

GIRL SCOUTS OF OREGON
AND SOUTHWEST WASHINGTON, INC.

Audited Financial Statements

For the Year Ended September 30, 2020



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girl Scouts of Oregon and Southwest Washington

We have audited the accompanying financial statements of Girl Scouts of Oregon and Southwest Washington (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Oregon and Southwest Washington as of September 30, 2020, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Girl Scouts of Oregon and Southwest Washington's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
February 4, 2021

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON
STATEMENT OF FINANCIAL POSITION
September 30, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,467,938	\$ 3,212,658
Accounts receivable, net	39,651	25,904
Contributions receivable, net	110,696	78,252
Inventory	381,409	325,144
Prepaid expenses	114,902	176,994
Investments	6,752,526	6,193,775
Beneficial interest in perpetual trusts	704,038	718,821
Property and equipment, net	8,959,264	8,707,501
 TOTAL ASSETS	 \$ 21,530,424	 \$ 19,439,049
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 730,163	\$ 546,035
Accrued payroll and related expenses	461,556	348,404
Deferred revenue	16,951	42,401
Refundable advance - Paycheck Protection Program	990,680	-
Total liabilities	2,199,350	936,840
Net assets:		
Without donor restrictions:		
Undesignated	2,438,844	2,578,514
Board designated investment reserve	5,590,430	5,134,440
Board designated endowment	230,206	218,555
Net investment in property and equipment	8,944,766	8,692,394
Total net assets without donor restrictions	17,204,246	16,623,903
With donor restrictions:		
Net assets with expiring restrictions	555,654	369,459
Net assets with perpetual restrictions	1,571,174	1,508,847
Total net assets with donor restrictions	2,126,828	1,878,306
Total net assets	19,331,074	18,502,209
 TOTAL LIABILITIES AND NET ASSETS	 \$ 21,530,424	 \$ 19,439,049

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON
STATEMENT OF ACTIVITIES
For the year ended September 30, 2020
(With comparative totals for 2019)

	2020			Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions Expiring	Perpetual		
Public support and revenue:					
Grants and contributions	\$ 64,302	\$ 666,547	\$ 77,110	\$ 807,959	\$ 807,187
United Way	49,767	-	-	49,767	52,317
Bequests	110,020	68,198	-	178,218	33,984
Product sales	11,942,040	-	-	11,942,040	11,873,531
Less: cost of sales	(5,132,664)	-	-	(5,132,664)	(5,172,505)
Net proceeds from product sales	6,809,376	-	-	6,809,376	6,701,026
Program fees	153,556	-	-	153,556	820,703
Rental income	88,214	-	-	88,214	174,351
Other income	119,271	-	-	119,271	104,480
Net assets released from restrictions and other transfers	596,389	(596,389)	-	-	-
Total public support and revenue	<u>7,990,895</u>	<u>138,356</u>	<u>77,110</u>	<u>8,206,361</u>	<u>8,694,048</u>
Operating expenses:					
Program services	6,388,324	-	-	6,388,324	7,032,741
Management and general	858,156	-	-	858,156	881,555
Fundraising	477,079	-	-	477,079	515,871
Total operating expenses	<u>7,723,559</u>	<u>-</u>	<u>-</u>	<u>7,723,559</u>	<u>8,430,167</u>
Operating income	267,336	138,356	77,110	482,802	263,881

Continued

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON
STATEMENT OF ACTIVITIES
For the year ended September 30, 2020
(With comparative totals for 2019)

	2020			Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions Expiring	Perpetual		
Operating income <i>Brought forward</i>	<u>267,336</u>	<u>138,356</u>	<u>77,110</u>	<u>482,802</u>	<u>263,881</u>
Non-operating activities:					
Investment activity:					
Investment earnings, net	468,350	47,839	-	516,189	315,468
Change in value of beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>(14,783)</u>	<u>(14,783)</u>	<u>(30,058)</u>
Total investment activity	468,350	47,839	(14,783)	501,406	285,410
Gain (loss) on disposal of property and equipment	-	-	-	-	1,650
Frozen defined benefit plan contributions - Board approved	(155,343)	-	-	(155,343)	(155,628)
Membership advertising campaign - Board approved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,046)</u>
Total non-operating activities	<u>313,007</u>	<u>47,839</u>	<u>(14,783)</u>	<u>346,063</u>	<u>40,386</u>
Change in net assets	580,343	186,195	62,327	828,865	304,267
Net assets:					
Beginning of year	<u>16,623,903</u>	<u>369,459</u>	<u>1,508,847</u>	<u>18,502,209</u>	<u>18,197,942</u>
End of year	<u>\$ 17,204,246</u>	<u>\$ 555,654</u>	<u>\$ 1,571,174</u>	<u>\$ 19,331,074</u>	<u>\$ 18,502,209</u> <i>Concluded</i>

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2020
(With comparative totals for 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	Total
Salaries and related costs	\$ 4,218,953	\$ 726,780	\$ 442,173	\$ 5,387,906	\$ 5,443,537
Occupancy	312,267	3,142	2,836	318,245	392,892
Insurance	111,340	14,238	817	126,395	130,893
Travel, training and conference	64,464	15,401	2,309	82,174	251,705
Telephone	73,283	9,558	664	83,505	78,448
Printing	71,683	3,480	8,891	84,054	204,855
Supplies	84,879	3,487	547	88,913	246,102
Assistance to members	31,691	-	-	31,691	245,004
Professional fees	61,739	48,912	97	110,748	286,462
Incentives and appreciation	510,723	1,935	481	513,139	476,050
Postage and shipping	45,955	553	1,619	48,127	25,962
Equipment rental and maintenance	143,863	21,197	8,793	173,853	156,314
Bank and credit card charges, net of card benefits	42,500	2,483	3,249	48,232	43,392
Depreciation	515,504	3,472	2,979	521,955	443,140
Frozen defined benefit plan contributions	224,673	3,845	4,497	233,015	233,442
Other expenses	24,589	2,236	125	26,950	46,157
Cost of products sold	5,132,664	-	-	5,132,664	5,172,505
	<u>11,670,770</u>	<u>860,719</u>	<u>480,077</u>	<u>13,011,566</u>	<u>13,876,860</u>
Less cost of product sales	(5,132,664)	-	-	(5,132,664)	(5,172,505)
Less non-operating frozen defined benefit plan contribution	(149,782)	(2,563)	(2,998)	(155,343)	(155,628)
Less membership advertising campaign - Board approved	-	-	-	-	(91,046)
Less special event direct benefit costs netted with revenue	-	-	-	-	<u>(27,514)</u>
Total expenses	<u>\$ 6,388,324</u>	<u>\$ 858,156</u>	<u>\$ 477,079</u>	<u>\$ 7,723,559</u>	<u>\$ 8,430,167</u>

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON
STATEMENT OF CASH FLOWS
For the year ended September 30, 2020
(With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash receipts:		
Grants and contributions	\$ 958,774	\$ 802,067
Product sales	11,942,040	11,873,531
Program fees	128,106	832,247
Interest, dividends and other income	258,208	398,552
Refundable advance	990,680	-
Total cash receipts	<u>14,277,808</u>	<u>13,906,397</u>
Cash disbursements:		
Product purchases	5,188,929	5,179,534
Payroll and related expenses	5,274,754	5,432,473
Other operating expenses	1,567,478	2,526,547
Frozen defined benefit plan	155,343	155,628
Total cash disbursements	<u>12,186,504</u>	<u>13,294,182</u>
Net cash flows from operating activities	<u>2,091,304</u>	<u>612,215</u>
Cash flows from investing activities:		
Purchase of property and equipment	(773,718)	(515,737)
Purchase of investments	(1,692,649)	(1,450,421)
Proceeds from the sale of investments	1,553,233	1,318,082
Net flows from investing activities	<u>(913,134)</u>	<u>(648,076)</u>
Cash flows from financing activities:		
Contributions to perpetual endowment	77,110	48,198
Net cash flows from financing activities	<u>77,110</u>	<u>48,198</u>
Net change in cash and cash equivalents	1,255,280	12,337
Cash and cash equivalents - beginning of year	<u>3,212,658</u>	<u>3,200,321</u>
Cash and cash equivalents - end of year	<u>\$ 4,467,938</u>	<u>\$ 3,212,658</u>

See notes to financial statements.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Girl Scouts of Oregon and Southwest Washington, a nonprofit corporation, (the Council) is a chartered Council of the Girl Scouts of the United States of America. The purpose of Girl Scouting is to build girls of courage, confidence, and character who make the world a better place. The Council serves approximately 21,000 members throughout Oregon, and Clark and Skamania Counties in Washington. The Council's revenues are derived primarily from contributions and product sales within those geographic areas.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for potentially uncollectable amounts through a valuation allowance based on its assessment of the current status of individual accounts. The Council determines its allowance for uncollectible accounts by considering a number of factors, including the length of time accounts are past due, ability to pay and previous collection history, as well as the economy as a whole.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions Receivable

Contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Inventory

Inventory consists of uniforms, badges, and other Girl Scout related merchandise. Inventory is valued at the lower of average cost or net realizable value.

Investments

Investments in equity securities, money market funds, and all debt securities are carried at fair value. Investments in bank savings accounts are carried at cost plus accumulated interest. Donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction. All other investment income is reported as an increase in net assets without donor restrictions. Interest and dividend income is accrued as earned and reported net of investment advisory fees.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 10 to 40 years for land improvements, buildings, and building improvements and from 3 to 10 years for office and program equipment. Land is not subject to depreciation.

Refundable Advance

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

Revenue Recognition

Revenues from various sources are recognized as follows:

Grants, Contributions and Bequests: Grants and contributions (including United Way), which include unconditional promises to give (pledges), are recognized as revenues in the period the Council is notified of the commitment. Bequests are recorded as revenue at the time the Council has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Donated Assets and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about the duration these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Council recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would be purchased if not provided by donation. These donated services are recognized at fair value. During 2020, the Council recorded \$2,439 of in-kind professional services which are included in management and general.

Product Sales: Revenue from product sales are recognized at the time the goods are provided and the revenue is earned

Program Fees and Rental Income: Revenues from program services and rental income are recognized as revenue in the period services are provided. Amounts collected in advance of providing services are reported as deferred revenue in the statement of financial position.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for the years ended September 30, 2020 and 2019 approximated \$24,900.

Unemployment Insurance

The Council is self-insured for unemployment and maintains a balance with a trust company in an amount sufficient to pay estimated future claims. Deposits to the trust are recorded as prepaid expenses. Unemployment claims paid reduce the trust asset and are expensed. Unpaid claims outstanding at year end represent a potential liability of the Council.

Income Tax Status

Girl Scouts of Oregon and Southwest Washington is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as the Council has no activities subject to unrelated business income tax. The Council is not a private foundation.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status, Continued

The Council follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Council's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and related expenses, insurance, telephone, printing, supplies, postage and shipping, equipment rental and maintenance, frozen defined benefit plan contributions, and other expenses which are allocated on the basis of estimates of time and effort.

Change in Accounting Principle

The Council has implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Council's revenue recognition in either year presented for this change in accounting principle.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2019

The financial information as of September 30, 2019 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Council has evaluated all subsequent events through February 4, 2021, the date the financial statements were available to be issued.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

2. AVAILABLE RESOURCES AND LIQUIDITY

The Council regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Council considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Council consist of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,467,938	\$ 3,212,658
Accounts receivable, net	39,651	25,904
Contributions receivable, net	110,696	78,252
Investments	6,752,526	6,193,775
Beneficial interest in perpetual trusts	<u>704,038</u>	<u>718,821</u>
	12,074,849	10,229,410
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions, excluding		
restricted land and building	2,112,330	1,863,199
Board designations	<u>5,820,636</u>	<u>5,352,995</u>
Financial assets available for general expenditure	<u>\$ 4,141,883</u>	<u>\$ 3,013,216</u>

The board designated operating reserve is available for spending when approved by the board of directors. See Note 8 regarding board designated net assets.

3. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accrued interest receivable	\$ 20,032	\$ 20,221
Accounts receivable	36,786	22,233
Other receivables	<u>1,574</u>	<u>2,201</u>
Total receivables	58,392	44,655
Less allowance for uncollectible accounts	<u>18,741</u>	<u>18,751</u>
Accounts receivables, net	<u>\$ 39,651</u>	<u>\$ 25,904</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2020

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give as follows at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Contributions receivable within one year	\$ 111,473	\$ 49,079
Within two to five years	-	30,000
Total contributions receivable	<u>111,473</u>	<u>79,079</u>
Less allowance for uncollectible accounts	<u>777</u>	<u>827</u>
Contributions receivable, net	<u>\$ 110,696</u>	<u>\$ 78,252</u>

The Council was awarded a grant for \$53,500 contingent on meeting matching requirements and program performance. If the conditions are satisfied, the Council may receive \$26,000 and \$27,500 during the years ending September 30, 2021 and 2022, respectively. Accordingly, the conditional pledge is not reflected in the financial statements. The Council will recognize the pledge as revenue when conditions have been met.

5. INVESTMENTS

Investments are summarized as follows at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 23,062	\$ 30,226
U.S. Government and corporate debt securities	2,375,301	2,352,073
Equity securities	3,192,067	2,752,141
Beneficial interest in assets held at Oregon Community Foundation	<u>1,162,096</u>	<u>1,059,335</u>
Total investments	<u>\$ 6,752,526</u>	<u>\$ 6,193,775</u>

The Council has entered into various agreements with the Oregon Community Foundation (OCF) in order to achieve improved performance results with respect to investments and enhance long-term planned giving goals. Under the terms of the agreements, variance power has been granted to OCF; however, the Council is the beneficiary of the funds and the transfer is reciprocal in nature. Accordingly, OCF recognizes the funds as liabilities on its statement of financial position. The Council receives distributions based on the provisions of the agreement with OCF. Additional distributions up to the entire balance of the funds may be made on a resolution of both of the Councils' Boards of Directors.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

6. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Council has a beneficial interest in two perpetual trusts that are held and administered by third-party trustees. Under the terms of the agreements, the Council receives periodic distributions from the trustees and retains an irrevocable right to such future distributions. The Council has recorded its interest in these trusts as a component of net assets with perpetual donor restrictions, since the Council does not have access to the principal of the trusts.

The beneficial interest has been recorded using the fair value of each trust (based on quoted market prices) multiplied by the Council's interest in each as follows:

	<u>Value</u>	<u>Percentage</u>	<u>Beneficial Interest</u>
September 30, 2020			
Vanstrom Trusts	\$ 1,915,710	25%	\$ 478,928
Lynch Trust	1,125,552	20%	<u>225,110</u>
Total beneficial interest			<u>\$ 704,038</u>
September 30, 2019			
Vanstrom Trusts	\$ 1,989,756	25%	\$ 497,439
Lynch Trust	1,106,911	20%	<u>221,382</u>
Total beneficial interest			<u>\$ 718,821</u>

In accordance with the trust agreement, distributions from the Lynch Trust are restricted for use in specific Council programs. A separate bank account has been established to account for unspent distributions from the trust.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 2,112,188	\$ 2,044,348
Buildings	8,198,415	8,951,750
Building improvements	3,948,236	3,323,845
Furniture and equipment	1,931,614	1,871,277
Vehicles	<u>160,896</u>	<u>157,868</u>
	16,351,349	16,349,088
Less accumulated depreciation	<u>7,392,085</u>	<u>7,641,587</u>
Property and equipment, net	<u>\$ 8,959,264</u>	<u>\$ 8,707,501</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

7. PROPERTY AND EQUIPMENT, Continued

Property and equipment includes land carried at \$10,486 that was received as a donation in a previous year. The donor included a stipulation that the land must always be used for Girl Scouting activities. As such, this land has been recorded as a component of the net assets with perpetual restrictions class (Note 9).

Property and equipment includes buildings and improvements with a net book value of \$4,012 and \$4,621 at September 30, 2020 and 2019, respectively that were received as a donation in a previous year. The donors included a stipulation that the buildings must be used for Girl Scouting activities. Since these buildings do not have a permanent life, they have been recorded as a component of the net assets with expiring restrictions class (Note 9). Releases from restrictions are recorded ratably over the estimated useful lives of the buildings.

8. BOARD DESIGNATED NET ASSETS

Board designated net assets include investments totaling \$5,590,430 and \$5,134,440 at September 30, 2020 and 2019, respectively, that the board has reserved for future programs and unexpected circumstances. The board has also designated funds to function as an endowment totaling \$230,206 and \$218,555 at September 30, 2020 and 2019, respectively (see Note 11). Funds can be released from the reserve by a vote of the Board.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2020 and 2019:

	2020	2019
Net assets with expiring donor restrictions:		
Lynch Trust distributions	\$ 12,683	\$ 2,331
Net book value of donated buildings	4,012	4,621
Endowment earnings (Note 11)	92,892	78,892
Other program restrictions	335,371	205,363
Pledges receivable	110,696	78,252
Total net assets with expiring donor restrictions	555,654	369,459
Net assets with perpetual donor restrictions:		
General endowments	88,373	88,373
Named endowments	768,277	691,167
Beneficial interest in perpetual trusts	704,038	718,821
Total endowments (Note 11)	1,560,688	1,498,361
Donated land	10,486	10,486
Total net assets with perpetual donor restrictions	1,571,174	1,508,847
Total net assets with donor restrictions	\$ 2,126,828	\$ 1,878,306

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2020

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with expiring restrictions were released from associated restrictions during the years ended September 30, 2020 and 2019 as follows:

	2020	2019
Satisfaction of purpose and time restrictions	\$ 561,941	\$ 472,364
Expended earnings from donor-restricted endowment funds and other adjustment	33,839	31,388
Depreciation of donated buildings and improvements	609	610
Total net assets released from restrictions	\$ 596,389	\$ 504,362

II. ENDOWMENTS

The Council's endowment consists of 16 individual funds established for a variety of purposes. These funds include beneficial interests in perpetual trusts, which are further discussed in Note 6. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles in the United States of America, funds invested in the endowment may be included in net assets with and without donor restrictions.

Interpretation of Relevant Law

The Board of Directors of Girl Scouts of Oregon and Southwest Washington has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or 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 Council classifies as net assets with perpetual restrictions (a) the original value of gifts, including subsequent gifts, donated to the perpetual endowment and (b) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the Council
- (2) The purposes of the Council and the donor-restricted Council
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Council
- (7) The investment policies of the Council

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

II. ENDOWMENTS, Continued

Interpretation of Relevant Law, Continued

The Council classifies gift amounts received from donors that are restricted to the endowment fund as net assets with perpetual restrictions. If the market value of a donor-restricted endowment fund exceeds the original gift as a result of investment earnings, then the excess amount is classified within net assets with expiring restrictions, until all or a portion of the excess is appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

If the market value of an endowment is less than the original gift amount, the valuation difference is reflected in the financial statements as a reduction of net assets without donor restrictions. Funds designated by the Board of Directors to function as endowments are classified as net assets without donor restrictions. Donated land that is perpetually restricted is not included in the endowment fund.

Investment Objectives and Endowment Spending Policies

The Council has adopted investment and spending policies, approved by the Board of Directors, which attempt to provide a predictable stream of funding to programs supported by its endowment funds without subjecting those assets to investment risk. As such, the Council's endowment assets (except for funds held at OCF and its interests in perpetual trusts) have been invested in a savings account, where the amount expended each year is the amount of interest actually earned.

Funds held at OCF follow investment and spending policies determined by the Board of Directors of OCF. OCF's investment policy is intended to provide for long-term growth and currently the spending rate is 4.3 percent (per annum) of the average fair market value of the invested assets based on a 13-quarter trailing average.

The Council's interest in perpetual trusts, described in Note 6, is included in the Council's endowment funds. The investment of these funds is determined by the trustees of the trusts rather than the Council.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

II. ENDOWMENTS, Continued

Changes in endowment net assets and the composition of those endowment net assets, for the year ended September 30, 2020, are as follows:

	Board	<u>Donor-Restricted Endowment</u>			Total
	Designated Endowment	Without Donor Restrictions	With Expiring Restrictions	With Perpetual Restrictions	
Endowment fund activity					
Endowment net assets -					
September 30, 2019	\$ 218,555	\$ -	\$ 78,892	\$ 1,498,361	\$ 1,795,808
Contributions	-	-	-	77,110	77,110
Investment return	11,651	-	47,839	-	59,490
Appropriation of endowment assets for expenditure, net	-	-	(33,839)	-	(33,839)
Change in value of interest in perpetual trusts	-	-	-	(14,783)	(14,783)
Endowment net assets -					
September 30, 2020	<u>\$ 230,206</u>	<u>\$ -</u>	<u>\$ 92,892</u>	<u>\$ 1,560,688</u>	<u>\$ 1,883,786</u>
Endowment fund composition					
September 30, 2020					
OCF balances	\$ 230,206	\$ -	\$ 92,892	\$ 838,998	\$ 1,162,096
Perpetual trusts	-	-	-	704,038	704,038
Savings account	-	-	-	17,652	17,652
	<u>\$ 230,206</u>	<u>\$ -</u>	<u>\$ 92,892</u>	<u>\$ 1,560,688</u>	<u>\$ 1,883,786</u>

Changes in endowment net assets and the composition of those endowment net assets, for the year ended September 30, 2019, are as follows:

	Board	<u>Donor-Restricted Endowment</u>			Total
	Designated Endowment	Without Donor Restrictions	With Expiring Restrictions	With Perpetual Restrictions	
Endowment fund activity					
Endowment net assets -					
September 30, 2018	\$ 210,166	\$ -	\$ 79,759	\$ 1,480,221	\$ 1,770,146
Contributions	-	-	-	48,198	48,198
Investment return	8,389	-	30,521	-	38,910
Appropriation of endowment assets for expenditure, net	-	-	(31,388)	-	(31,388)
Change in value of interest in perpetual trusts	-	-	-	(30,058)	(30,058)
Endowment net assets -					
September 30, 2019	<u>\$ 218,555</u>	<u>\$ -</u>	<u>\$ 78,892</u>	<u>\$ 1,498,361</u>	<u>\$ 1,795,808</u>
Endowment fund composition					
September 30, 2019					
OCF balances	\$ 218,555	\$ -	\$ 78,892	\$ 761,888	\$ 1,059,335
Perpetual trusts	-	-	-	718,821	718,821
Savings account	-	-	-	17,652	17,652
	<u>\$ 218,555</u>	<u>\$ -</u>	<u>\$ 78,892</u>	<u>\$ 1,498,361</u>	<u>\$ 1,795,808</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2020

11. ENDOWMENTS, Continued

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the donor or UPMIFA requires the Council to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in the net assets with expiring restrictions were \$265 at September 30, 2019. These deficiencies resulted from unfavorable market fluctuations and continued distributions from OCF.

12. PRODUCT SALES ACTIVITY

Product sales activity consists of the following for the year ended September 30, 2020, with comparative net proceeds totals for September 30, 2019:

	Sales	Cost of Sales	Net Proceeds	
			2020	2019
Cookies and fall sale	\$ 11,545,599	\$ 4,941,764	\$ 6,603,835	\$ 6,371,028
Council shop and trading post	396,441	190,900	205,541	329,998
	\$ 11,942,040	\$ 5,132,664	\$ 6,809,376	\$ 6,701,026

13. PENSION PLANS

Defined Benefit Plan

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

Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2018. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (IRS), all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30 million is remitted. The \$30 million 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).

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

13. PENSION PLANS, Continued

Defined Benefit Plan, Continued

In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCRП the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCRП has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal years 2020 and 2019 totaled approximately \$233,000 and \$233,400, respectively.

Defined Contribution Plan

The Council has established a 403(b) employer contribution plan covering all employees meeting certain eligibility requirements. The Council's contribution is at the discretion of the Board of Directors and is currently 3.5% of eligible participants' gross wages. The Council's contributions to this plan for the years ended September 30, 2020 and 2019 totaled approximately \$147,800 and \$133,200, respectively.

14. UNEMPLOYMENT RESERVE

The Council has elected to be self-insured for unemployment benefits. The Council has mitigated the potential for a large number of claims in one year by purchasing a stop loss policy that limits the annual benefit payments. The Council has contracted with a third party trust to manage its unemployment program, and generally maintains a deposit with the trust which is used to pay unemployment claims as they arise. The deposit balance totaled approximately \$80,400 and \$101,200 at September 30, 2020 and 2019, respectively, which is included with prepaid expenses on the statement of financial position.

15. LEASE COMMITMENTS

The Council leases some of its administrative offices and various office equipment under non-cancellable operating leases expiring at various dates through January 2024. Rent expense for the above leases and other short-term rentals totaled approximately \$83,900 and \$85,700 for the years ended September 30, 2020 and 2019, respectively.

Future minimum lease commitments under operating leases are as follows:

Year ending September 30, 2021	\$ 79,200
2022	78,600
2023	68,000
2024	19,200
Total	<u>\$ 245,000</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

16. CONCENTRATIONS OF CREDIT RISK

The Council maintains its cash balances in two financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$4,207,000 and \$2,965,000 as of September 30, 2020 and 2019.

For the years ended September 30, 2020 and 2019, the Council received approximately 80% and 73% of total revenue from its cookie sales and fall sale programs respectively. The cookie sale program, which is the most significant program, takes place during the winter each year and involves the selling of cookies by Girl Scout members. This program provides life-long business literacy skills such as goal setting, decision making, money management, people skills, and business ethics. The Council contracts with one supplier for the purchase of the cookies (Note 17).

Financial instruments that could potentially subject the Council to concentrations of credit risk include investments. Investment securities are exposed to various risks such as 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 amounts reported in the statement of financial position.

17. COMMITMENTS

The Council has entered into a contract with, an unrelated company, for the purchase of all cookies related to the cookie sale program described in Note 16. The contract was renewed for a new term ending September 30, 2021. Based on historical trends, purchases under this contract have approximated \$2,542,000 per year.

18. FAIR VALUE MEASUREMENTS

Assets recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

18. FAIR VALUE MEASUREMENTS, Continued

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at September 30, 2020 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government and corporate debt securities:				
Treasury bonds	\$ -	\$ 1,131,759	\$ -	\$ 1,131,759
Corporate bonds	-	1,243,542	-	1,243,542
Total U.S. Government and corporate debt securities	<u>\$ -</u>	<u>\$ 2,375,301</u>	<u>\$ -</u>	<u>\$ 2,375,301</u>
Equity securities:				
Common stocks:				
Communication services	\$ 265,478	\$ -	\$ -	\$ 265,478
Consumer discretionary	266,619	-	-	266,619
Consumer staples	127,003	-	-	127,003
Energy	30,374	-	-	30,374
Financials	183,323	-	-	183,323
Healthcare	326,666	-	-	326,666
Industrials	243,331	-	-	243,331
Information technology	618,799	-	-	618,799
Other	124,699	-	-	124,699
Small cap mutual fund	243,290	-	-	243,290
International stocks:				
Europe	141,495	-	-	141,495
Asia and emerging markets	243,088	-	-	243,088
Canada	7,861	-	-	7,861
International equity mutual funds	58,989	-	-	58,989
Real estate investment trusts	311,052	-	-	311,052
Total equity securities	<u>\$ 3,192,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,192,067</u>
Investments held at OCF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,162,096</u>	<u>\$ 1,162,096</u>
Perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 704,038</u>	<u>\$ 704,038</u>

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

18. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at September 30, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government and corporate				
debt securities:				
Treasury bonds	\$ -	\$ 1,420,132	\$ -	\$ 1,420,132
Agency bonds	-	39,539	-	39,539
Corporate bonds	-	892,402	-	892,402
Total U.S. Government and				
corporate debt securities	<u>\$ -</u>	<u>\$ 2,352,073</u>	<u>\$ -</u>	<u>\$ 2,352,073</u>
Equity securities:				
Common stocks:				
Communication services	\$ 246,512	\$ -	\$ -	\$ 246,512
Consumer discretionary	146,911	-	-	146,911
Consumer staples	142,745	-	-	142,745
Energy	65,959	-	-	65,959
Financials	234,175	-	-	234,175
Healthcare	264,350	-	-	264,350
Industrials	181,854	-	-	181,854
Information technology	451,975	-	-	451,975
Other	145,673	-	-	145,673
Small cap mutual fund	94,478	-	-	94,478
International stocks:				
Europe	160,054	-	-	160,054
Asia and emerging markets	96,357	-	-	96,357
Canada	45,404	-	-	45,404
International equity mutual funds	149,386	-	-	149,386
Real estate investment trusts	326,308	-	-	326,308
Total equity securities	<u>\$ 2,752,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,752,141</u>
Investments held at OCF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,335</u>	<u>\$ 1,059,335</u>
Perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,821</u>	<u>\$ 718,821</u>

The fair value of equity securities is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

The fair value for U.S. Government obligations and corporate debt securities are based on pricing models, quoted prices of securities with similar characteristics, yield curves, and other relevant economic measures.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2020

18. FAIR VALUE MEASUREMENTS, Continued

Investments held at OCF represent the Council's share of a pooled investment portfolio managed by OCF. The Council's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. A portion of the investments held at OCF consists of investments held in limited partnerships and real estate whose fair market values have been estimated by OCF management in the absence of readily determinable market values. The estimates are based on information provided by fund managers or the general partners, and real estate appraisals; therefore, the reported values may differ from the values that would have been used, had a quoted market price existed. The Council carries its interest in perpetual trusts, described in Note 6, at fair value based on the Council's proportionate share of the underlying investments.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	2020		2019	
	OCF	Perpetual Trusts	OCF	Perpetual Trusts
Balance at beginning of year	\$ 1,059,335	\$ 718,821	\$ 1,003,615	\$ 748,879
Investment return	59,490	(14,783)	38,910	(30,058)
Additions	77,110	-	48,198	-
Distributions and adjustments	(33,839)	-	(31,388)	-
Balance at end of year	\$ 1,162,096	\$ 704,038	\$ 1,059,335	\$ 718,821

19. RELATED PARTY TRANSACTIONS

The Council purchases the majority of the inventory for the Council shop from the Girl Scouts of the United States of America, its national affiliate. For the years ended September 30, 2020 and 2019, total inventory purchases approximated \$131,000 and \$280,000, respectively.

In addition, the Council collects member dues on behalf of Girl Scouts of the United States of America and remits those dues periodically throughout the year for members who register through the Council's office. Dues for members who register online are collected directly by Girl Scouts of the United States of America and are at no time in the custody of the Council. For the years ended September 30, 2020 and 2019, dues remitted totaled approximately \$42,900 and \$104,500 respectively.

GIRL SCOUTS OF OREGON AND SOUTHWEST WASHINGTON, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

September 30, 2020

20. CONTINGENCIES AND UNCERTAINTIES

The Council has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Council is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Council's financial position is not known.