

**GIRL SCOUTS OF NORTH-CENTRAL
ALABAMA, INC.**

Financial Statements

**For the Year Ended
September 30, 2018
Including Summarized Information for
September 30, 2017**

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

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For the Year Ended September 30, 2018**

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GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

Nature of Operations For the Year Ended September 30, 2018

Girl Scouts is the preeminent leadership development organization for girls. Girl Scouts began over 100 years ago with one woman, Juliette Gordon "Daisy" Low, who believed in the power of every girl and providing them with skills to become leaders in their communities. She organized the first Girl Scout troop on March 12, 1912, in Savannah, Georgia, and every year since, Girl Scouts all over the United States and in Alabama made her vision a reality by helping girls discover their strengths, passions, and talents.

In 1917, the first Girl Scout troop was established in Alabama. Today, Girl Scouts of North-Central Alabama (GSNCA) serves over 14,000 girls and adults in 36 counties in North and Central Alabama. The mission of Girl Scouts is to build girls of courage, confidence and character, who make the world a better place.

In April 2016, the board of directors adopted a vision statement for the council that would serve as the focal point for the development of the organizations long, short and mid-range strategic plans. The vision statement reads as follows: "For Girl Scouts of North-Central Alabama to be recognized as the leading organization on the leadership and life skills development of girls in North-Central Alabama. Our innovative leadership programs help girls discover, connect and take action as they develop strong values, social conscience and a deep sense of self and empowerment."

In November 2016, Girl Scouts of the USA launched the G.I.R.L., Go-Getter, Innovator, Risk-taker, Leader, brand campaign. The campaign reflects the core values and history of Girl Scouts, defines Girl Scout leadership and showcases the unique experiences and skill building opportunities Girl Scouts offers. The G.I.R.L. is at the heart of what program opportunities we offer our girl and adult members, has inspired new community partnerships and is used in all forms of internal and external communications.

The council's strategic objectives are as follows: to reach and serve more girls, to deliver consistent outcome driven program activities, and to increase the community's awareness and investment in Girl Scouts. The traditional Girl Scout program is delivered in troops led by trained adult leadership with the support of the council staff. Our alternative delivery and outreach programs are staff-led experiences that bring the Girl Scout program to targeted low-income, at risk and underserved girls in our 36 county area. GSNCA is able to deliver our mission and vision with the support of the community, volunteers, staff and donors. Together, we are building self-confidence and leadership skills in all girls— regardless of their socioeconomic status, race or religious beliefs.

Program Services

Volunteer Support Services - The majority of the Girl Scout Leadership Experience is provided to girls through adult volunteer leadership. In Girl Scouts, girls are guided by trained supportive adults to develop their leadership potential through age appropriate, outcomes measured activities that enable them to **discover** their values and skills in the world that surrounds them; **connect** with other people, locally and globally, to make a difference in the world; and **take action** to make the world a better place. To ensure that girls receive a quality and consistent Girl Scouts experience, GSNCA supports the training of its adult volunteers by providing adult learning opportunities and training sessions that are conducted across the council's 36 county area. Additionally, training is also conducted through on-line course instruction and informal education sessions. Our training addresses three primary areas: girl leadership; troop leadership and management; and community service leadership and management. The training offered to troop leaders and volunteers involved in Girl Scouting not only benefits Girl Scouts, but also enhances the skills and knowledge of the volunteers as parents, mentors, and community leaders.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

Nature of Operations (continued) For the Year Ended September 30, 2018

Community Outreach - Girl Scouts of North-Central Alabama provides a number of opportunities offered to underserved girls through outreach programs. Programs for girls served through outreach are provided in a safe and nurturing environment in a location accessible to girls who may not have transportation. Partnerships in the community are created to provide the girls served in our outreach programs the same Girl Scout program experiences girls have that are served in a traditional troop.

Girls served through outreach participate in a series of six week outreach based program activities focused on one of our four initiatives: Science Technology, Engineering and Math; Financial Literacy; Healthy Living; and Leadership Development. Goals for girls served through the council's outreach programs are developing leadership and confidence in girls that are not able to participate in Girl Scouts through traditional troops and retaining them by recruiting adult leadership to continue offering the program. Underserved girls participating in outreach programs will develop values and healthy relationships (Healthy Living), gain practical life skills (Financial Literacy); and become resourceful problem solvers (STEM). Through these programs girls develop leadership skills that help to break the negative cycles in which they find themselves.

The **Girl Scout Leadership Experience (GSLE)**—the framework for defining what girls do in Girl Scouting, how they do it, and who will benefit that was borne out of years of research and development—engages girls in three key activities: discovering who they are and what they value; connecting with others; and taking action to make the world a better place.

The Girl Scout Leadership Experience is designed to be girl led, cooperative and hands-on to create a high quality experiences conducive to learning. When girls participate in Girl Scouts, they benefit in five important ways:

1. They develop a strong sense of self. Girls have confidence in themselves and their abilities and form positive identities.
2. Girls have positive values. They act ethically, honestly and show concern for others.
3. Girls are challenge seeking. They take appropriate risks, try things and learn from their mistakes.
4. Girls develop and maintain healthy relationships by communicating their feelings and resolving conflicts constructively.
5. Girls desire to contribute to the world in purposeful and meaningful ways.

When girls exhibit these attitudes and skills they become responsible, productive caring and engaged citizens. Girls who develop these five outcomes are: happier healthier and less likely to engage in problem behaviors or be victimized; achieve higher academically and feel more engaged in school; become strong college and job applicant and become successful well-adjusted adults.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Girl Scouts of North-Central Alabama, Inc.

We have audited the accompanying financial statements of Girl Scouts of North-Central Alabama, Inc. (the Council) 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. 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 the Council 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.

Report on Summarized Comparative Information

We have previously audited the Council's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 5, 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.

Borland Benefield P.C.

Borland Benefield, P.C.
Birmingham, Alabama
January 23, 2019

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

Statement of Financial Position

As of September 30, 2018

With Summarized totals for the Year Ended September 30, 2017

Assets	<u>2018</u>	<u>Restated 2017</u>
Current Assets		
Cash		
Unrestricted	\$ 3,715,182	\$ 314,576
Restricted	69,980	83,576
Investments	3,477,961	6,137,126
Accounts receivable, net	18,863	-
Contributions receivable	10,537	66
Inventory	83,620	102,870
Prepaid expenses	26,225	65,216
Total current assets	<u>7,402,368</u>	<u>6,703,430</u>
Non-Current Assets		
Property and equipment, net	<u>4,417,727</u>	<u>4,395,073</u>
Total Non-Current Assets	<u>4,417,727</u>	<u>4,395,073</u>
Total Assets	<u>\$ 11,820,095</u>	<u>\$ 11,098,503</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 42,810	\$ 65,430
Accrued liabilities	14,229	21,093
Accrued vacation	93,371	113,610
Custodial funds	6,265	4,195
Deferred revenue	54,165	39,518
Total Current Liabilities	<u>210,840</u>	<u>243,846</u>
Net Assets		
Unrestricted	11,522,312	10,752,227
Temporarily restricted	86,943	102,430
Total Net Assets	<u>11,609,255</u>	<u>10,854,657</u>
Total Liabilities and Net Assets	<u>\$ 11,820,095</u>	<u>\$ 11,098,503</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

**Statement of Activities
For the Year Ended September 30, 2018
With Summarized totals for the Year Ended September 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Restated 2017 Total</u>
Public Support				
United Way allocation	\$ 738,315	\$ -	\$ 738,315	\$ 738,012
Contributions	94,609	119,762	214,371	279,421
Other public support	94,559	-	94,559	117,189
In-kind support	<u>6,877</u>	<u>-</u>	<u>6,877</u>	<u>-</u>
Total Public Support	<u>934,360</u>	<u>119,762</u>	<u>1,054,122</u>	<u>1,134,622</u>
Program Related Revenue				
Gross product sales	4,630,573	-	4,630,573	4,180,918
Direct cost of product sales	<u>(1,681,503)</u>	<u>-</u>	<u>(1,681,503)</u>	<u>(1,416,919)</u>
Net revenue from product sales	<u>2,949,070</u>	<u>-</u>	<u>2,949,070</u>	<u>2,763,999</u>
Retail revenue	270,566	-	270,566	258,236
Direct cost of retail sales	<u>(144,676)</u>	<u>-</u>	<u>(144,676)</u>	<u>(147,955)</u>
Net revenue from retail sales	<u>125,890</u>	<u>-</u>	<u>125,890</u>	<u>110,281</u>
Program fees	222,098	-	222,098	216,443
Rental income	<u>35,320</u>	<u>-</u>	<u>35,320</u>	<u>35,320</u>
Total Program Related Revenue	<u>3,332,378</u>	<u>-</u>	<u>3,332,378</u>	<u>3,090,723</u>
Investment and Other Revenue				
Investment income	121,286	-	121,286	52,595
Net realized and unrealized gain on investments	57,936	-	57,936	133,314
Gain on sales of fixed assets	-	-	-	544,214
Timber income	-	-	-	18,774
Gain on insurance claims	67,563	-	67,563	51,733
Other income	<u>34,640</u>	<u>-</u>	<u>34,640</u>	<u>-</u>
Total Investment and other revenue	<u>281,425</u>	<u>-</u>	<u>281,425</u>	<u>800,630</u>
Net assets released from restrictions	<u>135,249</u>	<u>(135,249)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>\$ 4,683,412</u>	<u>\$ (15,487)</u>	<u>\$ 4,667,925</u>	<u>\$ 5,025,975</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

Statement of Activities
For the Year Ended September 30, 2018
With Summarized totals for the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Restated 2017 Total</u>
Expenses				
Program services	\$ 3,396,628	\$ -	\$ 3,396,628	\$ 3,174,231
Management and general	330,464	-	330,464	311,261
Fundraising	<u>186,235</u>	<u>-</u>	<u>186,235</u>	<u>176,206</u>
Total Expenses	<u>3,913,327</u>	<u>-</u>	<u>3,913,327</u>	<u>3,661,698</u>
Change in Net Assets	770,085	(15,487)	754,598	1,364,277
Net Assets, Beginning of Year	<u>10,752,227</u>	<u>102,430</u>	<u>10,854,657</u>	<u>9,688,307</u>
Prior Period Adjustment - Note 11	<u>-</u>	<u>-</u>	<u>-</u>	<u>(197,927)</u>
Net Assets, Beginning of Year - Restated	<u>10,752,227</u>	<u>102,430</u>	<u>10,854,657</u>	<u>9,490,380</u>
Net Assets, End of Year	<u>\$ 11,522,312</u>	<u>\$ 86,943</u>	<u>\$ 11,609,255</u>	<u>\$ 10,854,657</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

**Statement of Functional Expenses
For the Year Ended September 30, 2018
With Summarized Totals for the Year Ended September 30, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>Restated 2017 Total</u>
Functional Expenses					
Salaries	\$ 1,439,136	\$ 141,418	\$ 83,187	\$ 1,663,741	\$ 1,601,858
Benefits	438,398	43,080	25,341	506,819	459,630
Depreciation	278,770	27,394	16,114	322,278	291,076
Occupancy	265,177	26,058	15,328	306,563	292,860
Supplies	155,923	15,322	9,013	180,258	171,979
Professional fees	141,601	22,100	-	163,701	155,329
Insurance	108,416	10,654	6,267	125,336	115,412
Payroll taxes	106,178	10,434	6,137	122,749	117,095
Telephones and connectivity	95,452	9,380	5,517	110,349	109,288
Transportation and travel	94,980	9,333	5,490	109,803	115,025
Rental of equipment	91,463	8,988	5,287	105,737	61,506
Assistance to girls and adults	84,987	-	-	84,987	53,817
Printing	36,576	3,594	2,114	42,284	34,169
Conference and meetings	23,308	2,290	1,347	26,946	37,796
Credit card fees	9,799	-	2,299	12,098	10,759
Trust fund fees	7,718	-	1,811	9,529	6,498
Advertising	5,386	-	-	5,386	-
Postage	4,283	421	248	4,952	7,503
Organization dues	3,160	-	-	3,160	2,420
Bank fees	2,278	-	534	2,812	7,459
Horses	2,779	-	-	2,779	6,270
Miscellaneous	859	-	201	1,060	3,079
Licenses and taxes	-	-	-	-	870
Total Functional Expenses	<u>\$ 3,396,628</u>	<u>\$ 330,464</u>	<u>\$ 186,235</u>	<u>\$ 3,913,327</u>	<u>\$ 3,661,698</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

Statement of Cash Flows
For the Year Ended September 30, 2018
With Summarized Total for the Year Ended September 30, 2017

	<u>2018</u>	<u>Restated 2017</u>
Cash Flows From Operating Activities		
Cash received from contributors and grants	\$ 1,035,745	\$ 1,160,625
Cash received from programs	236,745	226,897
Cash received from fundraising	4,630,573	4,180,918
Cash received from merchandise	270,566	258,236
Cash received from other income	137,524	30,337
Cash paid to suppliers and employees	(5,417,599)	(4,959,783)
Interest received	62,202	15,680
Dividends received	59,084	36,916
Net Cash Provided by Operating Activities	<u>1,014,840</u>	<u>949,826</u>
Cash Flows From Investing Activities		
Purchase of investments	(2,660,717)	(6,206,756)
Proceeds from sale of investments	5,378,892	4,195,524
Purchase of property and equipment	(346,006)	(192,830)
Proceeds from sale of asset	-	852,998
Net Cash Provided/(Used) by Investing Activities	<u>2,372,169</u>	<u>(1,351,064)</u>
Cash Flows From Financing Activities		
Proceeds from insurance	-	51,733
Net Cash Provided by Financing Activities	<u>-</u>	<u>51,733</u>
Net Change in Cash and Cash Equivalents	3,387,009	(349,505)
Cash and Cash Equivalents, Beginning of Year	<u>398,152</u>	<u>747,657</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,785,161</u>	<u>\$ 398,152</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

Statement of Cash Flows
For the Year Ended September 30, 2018
With Summarized Total for the Year Ended September 30, 2017

	<u>2018</u>	<u>Restated 2017</u>
Reconciliation of Change in Net Assets to Cash Flows		
From Operating Activities		
Change in net assets	\$ 754,598	\$ 1,364,277
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	322,278	291,076
Loss on disposal of property and equipment	-	5,525
Gain on sale of investments	(3,125)	(31,250)
Unrealized holding gain	(54,811)	(102,064)
Gain on sale of property	-	(549,739)
Gain on insurance proceeds	-	(51,733)
Net change in operating assets and liabilities:		
Accounts receivable	(18,797)	144
Pledge and grants receivable	(10,536)	202,990
Inventory	19,250	(26,784)
Prepaid expenses	38,992	1,285
Accounts payable	(22,621)	8,680
Custodial funds	2,070	(15,721)
Accrued payroll and taxes	(27,105)	43,848
Deferred revenue	14,647	10,454
Net Cash Provided by Operating Activities	<u>\$ 1,014,840</u>	<u>\$ 1,150,988</u>
Reconciliation of Cash and Cash Equivalents		
Unrestricted	\$ 3,715,182	\$ 314,576
Restricted	69,980	83,576
Total Cash and Cash Equivalents	<u>\$ 3,785,162</u>	<u>\$ 398,152</u>

See accompanying notes to financial statements.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

**Notes to Financial Statements
For the Year Ended September 30, 2018**

Note 1 – Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Council have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation – Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification 958-205, *Presentation of Financial Statements for Not-for-Profit Organizations*. Under ASC 958-205, the Council is required to report information regarding its financial position and activities according to three classes of net assets: 1) unrestricted net assets 2) temporarily restricted net assets and 3) permanently restricted net assets.

- Unrestricted Net Assets – Net assets that represent revenues and expenses related to the operation and management of the Council’s primary programs and supporting services.
- Temporarily Restricted Net Assets – Net assets that represent resources available for use, but expendable only for the purposes and during the time frame specifically stated by the donor.
- Permanently Restricted Net Assets – As of September 30, 2018, there are no permanently restricted net assets.

Use of Estimates – The preparation of financial statements in conformity with *Generally Accepted Accounting Principles* includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Income Taxes – The Council is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. However, the Council is required to file an annual informational return.

The Council has implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. As of September 30, 2018, the Council had no uncertain tax positions that qualify for disclosure in the financial statements. The Council files an annual Form 990 with the Internal Revenue Service and its tax returns for the year 2014 and subsequent years remain subject to examination by tax authorities.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Council considers demand deposits and investments with an original maturity of 90 days or less to be cash equivalents.

Receivables – Receivables consist of grant funds due from grantor agencies and service fee receivables.

Management periodically assesses the collectability of any outstanding receivable balances and writes off those amounts that management believes will not be recovered. At September 30, 2018, management believes that the total accounts receivable will be collected and no allowance was estimated.

Restricted and Unrestricted Revenue – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

See independent auditor’s report.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

**Notes to Financial Statements (continued)
For the Year Ended September 30, 2018**

Note 1 – Summary of Significant Accounting Policies (continued)

Promises to Give – Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of cash flows. Management has determined the discounts on those amounts to be immaterial.

Property and Equipment – Property and equipment are carried at cost or, if donated, the fair market value at the time of the donation and are depreciated or amortized over their estimated useful lives using the straight-line method. Major improvements and betterments which extend the useful life of the related asset are capitalized. Repairs and maintenance are expensed as incurred.

Inventory – Inventory consist of items for sale through the shops of the Council. They are stated at the lower of cost (first-in, first-out basis) or market.

Expense Allocation (Functional Expenses) – The costs of providing the Council's programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs – The Council expenses advertising costs as the advertising occurs. Advertising is used to promote the membership opportunities and various programs available within the Council. As of September 30, 2018, advertising expenses totaled \$5,386.

Recent Pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14 "Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities" (the Update), which amend the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The provisions for this update are effective for financial statements issued for fiscal years beginning after December 15, 2017. Management is currently evaluating the effects of this pronouncement.

In February 2016, the FASB issued ASU 2016-02, Leases. The standard's core principle is that a company will reflect virtually all leases on their balance sheet. The FASB retained a dual model that includes financing leases, which are similar to today's capital leases, and operating leases, with expense recognized on a straight-line basis. Under the FASB's dual approach, determining whether a lease is finance or operating will be based on guidance similar to the classification model under current US GAAP. The FASB's standard is effective for non-profit organizations for interim and annual reporting periods beginning after December 15, 2019. Entities are required to adopt the standard using a modified retrospective transition approach, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. Early adoption is permitted. Management is currently evaluating the effects of this pronouncement.

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See independent auditor's report.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

**Notes to Financial Statements (continued)
For the Year Ended September 30, 2018**

Note 2 – Cash and Cash Equivalents

The Council maintains accounts at three financial institutions. The accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2018, the Council has amounts over the FDIC coverage at one bank in the amount of \$2,423,775. The Council has not experienced any losses in the account. The Council believes it is not exposed to any significant credit risk on cash and cash equivalents. Restricted cash is only able to be used for capital purchases for the Council.

At September 30, 2018, the Council had total cash on hand and deposits with financial institutions in the amount of \$3,785,162 as follows:

Checking account:	
Operating	\$ 40,797
Capital	69,980
Money market	3,673,735
Petty cash	650
Total Cash and Cash Equivalents	<u>\$ 3,785,162</u>

Note 3 – Fair Value Measurements

FASB ASC 820-10-50 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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See independent auditor's report.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

**Notes to Financial Statements (continued)
For the Year Ended September 30, 2018**

Note 3 – Fair Value Measurements (continued)

The fair values of assets measured on a recurring basis at September 30, 2018, we as follows:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 113,362	\$ 113,362	\$ -	\$ -
Equities	1,107,037	1,107,037	-	-
Mutual funds	757,022	757,022	-	-
Certificates of deposit	<u>1,500,540</u>	<u>-</u>	<u>1,500,540</u>	<u>-</u>
Total	<u>\$ 3,477,961</u>	<u>\$ 1,977,421</u>	<u>\$ 1,500,540</u>	<u>\$ -</u>

All assets have been valued using a market approach.

Investment income was composed of the following at September 30, 2018:

Interest and dividends	\$ 121,286
Realized loss	3,125
Unrealized gain on marketable securities	<u>54,811</u>
Total	<u>\$ 179,222</u>

Assets in investment accounts are protected from custodial credit risk by SIPC up to \$500,000, of which \$250,000 may be cash. At September 30, 2018, investments in the amount of \$2,478,728 were uninsured under SPIC coverage.

Note 4 – Property and Equipment

The following is a summary of property and equipment as of September 30, 2018:

Land	\$ 1,855,575
Buildings and improvements	8,475,148
Equipment	621,899
Furniture and fixtures	255,793
Vehicles	<u>223,291</u>
	11,431,706
Less: Accumulated depreciation	<u>(7,013,979)</u>
Total property and equipment	<u>\$ 4,417,727</u>

Depreciation expense at September 30, 2018, was \$322,278.

See independent auditor's report.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

Notes to Financial Statements (continued) For the Year Ended September 30, 2018

Note 5 – Line of Credit

The Council has available a \$500,000 revolving line of credit agreement with ServisFirst Bank. The line matures August 23, 2019. Borrowings are unsecured and the line bears interest at the bank's prime lending rate. There was no balance outstanding on the line of credit at September 30, 2018.

Note 6 – Employee Benefit 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 Scouts councils who were eligible to participate in the plan prior to the Plan freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels.

Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2018. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (IRS), all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCR the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal years 2017 and 2018 were \$33.1 million and \$32.4 million, respectively. The aggregate annual contributions decreased from 2017 to 2018 due to both the reduction in the Plan's total annual contributions from \$34.3 million to \$32.5 million effective May 1, 2017 and the spin-off of Girl Scouts of Louisiana East effective May 1, 2018. Aggregate contributions to be made in fiscal 2019 are expected to be \$32.2 million. The Council's pension expense and contributions to this plan for the year ended September 30, 2018 was \$222,396.

The Council sponsors a 403(b) defined contribution plan that covered all eligible employees at retirement based on years of service and compensation. For the year ended September 30, 2018 total council contributions amounted to \$17,589.

Note 7 – Temporarily Restricted Assets

Temporarily restricted net assets have been restricted for specified purposes by donors and contributors. Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as reflected in the Statement of Activities. Temporarily restricted net assets are comprised of the following:

Hamilton Trust Fund	\$ 69,980
Terri Christie Fund	3,235
Campership Fund	<u>13,728</u>
Total Restricted Net Assets	<u>\$ 86,943</u>

See independent auditor's report.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

**Notes to Financial Statements (continued)
For the Year Ended September 30, 2018**

Note 8 – Operating Lease Agreements

The Council renewed the leases for office spaces for the Florence and Tuscaloosa offices. The lease for the Florence office expires in May 2019. The lease for the Tuscaloosa office expires in July 2021.

The Council leases equipment such as copiers and postage machines at their various office locations. The copier leases expire in December 2023. The postage machine lease expires in September 2023.

The following is a schedule of future minimum lease obligations at September 30, 2018:

2019	\$	59,031
2020		53,031
2021		48,571
2022		26,271
2023		26,271
Thereafter		<u>3,774</u>
Total	\$	<u>216,949</u>

Lease expense at September 30, 2018 was \$118,739.

Note 9 –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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

Note 10 – Board Designated Net Assets

The Board of Directors designated a portion of funds for the purchase of fixed assets as the need arises. There is no legal restriction since a donor did not specifically require contributions to be treated as such. At September 30, 2017, the designated funds obtained through the sale of two properties are reflected within unrestricted net assets totaling \$1,400,000.

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See independent auditor's report.

GIRL SCOUTS OF NORTH-CENTRAL ALABAMA, INC.

**Notes to Financial Statements (continued)
For the Year Ended September 30, 2018**

Note 11 – Prior Period Adjustment

The Council receives an annual allocation from United Way, Inc. Previously, the Council recorded these allocations as unconditional promises to give. During 2018, the Council determined that the annual allocation was not an unconditional promise to give and, they should, therefore, not be recorded as revenue until the notice is provided that the funds will be allocated to the Council.

The Council received a donation in the past to be used for scholarship needs for troop members within the Marshall County area. These were initially accounted for as custodial funds; however, during 2018, the Council determined that these funds were actually a restricted contribution at the time and thus should be presented as a temporary restricted net asset until spent.

Accordingly, the Council restated its financial statements for the year September 31, 2017. The cumulative and net effects on the financial line items and the total net assets are detailed as follows:

	As previously <u>reported</u>	<u>Restated</u>	Cummulative <u>Effect</u>
Balance Sheet			
Contributions receivable	\$ 201,228	\$ 66	\$ (201,162)
Custodial funds	7,430	4,195	<u>3,235</u>
Net decrease in Net Assets			<u><u>\$ (197,927)</u></u>

Note 12 – Subsequent Events

Subsequent events have been evaluated through January 23, 2019, which is the date the financial statements were issued.

See independent auditor's report.