



**GIRL SCOUTS OF NORTH EAST OHIO**

**(A NONPROFIT ORGANIZATION)**

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**FINANCIAL STATEMENTS**

**September 30, 2018**

**(with prior year summarized comparative information)**

The background of the lower half of the page is an abstract, grayscale geometric pattern consisting of overlapping, semi-transparent planes and lines that create a sense of depth and movement.

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**GIRL SCOUTS OF NORTH EAST OHIO**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of the Girl Scouts of North East Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

## **Summarized Comparative Information**

We have previously audited Girl Scouts of North East Ohio's 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report January 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sikich LLP*

Akron, Ohio  
February 6, 2019

**GIRL SCOUTS OF NORTH EAST OHIO**

**STATEMENT OF FINANCIAL POSITION**

**September 30, 2018**

**(with summarized comparative financial information for the year ended September 30, 2017)**

**ASSETS**

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 1,946,337	\$ 2,155,318
Short-term investments	338,530	446,546
Accounts receivable, net	192,607	28,476
Grants receivable	35,092	66,547
Inventories	332,201	285,701
Prepaid expenses	<u>148,769</u>	<u>76,014</u>
Total current assets	2,993,536	3,058,602
Property, plant and equipment, net	17,284,599	15,818,394
Investments	8,151,371	10,014,778
Beneficial interests in trusts	<u>800,230</u>	<u>777,202</u>
Total assets	<u>\$ 29,229,736</u>	<u>\$ 29,668,976</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Current portion of long-term debt and lease obligation	\$ 125,890	\$ 121,169
Accounts payable, trade	215,625	418,933
Accrued expenses	271,647	262,365
Accrued payroll	143,257	142,143
Deferred revenue, deposits and custodial accounts	<u>192,431</u>	<u>188,666</u>
Total current liabilities	948,850	1,133,276
Long-term debt and lease obligation, net of current portion	<u>398,646</u>	<u>524,536</u>
Total liabilities	<u>1,347,496</u>	<u>1,657,812</u>
Net assets:		
Unrestricted:		
Undesignated	447,898	808,339
Property, plant and equipment	16,760,063	15,172,689
Board-designated	<u>7,750,474</u>	<u>9,250,769</u>
Total unrestricted	24,958,435	25,231,797
Temporarily restricted	968,101	950,691
Permanently restricted	<u>1,955,704</u>	<u>1,828,676</u>
Total net assets	<u>27,882,240</u>	<u>28,011,164</u>
Total liabilities and net assets	<u>\$ 29,229,736</u>	<u>\$ 29,668,976</u>

*The accompanying notes are an integral part of these financial statements.*

GIRL SCOUTS OF NORTH EAST OHIO

STATEMENT OF ACTIVITIES

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Public support and revenues:					
Public support:					
Contributions	\$ 421,949	\$ -	\$ -	\$ 421,949	\$ 306,584
Foundations, trusts and other	371,731	91,263	104,000	566,994	468,596
United Way allocations	173,654	-	-	173,654	214,508
Sponsorships and special events, net	<u>56,369</u>	<u>-</u>	<u>-</u>	<u>56,369</u>	<u>49,705</u>
Total public support	<u>1,023,703</u>	<u>91,263</u>	<u>104,000</u>	<u>1,218,966</u>	<u>1,039,393</u>
Revenue:					
Product sales	12,440,199	-	-	12,440,199	12,175,029
Cost of product sales	<u>(3,344,922)</u>	<u>-</u>	<u>-</u>	<u>(3,344,922)</u>	<u>(3,407,246)</u>
	<u>9,095,277</u>	<u>-</u>	<u>-</u>	<u>9,095,277</u>	<u>8,767,783</u>
Retail operations	741,854	-	-	741,854	784,192
Cost of retail sales	<u>(410,362)</u>	<u>-</u>	<u>-</u>	<u>(410,362)</u>	<u>(430,914)</u>
	<u>331,492</u>	<u>-</u>	<u>-</u>	<u>331,492</u>	<u>353,278</u>
Program and camp fees	746,273	-	-	746,273	722,837
Interest and dividends	211,368	23,236	-	234,604	287,270
Miscellaneous income	<u>110,425</u>	<u>-</u>	<u>-</u>	<u>110,425</u>	<u>112,606</u>
	<u>1,068,066</u>	<u>23,236</u>	<u>-</u>	<u>1,091,302</u>	<u>1,122,713</u>
Total revenues	<u>10,494,835</u>	<u>23,236</u>	<u>-</u>	<u>10,518,071</u>	<u>10,243,774</u>
Net assets released from restrictions	<u>192,618</u>	<u>(192,618)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>11,711,156</u>	<u>(78,119)</u>	<u>104,000</u>	<u>11,737,037</u>	<u>11,283,167</u>
Expenses:					
Program services	10,013,870	-	-	10,013,870	9,550,304
Supporting services:					
Management services	1,707,250	-	-	1,707,250	1,532,177
Fund development	<u>576,353</u>	<u>-</u>	<u>-</u>	<u>576,353</u>	<u>486,613</u>
Total expenses	<u>12,297,473</u>	<u>-</u>	<u>-</u>	<u>12,297,473</u>	<u>11,569,094</u>
Change in net assets from operations before gains and losses	(586,317)	(78,119)	104,000	(560,436)	(285,927)
Gains and losses:					
Change in beneficial interest in trusts	-	-	23,028	23,028	45,735
Net appreciation on investments	<u>312,955</u>	<u>95,529</u>	<u>-</u>	<u>408,484</u>	<u>988,781</u>
Change in net assets	(273,362)	17,410	127,028	(128,924)	748,589
Net assets, beginning of year	<u>25,231,797</u>	<u>950,691</u>	<u>1,828,676</u>	<u>28,011,164</u>	<u>27,262,575</u>
Net assets, end of year	<u>\$ 24,958,435</u>	<u>\$ 968,101</u>	<u>\$ 1,955,704</u>	<u>\$ 27,882,240</u>	<u>\$ 28,011,164</u>

The accompanying notes are an integral part of these financial statements.

GIRL SCOUTS OF NORTH EAST OHIO

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

	Supporting Services				Totals	
	Program	Management	Fund	Total	2018	2017
	Services	Services	Development	Supporting Services		
Personnel:						
Salaries and wages	\$ 2,743,367	\$ 726,973	\$ 291,822	\$ 1,018,795	\$ 3,762,162	\$ 3,686,996
Fringe benefits and taxes	<u>1,435,184</u>	<u>358,217</u>	<u>148,331</u>	<u>506,548</u>	<u>1,941,732</u>	<u>1,850,148</u>
Total personnel	<u>4,178,551</u>	<u>1,085,190</u>	<u>440,153</u>	<u>1,525,343</u>	<u>5,703,894</u>	<u>5,537,144</u>
Support for troops and members:						
Troop and service unit support	2,282,704	-	-	-	2,282,704	2,191,430
Rewards for troops and members	440,559	-	-	-	440,559	300,696
Assistance and grants to members	<u>267,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,174</u>	<u>227,219</u>
Total support for troops and members	<u>2,990,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,990,437</u>	<u>2,719,345</u>
Other expenses:						
Professional services and fees	258,340	162,981	7,982	170,963	429,303	426,077
Supplies, printing, and publications	610,955	65,763	43,890	109,653	720,608	830,109
Postage and shipping	111,625	5,607	9,150	14,757	126,382	62,407
Telecommunications	213,775	61,845	13,373	75,218	288,993	238,979
Occupancy	493,243	56,911	15,864	72,775	566,018	448,673
Equipment, rental and repair	101,324	6,416	2,549	8,965	110,289	119,407
Meetings and travel	202,623	75,989	17,311	93,300	295,923	241,046
Interest	-	23,193	-	23,193	23,193	28,306
Insurance	141,913	26,523	9,675	36,198	178,111	164,438
Other	<u>79,052</u>	<u>89,871</u>	<u>716</u>	<u>90,587</u>	<u>169,639</u>	<u>89,301</u>
Total other expenses	<u>2,212,850</u>	<u>575,099</u>	<u>120,510</u>	<u>695,609</u>	<u>2,908,459</u>	<u>2,648,743</u>
Total expenses before depreciation	9,381,838	1,660,289	560,663	2,220,952	11,602,790	10,905,232
Depreciation	<u>632,032</u>	<u>46,961</u>	<u>15,690</u>	<u>62,651</u>	<u>694,683</u>	<u>663,862</u>
Total expenses	10,013,870	1,707,250	576,353	2,283,603	12,297,473	11,569,094
Additional costs:						
Cost of product sales	3,344,922	-	-	-	3,344,922	3,407,246
Cost of retail sales	410,362	-	-	-	410,362	430,914
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>15,756</u>	<u>15,756</u>	<u>15,756</u>	<u>43,747</u>
Total expenses plus additional costs	<u>\$ 13,769,154</u>	<u>\$ 1,707,250</u>	<u>\$ 592,109</u>	<u>\$ 2,299,359</u>	<u>\$ 16,068,513</u>	<u>\$ 15,451,001</u>

**GIRL SCOUTS OF NORTH EAST OHIO****STATEMENT OF CASH FLOWS****for the year ended September 30, 2018****(with summarized comparative financial information for the year ended September 30, 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (128,924)	\$ 748,589
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	694,683	663,862
Net appreciation on investments	(408,484)	(988,781)
Change in beneficial interests in trusts	(23,028)	(45,735)
Change in operating assets and liabilities:		
Accounts receivable, grants receivable	(132,676)	(53,000)
Inventories	(46,500)	(15,619)
Prepaid expenses	(72,755)	(24,798)
Trade accounts payable, accrued expenses, and accrued payroll	(192,912)	235,545
Deferred revenue, deposits, and custodial accounts	<u>3,765</u>	<u>(42,613)</u>
Net cash provided (used) by operating activities	<u>(306,831)</u>	<u>477,450</u>
Cash flows from investing activities:		
Purchases of investments	(5,670,150)	(9,859,000)
Proceeds from the sale of investments	8,050,057	11,682,140
Purchases of property, plant, and equipment	<u>(2,160,888)</u>	<u>(1,575,821)</u>
Net cash provided by investing activities	<u>219,019</u>	<u>247,319</u>
Cash flows from financing activities:		
Payments on long-term debt and lease obligation	<u>(121,169)</u>	<u>(116,057)</u>
Net cash used by financing activities	<u>(121,169)</u>	<u>(116,057)</u>
Net increase (decrease) in cash and cash equivalents	(208,981)	608,712
Cash, beginning of year	<u>2,155,318</u>	<u>1,546,606</u>
Cash, end of year	<u>\$ 1,946,337</u>	<u>\$ 2,155,318</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 23,193</u>	<u>\$ 28,306</u>
Non-cash investing activity:		
Capital expenditures included in accounts payable	<u>\$ 2,154</u>	<u>\$ 196,453</u>

*The accompanying notes are an integral part of these financial statements.*



## GIRL SCOUTS OF NORTH EAST OHIO

### NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

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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 reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted* net assets include general and board-designated net assets of the Organization and are not subject to donor-imposed restrictions. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

*Temporarily Restricted* net assets are subject to donor-imposed restrictions that will be met either by actions of the Organization's or the passage of time.

*Permanently Restricted* net assets are subject to donor-imposed restrictions that the contribution be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on these assets for general or specific purposes.

**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, 2017, from which the summarized information was derived.

**Functional Allocation of Expenses** – The costs of providing various programs and related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

**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.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

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2. **Summary of Significant Accounting Policies, Continued:**

***Cash and Cash Equivalents*** – The Organization considers all highly liquid unrestricted investments with remaining original maturities of three months or less to be cash equivalents, excluding those held in brokerage accounts.

***Accounts Receivable*** – Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days of the invoice date and are stated at the amount billed to the customer. Accounts receivable are reduced by an allowance that reflects management's best estimate of the amounts that will not be collected, through a charge to expense and a credit to a valuation allowance account. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At September 30, 2018 and 2017, management recorded an allowance for doubtful accounts of \$44,000.

***Contributions and Grants*** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. If a contribution is received in the current year with a donor-imposed restriction that is satisfied within the current year, the contribution is recorded as unrestricted. Unconditional promises to give are recognized as revenues in the period that the promise is received.

Payments from United Way agencies are accounted for as exchange transactions and are recorded as revenues in the period in which the funds are earned.

Management individually reviews grants receivables to determine the need for an allowance for uncollectible accounts. At September 30, 2018 and 2017, management estimated that no such allowance was necessary.

***Investments*** – Investments are stated at fair market 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.

Gains and losses on investments and investment income are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increased in unrestricted net assets if the restrictions are met in the same reporting period as the gains and income are recognized.

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

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2. **Summary of Significant Accounting Policies, Continued:**

**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. Property, plant, and equipment is depreciated utilizing the straight-line method over the estimated useful lives ranging from two to forty-five years. Leasehold improvements are amortized utilizing the straight-line method over the remaining term of the lease. The Organization capitalizes purchases or donations of property, plant, and equipment that exceed \$5,000.

Donations of property, plant, and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted support 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 restricted support. 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 temporarily restricted net assets to unrestricted net assets at that time.

**Deferred Revenue, Deposits, and Custodial Accounts** – The Organization records these transactions as liabilities when it receives payment either prior to the delivery of services or prior to the completion of the earnings process. Monies received for the benefit of others are also recorded as liabilities (custodial accounts).

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

	<u>2018</u>	<u>2017</u>
Program fees collected for programs not yet held	\$ 81,913	\$ 52,106
Lease incentive	40,714	71,251
Other	<u>69,804</u>	<u>65,309</u>
	<u>\$ 192,431</u>	<u>\$ 188,666</u>

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

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

## GIRL SCOUTS OF NORTH EAST OHIO

### NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

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#### 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 \$142,464 in 2018 and \$113,348 in 2017.

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

**Subsequent Events** – Management has evaluated subsequent events and transactions for potential recognition or disclosure through February 6, 2019, the date the financial statements were available to be issued.

**New Accounting Pronouncements** – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers”, as amended by ASU 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Organization is currently assessing the impact of this new standard.

In August 2016, the FASB issued ASU 2016-14, “Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities”, which amend the requirements for financial statements and notes in Topic 958, Not-For-Profit Entities. This standard aims to improve existing standards for financial statements of not-for-profit entities to provide more useful information to donors, grantors, creditors, and other users of the financial statements by improving the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. ASU 2016-14, as amended, is effective for not-for-profit entities for annual reporting periods beginning after December 15, 2017 and interim periods with fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact of this new standard.

#### 3. Investments and Beneficial Interests in Trusts:

The Organization has a one-seventh beneficial interest in a trust for which a financial institution is the trustee. As the Organization has an irrevocable interest in this trust, it has recorded its share of the trust as an asset in the statements of financial position. Income received from the trust is restricted for the maintenance and development of camp properties. The trust’s fair value was \$2,715,931 and \$2,592,464 (the Organization’s share of this trust is \$387,931 and \$370,352) at September 30, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

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**3. Investments and Beneficial Interests in Trusts, Continued:**

The Organization also has a five percent interest in a trust for which a financial institution is the trustee. As the Organization has an irrevocable interest in this trust, it has recorded its share of the trust as an asset in the statements of financial position. Income received from the trust is restricted first for use for financial assistance in Elyria, then programming. The trust's fair value was \$2,759,846 and \$2,644,721 (the Organization's share of this trust is \$137,993 and \$132,236) at September 30, 2018 and 2017, respectively.

The Organization also has an interest in a trust for which a financial institution is the trustee. As the Organization has an irrevocable interest in this trust, it has recorded its share of the trust as an asset in the statements of financial position. Income received from the trust is restricted first for use of operations at Camp Timberline and council operations. The trust's fair value was \$871,130 and \$882,154 (the Organization's share of this trust is \$274,306 and \$274,614) at September 30, 2018 and 2017, 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 September 30, 2018 and 2017, respectively, are not recorded on the Organization's statements of financial position.

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

**4. 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.

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

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4. Fair Value Measurements, Continued:

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.

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, 2018 and 2017.

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

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

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

**Beneficial Interest In Trusts** - Valued using the fair value of the assets held in the trust reported by the trustee as of September 30, 2018 and 2017. The Organization considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

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

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

4. Fair Value Measurements, Continued:

Recurring Measurements

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

	<b>2018</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 443,690	\$ -	\$ 443,690
U.S. Treasury notes	-	95,246	-	95,246
Mutual funds - fixed income	760,298	-	-	760,298
Mutual funds - equities	5,440,593	-	-	5,440,593
Mutual funds - close ended	82,380	-	-	82,380
Mutual funds - open ended	860,123	-	-	860,123
Investments held by community foundations	-	-	<u>295,242</u>	<u>295,242</u>
Total investments at fair value	<u>7,143,394</u>	<u>538,936</u>	<u>295,242</u>	<u>7,977,572</u>
Beneficial interest in trusts	-	-	<u>800,230</u>	<u>800,230</u>
Total assets at fair value	<u>\$ 7,143,394</u>	<u>\$ 538,936</u>	<u>\$ 1,095,472</u>	\$8,777,802
Investments in money market (a)				<u>512,329</u>
Total				<u>\$ 9,290,131</u>

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

**GIRL SCOUTS OF NORTH EAST OHIO**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**for the year ended September 30, 2018**

**(with summarized comparative financial information for the year ended September 30, 2017)**

**4. Fair Value Measurements, Continued:**

	<b>2017</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 754,112	\$ -	\$ 754,112
U.S. Treasury notes	-	197,529	-	197,529
Mutual funds - fixed income	577,661	-	-	577,661
Mutual funds - equities	6,164,377	-	-	6,164,377
Mutual funds- close ended	124,168	-	-	124,168
Mutual funds- open ended	864,343	-	-	864,343
Fixed income global bond fund	-	94,745	-	94,745
Investments held by community foundations	-	-	280,495	280,495
Total investments at fair value	<u>7,730,549</u>	<u>1,046,386</u>	<u>280,495</u>	<u>9,057,430</u>
Beneficial interest in trusts	-	-	777,202	777,202
Total assets at fair value	<u>\$ 7,730,549</u>	<u>\$ 1,046,386</u>	<u>\$ 1,057,697</u>	\$9,834,632
Investments in money market (b)				<u>1,403,894</u>
Total				<u>\$11,238,526</u>

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

**Unobservable (Level 3) Inputs**

The activity for the beneficial interest in trust and investments held by community foundations, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs), are as follows:

**Investments Held by Community Foundations:**

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 280,495	\$ 256,747
Expenditures	(9,574)	(6,259)
Change in fair value	<u>24,321</u>	<u>30,007</u>
Balance, end of year	<u>\$ 295,242</u>	<u>\$ 280,495</u>



**GIRL SCOUTS OF NORTH EAST OHIO**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**for the year ended September 30, 2018**

**(with summarized comparative financial information for the year ended September 30, 2017)**

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**4. Fair Value Measurements, Continued:**

**Beneficial Interest in Trusts:**

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 777,202	\$ 731,467
Change in beneficial interest in trusts	<u>23,028</u>	<u>45,735</u>
Balance, end of year	<u>\$ 800,230</u>	<u>\$ 777,202</u>

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

**5. Property, Plant, and Equipment:**

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

	<u>2018</u>	<u>2017</u>
Land	\$ 797,573	\$ 797,573
Land improvements	1,515,480	1,516,381
Buildings and improvements	17,715,040	16,292,045
Pool	1,733,994	1,733,994
Camp and office equipment	2,109,585	1,983,788
Automobiles and trucks	233,984	206,517
Construction in progress	<u>2,049,025</u>	<u>1,464,295</u>
	26,154,681	23,994,593
Less accumulated depreciation	<u>8,870,082</u>	<u>8,176,199</u>
Property, plant, and equipment, net	<u>\$ 17,284,599</u>	<u>\$ 15,818,394</u>

**GIRL SCOUTS OF NORTH EAST OHIO**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**for the year ended September 30, 2018**

**(with summarized comparative financial information for the year ended September 30, 2017)**

**6. Long-term Debt and Capital Leases:**

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

	<u>2018</u>	<u>2017</u>
Note payable due to a bank, secured by certain real property, payable in 120 monthly installments of \$8,963 through July 2023. The interest rate is fixed at 3.83%.	\$ 471,370	\$ 559,356
Lease payable to a bank, secured by HVAC equipment, payable in 96 monthly installments of \$3,067 through 2020. The interest rate is 5.09%.	<u>53,166</u>	<u>86,349</u>
Total long-term debt	524,536	645,705
Less current portion	<u>125,890</u>	<u>121,169</u>
Long-term debt, net of current portion	<u>\$ 398,646</u>	<u>\$ 524,536</u>

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

	<u>Long-term Debt</u>	<u>Capital Lease</u>
2019	\$ 91,125	\$ 36,805
2020	94,677	18,524
2021	98,368	-
2022	102,202	-
2023	<u>84,998</u>	<u>-</u>
Total payments	<u>\$ 471,370</u>	55,329
Less amount representing interest		<u>2,163</u>
Present value of future minimum lease payments, net		53,166
Less current maturities of capital lease obligations		<u>34,765</u>
Long-term capital lease obligation		<u>\$ 18,401</u>

The Organization leased office equipment in 2012 under a capital lease that expires in March 2020. The asset and liability under this lease were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset, which totaled \$241,452, and the liability under this lease was recorded at the present value of the minimum lease payments. Those amounts were equal at the time the unit was purchased. This asset is depreciated over its useful life of 20 years. Depreciation associated with this asset totaled \$12,062 in 2018 and \$11,058 in 2017. Accumulated depreciation totaled \$78,407 as of September 30, 2018 and \$66,345 as of September 30, 2017.

**GIRL SCOUTS OF NORTH EAST OHIO**

**NOTES TO FINANCIAL STATEMENTS, Continued  
for the year ended September 30, 2018**

**(with summarized comparative financial information for the year ended September 30, 2017)**

**7. Net Assets:**

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

	<u>2018</u>	<u>2017</u>
Board-designated quasi-endowment funds:		
Fund V - Camp	\$ 1,029,480	\$ 1,010,857
Great Trails service area	165,330	152,687
Sensory Trail	45,668	42,695
Adult training	4,175	4,041
Fund XII - Operations	24,399	24,206
Scholarship XI	15,626	14,628
Fund for Girls	<u>3,645,318</u>	<u>3,580,968</u>
 Total board-designated quasi-endowment funds	 4,929,996	 4,830,082
 Master Plan Fund	 <u>2,820,478</u>	 <u>4,420,687</u>
 Total board-designated net assets	 <u>\$ 7,750,474</u>	 <u>\$ 9,250,769</u>

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

	<u>2018</u>	<u>2017</u>
Time restricted within endowment funds	\$ 914,114	\$ 893,674
Grant-funded projects in progress	<u>53,987</u>	<u>57,017</u>
	<u>\$ 968,101</u>	<u>\$ 950,691</u>

Temporarily and permanently restricted net assets were released from restrictions for the following purposes during the years ended September 30:

	<u>2018</u>	<u>2017</u>
Grant-funded programs from prior year	\$ 57,017	\$ 111,755
Grant funded programs in current year	37,276	158,412
Temporarily restricted funds released in accordance with spending policy	<u>98,325</u>	<u>65,104</u>
	<u>\$ 192,618</u>	<u>\$ 335,271</u>

**GIRL SCOUTS OF NORTH EAST OHIO**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**for the year ended September 30, 2018**

**(with summarized comparative financial information for the year ended September 30, 2017)**

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**7. Net Assets, Continued:**

The balances of permanently restricted net asset categories are reported below, and the investment income earned on these balances, is restricted to the following uses as of September 30:

	<u>2018</u>	<u>2017</u>
Permanently restricted endowment funds:		
Operations and camperships	\$ 70,445	\$ 66,445
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	75,815	75,815
Youth enrichment fund – special project	500,000	500,000
College Scholarship Fund	100,000	-
Campership	9,464	9,464
Wider opportunity fund	18,750	18,750
Fund for Girls	<u>203,044</u>	<u>203,044</u>
 Total permanently restricted endowment funds	 1,155,474	 1,051,474
 Beneficial interest in trusts	 <u>800,230</u>	 <u>777,202</u>
 Total permanently restricted funds	 <u>\$ 1,955,704</u>	 <u>\$ 1,828,676</u>

**8. Net Asset Classification of Endowment Funds:**

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

The Organization has interpreted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

**8. Net Asset Classification of Endowment Funds, Continued:**

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

**Endowment Net Asset Composition by Type of Fund**

	<u>September 30, 2018</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 914,114	\$ 1,155,474	\$ 2,069,588
Board-designated funds	<u>4,929,996</u>	-	-	<u>4,929,996</u>
Total funds	<u>\$ 4,929,996</u>	<u>\$ 914,114</u>	<u>\$ 1,155,474</u>	<u>\$ 6,999,584</u>
	<u>September 30, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 893,674	\$ 1,051,474	\$ 1,945,148
Board-designated funds	<u>4,830,082</u>	-	-	<u>4,830,082</u>
Total funds	<u>\$ 4,830,082</u>	<u>\$ 893,674</u>	<u>\$ 1,051,474</u>	<u>\$ 6,775,230</u>

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

8. Net Asset Classification of Endowment Funds, Continued:

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, September 30, 2016	<u>4,361,232</u>	<u>680,583</u>	<u>1,044,974</u>	<u>6,086,789</u>
Investment return:				
Interest and dividends	131,812	28,052	-	159,864
Net appreciation on investments	<u>520,264</u>	<u>250,144</u>	<u>-</u>	<u>770,408</u>
Total investment return	<u>652,076</u>	<u>278,196</u>	<u>-</u>	<u>930,272</u>
Contributions	<u>400</u>	<u>-</u>	<u>6,500</u>	<u>6,900</u>
Appropriation of endowment assets for expenditure	<u>(183,626)</u>	<u>(65,105)</u>	<u>-</u>	<u>(248,731)</u>
Endowment net assets, September 30, 2017	<u>\$ 4,830,082</u>	<u>\$ 893,674</u>	<u>\$ 1,051,474</u>	<u>\$ 6,775,230</u>
Investment return:				
Interest and dividends	102,492	23,236	-	125,728
Net appreciation on investments	<u>222,645</u>	<u>95,529</u>	<u>-</u>	<u>318,174</u>
Total investment return	<u>325,137</u>	<u>118,765</u>	<u>-</u>	<u>443,902</u>
Contributions	<u>-</u>	<u>-</u>	<u>104,000</u>	<u>104,000</u>
Appropriation of endowment assets for expenditure	<u>(225,223)</u>	<u>(98,325)</u>	<u>-</u>	<u>(323,548)</u>
Endowment net assets, September 30, 2018	<u>\$ 4,929,996</u>	<u>\$ 914,114</u>	<u>\$ 1,155,474</u>	<u>\$ 6,999,584</u>

GIRL SCOUTS OF NORTH EAST OHIO

NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

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8. Net Asset Classification of Endowment Funds, Continued:

Permanently and Temporarily Restricted Net Assets:

	<u>2018</u>	<u>2017</u>
Total endowment funds classified as permanently restricted net assets	\$ <u>1,155,474</u>	\$ <u>1,051,474</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>914,114</u>	\$ <u>893,674</u>

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 Standard & Poor's 500 Index and the Lehman Brothers 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.

**GIRL SCOUTS OF NORTH EAST OHIO**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**for the year ended September 30, 2018**

**(with summarized comparative financial information for the year ended September 30, 2017)**

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**9. Retirement Plans:**

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

Although net plan assets grew during the year, net plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated plan benefits as of January 1, 2015. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (IRS), all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCR the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal years 2018 and 2017 are \$32,400,000 and \$33,100,000, respectively. The aggregate annual contributions decreased from 2017 to 2018 due to both the reduction in the Plan's total annual contributions effective May 1, 2017, and the spin-off of Girl Scouts of Louisiana East effective May 1, 2018. Aggregate contributions made in fiscal 2019 are expected to be \$32,200,000 by Girl Scouts of the USA. Contributions made by the Girl Scouts of North East Ohio in fiscal year 2018 and 2017 are \$644,760 and \$646,069, respectively.

The Organization also maintains a 401(k) defined contribution plan. Employees can elect to make salary reduction contributions, subject to federal limitations. The plan was converted into a Safe Harbor plan on January 1, 2016. Upon employment, employee deferrals are matched 100% by the Organization up to the first 3% of the employee's compensation and matched 50% on the next 2%. An additional discretionary contribution from the Organization may be made. Total matching contributions to the plan by the Organization were \$110,385 in 2018 and \$107,584 in 2017.

**10. Obligations Under Leases:**

Future minimum lease payments due under non-cancellable operating leases expiring under various terms through January 2020 for equipment are as follows:

Year Ending September 30:

2019	\$	59,574
2020		<u>19,858</u>
	\$	<u>79,432</u>



## GIRL SCOUTS OF NORTH EAST OHIO

### NOTES TO FINANCIAL STATEMENTS, Continued

for the year ended September 30, 2018

(with summarized comparative financial information for the year ended September 30, 2017)

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#### 10. Obligations Under Leases, Continued:

Lease expense, net of lease incentive, was \$103,282 and \$96,184 for the years ended September 30, 2018 and 2017, respectively. A fixed payment of \$152,680 was received as a lease incentive in 2015 and is being amortized over the life of the related new lease. Future minimum rental payments do not include the amortization of this fixed payment.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, "Leases (Topic 842)" (ASU 2016-02), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02 is effective for annual periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020, and requires a modified retrospective approach to adoption. The Organization is currently assessing the impact of this new standard.

#### 11. 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.

#### 12. 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>2018</u>	<u>2017</u>
Purchases of product inventory	\$ 393,026	\$ 388,621
Purchases of software	<u>\$ 61,737</u>	<u>\$ 63,494</u>
Total purchases	<u>\$ 454,763</u>	<u>\$ 452,115</u>

#### 13. 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 77% in 2018 and 78% in 2017 of the Organization's total public support and revenues as shown in the accompanying statement of activities.

**GIRL SCOUTS OF NORTH EAST OHIO**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**for the year ended September 30, 2018**

**(with summarized comparative financial information for the year ended September 30, 2017)**

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**13. Concentrations and Credit Risk, Continued:**

The Organization maintains their cash and cash equivalents in accounts, which at times, may exceed federally insured limits. At September 30, 2018 the Organization's cash accounts exceeded federally insured limits by \$1,268,241. At September 30, 2017 the Organization's cash accounts exceeded federally insured limits by \$1,447,442. The Organization has not experienced any losses in such accounts. Management of the Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

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.

**14. Commitment:**

During 2018, the Organization entered into a construction contract. As of September 30, 2018, the Organization has incurred costs totaling \$879,157, which are included in construction in progress as of September 30, 2018. Management estimates approximately \$199,000 in additional costs to bring the project into service. Subsequent to year-end, management signed a construction commitment for an additional commitment of \$2,961,711.



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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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2019.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Girl Scouts of North East Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of Girl Scouts of North East Ohio's internal control.

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Sikich LLP*

Akron, Ohio  
February 6, 2019