	336,575	6,785	1,920	8,705	345,280	349,806
Occupancy - mainly utilities and repairs and maintenance	639,283	59,192	50,302	109,494	748,777	643,433
Equipment, rental and repair	101,708	4,533	815	5,348	107,056	82,995
Meetings and travel	174,762	53,696	22,206	75,902	250,664	228,294
Interest	-	98,910	-	98,910	98,910	102,846
Insurance	171,829	32,770	12,604	45,374	217,203	204,637
Other	146,297	78,753	927	79,680	225,977	211,157
Total other expenses	2,598,683	602,080	216,319	818,399	3,417,082	3,094,188
Total expenses before depreciation	9,692,058	2,020,100	606,492	2,626,592	12,318,650	11,312,033
Depreciation	770,188	55,101	15,640	70,741	840,929	813,390
<b>TOTAL EXPENSES</b>	10,462,246	2,075,201	622,132	2,697,333	13,159,579	12,125,423
<b>ADDITIONAL COSTS</b>						
Cost of product sales	3,172,490	-	-	-	3,172,490	2,796,631
Cost of retail sales	283,930	-	-	-	283,930	269,635
Cost of direct benefit to donors - food and beverage	-	-	54,018	54,018	54,018	51,084
<b>TOTAL FUNCTIONAL EXPENSES</b>	\$ 13,918,666	\$ 2,075,201	\$ 676,150	\$ 2,751,351	\$ 16,670,017	\$ 15,242,773

See accompanying notes to financial statements.

**GIRL SCOUTS OF NORTH EAST OHIO**

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2023

(With Summarized Comparative Financial Information for the Year Ended September 30, 2022)

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,241,860	\$ 793,520
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	840,929	813,390
Net (gain) loss on investments	(774,262)	1,883,202
Change in beneficial interests in trusts	(167,221)	214,587
Gain on sale of assets	(4,500)	(207,776)
Contributions restricted for investment in property, plant and equipment	(3,026,446)	(2,002,948)
Change in operating assets and liabilities:		
Accounts receivable, grants receivable, and unconditional promises to give	(122,045)	(14,428)
Inventories	14,982	20,058
Prepaid expenses	(9,684)	(72,573)
Trade accounts payable, accrued expenses, and accrued payroll	(149,387)	237,383
Refundable advances - PPP loan	-	(1,071,557)
Deferred revenue, deposits, and custodial accounts	12,324	29,836
	<b>856,550</b>	<b>622,694</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(11,034,229)	(7,164,633)
Proceeds from the sale of investments	9,319,522	3,485,298
Proceeds from the sale of property, plant and equipment	4,500	279,135
Purchases of property, plant, and equipment	(1,109,063)	(2,008,286)
	<b>(2,819,270)</b>	<b>(5,408,486)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds received for long lived assets	2,333,902	1,168,674
Payments on long-term debt	(108,058)	(104,121)
	<b>2,225,844</b>	<b>1,064,553</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>263,124</b>	<b>(3,721,239)</b>
<b>CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<b>1,061,783</b>	<b>4,783,022</b>
<b>CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR</b>	<b>\$ 1,324,907</b>	<b>\$ 1,061,783</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<b>\$ 103,515</b>	<b>\$ 102,846</b>
Non-cash activity:		
Capital expenditures included in accounts payable	<b>\$ 142,921</b>	<b>\$ 203,145</b>
PPP Loan Forgiveness	<b>\$ -</b>	<b>\$ 1,071,557</b>

See accompanying notes to financial statements.

# GIRL SCOUTS OF NORTH EAST OHIO

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

(With Summarized Comparative Financial Information for the Year Ended September 30, 2022)

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### 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

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 restrictions 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 with donor restrictions 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, 2022, from which the summarized information was derived.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 charged directly to the appropriate program or supporting service. However, occupancy and telecommunication 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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments without donor restrictions with 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. The balance of allowance for doubtful accounts was \$38,000 and \$21,000 at September 30, 2023 and 2022, respectively.

Grants Receivable

Grants receivable include funds due from various funding sources. These amounts are stated at the amount management expects to collect from balances outstanding at year end. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews grants receivable to determine the need for an allowance for uncollectible accounts. At September 30, 2023 and 2022, management estimated that no such allowance was necessary.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unconditional Promises to Give For Long-Lived Assets

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, using risk-adjusted interest rates applicable to the years in which the promises are received to discount amounts, and net of allowance for uncollectible contributions. Management has concluded that an allowance for uncollectible contributions was not necessary at September 30, 2023 and 2022.

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 grants and contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without donor restrictions. There were no conditional grants or contributions received but not yet recognized at September 30, 2023 or 2022.

Included within foundations, trusts and other income on the statement of activities is amounts received in employee retention tax credits, by the Organization. ERC funds are considered to be conditional contributions and are recognized during the year in which the Organization determines eligibility and files the amended returns. During the years ended September 30, 2023 and 2022, the Organization recognized \$834,830 and \$443,447, respectively, of revenue related to ERC. The Internal Revenue Service (IRS) has extended the statute of limitations to five years with respect to ERC claims. Should the IRS subsequently audit ERC amounts and determine that the Organization did not meet eligibility requirements, a legal liability for repayment of previously recorded ERC amounts could be incurred. The Organization believes it complied with all eligibility requirements to receive the ERC.

The Organization received \$1,071,577 under the Paycheck Protection Program ("PPP") in 2021. 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 2022, the Organization received full forgiveness for the loan and recognized the forgiveness in Government Grants – PPP on the statement of activities.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after the forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Support and Revenue Recognition (Continued)

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.

The Organization recognizes revenue from exchange transactions with customers that are bound by contracts or similar arrangements using 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, 2023 and 2022:

*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 the 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 statement 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, 2023 and 2022.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Support and Revenue Recognition (Continued)

*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. Fees for camps and 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 using the input methods based on passage of time. 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 statement of activities after delivery of the program has occurred.

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

	<u>2023</u>	<u>2022</u>
Point in time:		
Product sales	\$ 12,599,143	\$ 11,716,644
Retail operations	<u>610,634</u>	<u>569,273</u>
<b>TOTAL POINT IN TIME</b>	<u><b>\$ 13,209,777</b></u>	<u><b>\$ 12,285,917</b></u>
Over time:		
Program and camp fees	<u>\$ 867,926</u>	<u>\$ 682,207</u>
<b>TOTAL OVER TIME</b>	<u><b>\$ 867,926</b></u>	<u><b>\$ 682,207</b></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*

Timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue (contract liabilities) on the statement of financial position. The Organization records these 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).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Support and Revenue Recognition (Continued)

*Contract Assets and Liabilities (Continued)*

Contract assets, deferred revenue, deposits, and custodial accounts consist of the following at September 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
ACCOUNTS RECEIVABLE	\$ 50,012	\$ 23,583	\$ 13,427
Program fees for programs not yet held	\$ 74,663	\$ 75,146	\$ 59,114
Other contract liabilities	<u>705</u>	<u>200</u>	<u>67,850</u>
TOTAL CONTRACT LIABILITIES	<u>\$ 75,368</u>	<u>\$ 75,346</u>	<u>\$ 126,964</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 or decreases 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 or losses 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.

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. The Organization capitalizes purchases or donations of property, plant, and equipment that exceed \$10,000 in the year ended September 30, 2023, and \$5,000 in the year ended September 30, 2022. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	5-50 years
Buildings and improvements	5-40 years
Pool	10-40 years
Camp and office equipment	3-25 years
Automobiles and trucks	5-10 years



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, Plant, and Equipment (Continued)

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.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations. Most prominent among these changes in the standard is the recognition of right-of-use (ROU) assets and lease liabilities for lessees for those leases classified as operating leases. Under the standards, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Accounting for leases by the lessor remains relatively unchanged. The Organization has adopted the standard effective October 1, 2022, however, the Organization had no material leases as of and for the year ended September 30, 2023.

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.

The Organization follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax provisions. The Organization's return for tax years 2019 and later remain subject to examination by taxing authorities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 \$82,630 in 2023 and \$86,730 in 2022.

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 statement of activities for contributed services because the criteria for recognition has not been satisfied.

Subsequent Events

Subsequent events are events or transactions that occur after year end but before the financial statements are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

Management has evaluated subsequent events and transactions for potential recognition or disclosure through January 29, 2024, the date the financial statements were available to be issued and determined that there were no significant non-recognized subsequent events through that date.

**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 September 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,324,907	\$ 1,061,783
Accounts receivable, net	50,012	23,583
Grants receivable	89,277	34,117
Investments	13,510,369	11,021,400
Beneficial interests in trusts	906,203	738,982
Unconditional promises to give	<u>1,763,774</u>	<u>1,030,774</u>
Total financial assets	<u>17,644,542</u>	<u>13,910,639</u>

**GIRL SCOUTS OF NORTH EAST OHIO**  
 NOTES TO FINANCIAL STATEMENTS (Continued)

**3. LIQUIDITY (Continued)**

	<u>2023</u>	<u>2022</u>
Less donor restricted net assets (excluding STEM Center construction in progress)	(7,638,096)	(4,713,913)
Less board-designated endowment fund	<u>(4,972,242)</u>	<u>(4,528,980)</u>
<b>TOTAL FINANCIAL ASSETS LIQUID WITHIN ONE YEAR</b>	<b><u>\$ 5,034,204</u></b>	<b><u>\$ 4,667,746</u></b>

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 10. However, in the case of need the Board of Directors could appropriate resources for another purpose. Note 11 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, 2023 and 2022.

**4. UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give represent promises to pay recorded at their present value of estimated future cash flows using a risk-adjusted interest rate of 5.46%. Unconditional promises to give are restricted to long lived assets and therefore presented as noncurrent assets on the statement of financial position. At September 30, 2023, the Organization estimated promises to give be collected as follows:

Less than one year	\$ 1,258,564
One to five years	<u>505,210</u>
<b>TOTAL</b>	<b><u>\$ 1,763,774</u></b>

**GIRL SCOUTS OF NORTH EAST OHIO**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**5. 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 9.1 months for 2023 and 9.7 months for 2022.

	<u>2023</u>	<u>2022</u>
Total net assets without donor restrictions	\$ 27,168,641	\$ 26,455,530
Less: Equity in net fixed assets	<u>(18,731,126)</u>	<u>(18,298,448)</u>
Available net assets without donor restrictions	<u>8,437,515</u>	<u>8,157,082</u>
Less: Board-designated funds for specific purposes (excluding operating reserves)	(221,708)	(194,434)
<b>UNDESIGNATED NET ASSETS</b>	<u>\$ 8,215,807</u>	<u>\$ 7,962,648</u>
Operating expenses (excluding variable costs of product sale program – troops and service unit support)	\$ 10,969,541	\$ 10,088,828
Less: Revenues released from restrictions (non-capital)	<u>(213,664)</u>	<u>(274,349)</u>
<b>TOTAL UNRESTRICTED ACTUAL EXPENSES</b>	<u>\$ 10,755,877</u>	<u>\$ 9,814,479</u>

**6. 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 statement of financial position. Income received from the trust is restricted for the maintenance and development of camp properties. The trust's fair value was \$3,547,926 and \$2,574,502 (the Organization's share of this trust is \$506,847 and \$367,786) at September 30, 2023 and 2022, 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 statement 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 \$2,685,507 and \$2,461,520 (the Organization's share of this trust is \$133,950 and \$122,448) at 2023 and 2022, respectively.

## **6. INVESTMENTS AND BENEFICIAL INTERESTS IN TRUSTS**

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 statement 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 \$853,217 and \$797,503 (the Organization's share of this trust is \$265,406 and \$248,120) at 2023 and 2022, respectively.

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 \$1,700,000 at 2023 and \$1,600,000 at September 30, 2022, respectively, are not recorded on the Organization's statement of financial position.

The Organization transferred funds to Cleveland and Stark Community Foundations (the Community Foundations) to establish trusts with the Organization named as the beneficiary. 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.

## **7. 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.

**7. 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, 2023 and 2022.

*Corporate Stocks and ETF Equity*

Valued at the closing quoted price in an active market on the measurement date.

*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.

*Common Collective Funds*

Investments are valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is classified within Level 2 of the valuation hierarchy, because the NAV’s unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market.

**7. FAIR VALUE MEASUREMENTS (Continued)**

Valuation Techniques (Continued)

*Beneficial Interest In Trusts*

Valued using the fair value of the assets held in the trust reported by the trustee as of September 30, 2023 and 2022. 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.

Recurring Measurements

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

	<b>2023</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate stocks	\$ 750,522	\$ -	\$ -	\$ 750,522
U.S. Treasury notes	-	5,083,460	-	5,083,460
Mutual funds - fixed income	1,216,689	-	-	1,216,689
Mutual funds - equities	3,341,648	-	-	3,341,648
Mutual funds – other	597,960	-	-	597,960
ETF Equity	1,088,693	-	-	1,088,693
Common collective funds	-	715,567	-	715,567
Investments held by community foundations	<u>-</u>	<u>-</u>	<u>312,225</u>	<u>312,225</u>
Total investments at fair value	6,995,512	5,799,027	312,225	13,106,762
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>906,203</u>	<u>906,203</u>
Total assets at fair value	<u>\$ 6,995,512</u>	<u>\$ 5,799,027</u>	<u>\$1,218,428</u>	14,012,967
Investments in money market (a)				<u>403,605</u>
TOTAL				<u>\$ 14,416,572</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 statement of financial position.

**GIRL SCOUTS OF NORTH EAST OHIO**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**7. FAIR VALUE MEASUREMENTS (Continued)**

Recurring Measurements (Continued)

	<b>2022</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 99,426	\$ -	\$ 99,426
Corporate stocks	785,878	-	-	785,878
U.S. Treasury notes	-	3,129,397	-	3,129,397
Mutual funds - fixed income	1,240,878	-	-	1,240,878
Mutual funds - equities	2,466,338	-	-	2,466,338
Mutual funds – other	615,465	-	-	615,465
ETF Equity	436,030	-	-	436,030
Common collective funds	-	606,662	-	606,662
Investments held by community foundations	-	282,312	-	282,312
Total investments at fair value	<u>5,544,589</u>	<u>4,117,797</u>	-	<u>9,662,386</u>
Beneficial interest in trusts	-	-	738,982	738,982
Total assets at fair value	<u>\$ 5,544,589</u>	<u>\$ 4,117,797</u>	<u>\$ 738,982</u>	10,401,368
Investments in money market (b)				<u>1,359,014</u>
TOTAL				<u>\$ 11,760,382</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 statement 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>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 738,982	\$ 953,569
Change in beneficial interest in trusts	<u>167,221</u>	<u>(214,587)</u>
BALANCE, END OF YEAR	<u>\$ 906,203</u>	<u>\$ 738,982</u>



**GIRL SCOUTS OF NORTH EAST OHIO**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**7. FAIR VALUE MEASUREMENTS (Continued)**

Unobservable (Level 3) Inputs (Continued)

*Beneficial Interest in Trusts (Continued)*

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) on investments in the statement of activities.

**8. PROPERTY, PLANT AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</u>
Land	\$ 767,573	\$ 767,573
Land improvements	3,066,046	3,017,071
Buildings and improvements	24,474,111	22,607,580
Pool	1,763,480	1,749,906
Camp and office equipment	2,716,947	2,699,006
Automobiles and trucks	413,852	406,753
Construction in progress	<u>860,506</u>	<u>1,645,340</u>
	34,062,515	32,893,229
Less accumulated depreciation	<u>12,856,691</u>	<u>12,015,763</u>
PROPERTY, PLANT, AND EQUIPMENT, NET	<u>\$ 21,205,824</u>	<u>\$ 20,877,466</u>

Estimated costs to complete open projects are \$6,257,000 at September 30, 2023.

**9. LONG-TERM DEBT**

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

	<u>2023</u>	<u>2022</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%.	\$ 2,474,698	\$ 2,579,018
Note payable due to a bank, payable in monthly installments of \$641 through May 2050. The interest rate is fixed at 2.75%	<u>141,731</u>	<u>145,469</u>
Total long-term debt	2,616,429	2,724,487
Less current portion	<u>112,143</u>	<u>108,058</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>\$ 2,504,286</u>	<u>\$ 2,616,429</u>

**GIRL SCOUTS OF NORTH EAST OHIO**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**9. LONG-TERM DEBT (Continued)**

Aggregate maturities on long-term debt are as follows:

2024	\$ 112,143
2025	116,484
2026	120,888
2027	125,459
2028	129,995
Thereafter	<u>2,011,460</u>
 TOTAL PAYMENTS	 <u>\$ 2,616,429</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, 2023 is 8.50%) and expires on May 31, 2024. There are no outstanding borrowings at September 30, 2023 or 2022.

**10. NET ASSETS**

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

	<u>2023</u>	<u>2022</u>
Fund V – operating reserves	\$ 1,060,730	\$ 981,658
Great Trails service area	194,175	172,100
Adult training	4,339	4,040
Fund XII – operating reserves	25,032	22,865
Scholarship XI	23,194	18,294
Fund for Girls - operating reserves	<u>3,664,772</u>	<u>3,330,023</u>
 Total board-designated quasi-endowment funds	 <u>\$ 4,972,242</u>	 <u>\$ 4,528,980</u>

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

	<u>2023</u>	<u>2022</u>
Time restricted within endowment funds	\$ 949,347	\$ 789,361
STEM Center	5,243,922	2,201,436
Grant-funded projects in progress	<u>144,347</u>	<u>50,291</u>
	<u>\$ 6,337,616</u>	<u>\$ 3,041,088</u>

**GIRL SCOUTS OF NORTH EAST OHIO**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**10. NET ASSETS (Continued)**

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

	<u>2023</u>	<u>2022</u>
Grant-funded programs from prior year	\$ 42,791	\$ 76,080
Grant funded programs in current year	103,314	119,429
Funds with time and/or purpose restriction released in accordance with spending policy	<u>67,559</u>	<u>78,840</u>
<b>TOTAL</b>	<u>\$ 213,664</u>	<u>\$ 274,349</u>

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

	<u>2023</u>	<u>2022</u>
Endowment funds restricted in perpetuity:		
Operations and camperships	\$ 77,545	\$ 76,545
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	164,000	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	1,226,624	1,161,624
Beneficial interest in trusts	<u>906,203</u>	<u>738,982</u>
<b>TOTAL ENDOWMENT FUNDS RESTRICTED IN PERPETUITY</b>	<u>\$ 2,132,827</u>	<u>\$ 1,900,606</u>

**11. 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.

**11. NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS**

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:

- (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

	<b>2023</b>			
	<u>Board Designated</u>	<u>Restricted for Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 949,347	\$ 1,226,624	\$ 2,175,971
Board-designated funds	<u>4,972,242</u>	<u>-</u>	<u>-</u>	<u>4,972,242</u>
<b>TOTAL FUNDS</b>	<u>\$ 4,972,242</u>	<u>\$ 949,347</u>	<u>\$ 1,226,624</u>	<u>\$ 7,148,213</u>

  

	<b>2022</b>			
	<u>Board Designated</u>	<u>Restricted for Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 789,361	\$ 1,161,624	\$ 1,950,985
Board-designated funds	<u>4,528,980</u>	<u>-</u>	<u>-</u>	<u>4,528,980</u>
<b>Total funds</b>	<u>\$ 4,528,980</u>	<u>\$ 789,361</u>	<u>\$ 1,161,624</u>	<u>\$ 6,479,965</u>

**GIRL SCOUTS OF NORTH EAST OHIO**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**11. NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS (Continued)**

Changes in Endowment Net Assets

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Purpose</u>	<u>Restricted in Perpetuity</u>	
Endowment net assets, September 30, 2021	\$ 5,901,706	\$ 1,265,674	\$ 1,161,624	\$ 8,329,004
Investment return:				
Interest and dividends	146,863	38,206	-	185,069
Net loss on investments	<u>(1,333,075)</u>	<u>(443,803)</u>	<u>-</u>	<u>(1,776,878)</u>
Total investment return	<u>(1,186,212)</u>	<u>(405,597)</u>	<u>-</u>	<u>(1,591,809)</u>
Contributions	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Appropriation of endowment assets for expenditure	<u>(188,012)</u>	<u>(70,716)</u>	<u>-</u>	<u>(258,730)</u>
Endowment net assets, September 30, 2022	<u>4,528,980</u>	<u>789,361</u>	<u>1,161,624</u>	<u>6,479,965</u>
Investment return:				
Interest and dividends	119,757	25,182	-	144,939
Net gain on investments	<u>513,743</u>	<u>202,363</u>	<u>-</u>	<u>716,106</u>
Total investment return	<u>633,500</u>	<u>227,545</u>	<u>-</u>	<u>861,045</u>
Contributions	<u>2,609</u>	<u>-</u>	<u>65,000</u>	<u>67,209</u>
Appropriation of endowment assets for expenditure	<u>(192,847)</u>	<u>(67,559)</u>	<u>-</u>	<u>(260,406)</u>
ENDOWMENT NET ASSETS, SEPTEMBER 30, 2023	<u>\$ 4,972,242</u>	<u>\$ 949,347</u>	<u>\$ 1,226,624</u>	<u>\$ 7,148,213</u>

**11. 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, 2023 and 2022. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

**12. 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.

Net Plan assets declined during the year and are less than the actuarial present value of accumulated Plan benefits as of January 1, 2023. 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 to \$26 million starting in calendar year 2023 until the Plan is fully funded on a market basis. Aggregate annual contributions made in fiscal years 2022 and 2023 were \$32.2 million and \$27.5 million, respectively. Aggregate contributions to be made in fiscal 2024 are expected to be \$26 million. Contributions made by the Girl Scouts of North East Ohio in fiscal year 2023 are \$554,769 and 2022 are \$644,760.

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 \$140,629 in 2023 and \$119,135 in 2022.

**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.

**14. 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>2023</u>	<u>2022</u>
Purchases of product inventory	\$ 268,369	\$ 214,520
Purchases of software	<u>83,574</u>	<u>83,482</u>
Total purchases	<u>\$ 351,943</u>	<u>\$ 298,002</u>

**15. 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 57% in 2023 and 59% in 2022 of the Organization's total public support and revenues as shown in the accompanying statement of activities.

The Organization maintains its cash and cash equivalents in accounts which, at times, may exceed federally insured limits. At September 30, 2023 and 2022, the Organization's cash accounts exceeded federally insured limits by \$974,059 and \$379,526, respectively. The Organization has not experienced any losses in such accounts and management of the Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

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.



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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, 2023, 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 29, 2024.

**Report On 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 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. 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 or significant deficiencies may exist that were not identified.

## **Report on 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*

Richfield, Ohio  
January 29, 2024