

GIRL SCOUTS OF SOUTHERN NEVADA, INC.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018



HOULDSWORTH, RUSSO & COMPANY

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GIRL SCOUTS OF SOUTHERN NEVADA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girl Scouts of Southern Nevada, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated financial statements of Girl Scouts of Southern Nevada, Inc. (a nonprofit organization) and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (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 audits. We conducted our audits 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 Organization as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants
20 YEARS & COUNTING

HOULDSWORTH, RUSSO & COMPANY

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Emphasis of Matter

As discussed in Note 15 to the financial statements, the value of in-kind goods and services related to the Dessert Before Dinner event are based on estimates. Our opinion is not modified with respect to this matter.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
January 17, 2020

GIRL SCOUTS OF SOUTHERN NEVADA, INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

ASSETS	2019	2018
Current assets:		
Cash and equivalents	\$ 2,642,046	\$ 1,346,492
Cash and equivalents, restricted	154,157	441,995
Investments	1,216,676	2,265,630
Accounts receivable, net	16,277	4,908
Grants receivable	-	10,000
Pledges receivable	56,340	47,600
Inventory	92,830	86,226
Prepaid expenses	72,994	43,812
	<u>4,251,320</u>	<u>4,246,663</u>
Property and equipment, net	11,427,750	4,379,221
Other noncurrent assets:		
Cash and equivalents, restricted	631,300	90,951
Investments, net of current	1,172,007	1,254,734
	<u>1,803,307</u>	<u>1,345,685</u>
	<u><u>\$ 17,482,377</u></u>	<u><u>\$ 9,971,569</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 157,202	\$ 169,927
Accrued expenses	85,626	101,934
Funds held for others	31,740	26,478
Deferred revenue	51,945	47,562
Current portion of capital lease	33,407	21,816
	<u>359,920</u>	<u>367,717</u>
Long-term liabilities:		
Capital lease, net of current	64,872	24,295
Total liabilities	<u>424,792</u>	<u>392,012</u>
Net assets:		
Without donor restriction	13,763,695	5,956,112
With donor restriction	3,293,890	3,623,445
Total net assets	<u>17,057,585</u>	<u>9,579,557</u>
	<u><u>\$ 17,482,377</u></u>	<u><u>\$ 9,971,569</u></u>

See accompanying notes to consolidated financial statements

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
SEPTEMBER 30, 2019 AND 2018

Net assets without donor restrictions	2019	2018
Revenues, gains and support:		
Grants and contributions	\$ 177,157	\$ 213,751
In-kind donation - estate gift	7,672,240	-
In-kind donations	157,328	93,093
Product sales, net (refer to Note 12)	2,638,514	2,648,843
Retail sales, net of cost of goods sold of \$95,693 and \$110,401 respectively	102,321	101,120
Program fees	274,558	254,906
Special events, net of direct benefit to donors costs of \$468,634 and \$498,734, respectively	679,770	745,549
Rental income	52,549	24,300
Investment income, net	99,639	99,328
Gain (loss) on disposal of assets	367	(3,097)
Council service fees	43,355	53,006
Other income	-	6,000
Net assets released from restrictions	477,947	469,886
	<u>12,375,745</u>	<u>4,706,685</u>
Expenses and losses:		
Program services	3,114,944	2,559,547
Support services:		
Management and general	973,485	1,143,446
Fundraising	290,758	216,534
	<u>4,379,187</u>	<u>3,919,527</u>
Bad debt expense	-	24,321
Impairment loss on property and equipment	188,975	-
	<u>4,568,162</u>	<u>3,943,848</u>
Change in net assets without donor restrictions	<u>7,807,583</u>	<u>762,837</u>
Net assets with donor restrictions		
Grants and contributions	79,741	223,213
Investment income	68,651	41,815
Net assets released from restrictions	(477,947)	(469,886)
Change in net assets with donor restrictions	<u>(329,555)</u>	<u>(204,858)</u>
Increase in net assets	<u>7,478,028</u>	<u>557,979</u>
Net assets, beginning of year	<u>9,579,557</u>	<u>9,021,578</u>
Net assets, end of year	<u>\$ 17,057,585</u>	<u>\$ 9,579,557</u>

See accompanying notes to consolidated financial statements

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

SEPTEMBER 30, 2019

	Program Services	Management and General	Fundraising	Special Event Direct Benefit	Total
Salaries and related	\$ 1,048,661	\$ 357,019	\$ 183,887	\$ -	\$ 1,589,567
Employee benefits	104,866	126,336	14,074	-	245,276
Payroll taxes	105,425	34,471	16,527	-	156,423
Supplies and fees	173,306	3,007	6,844	-	183,157
Occupancy	345,150	1,326	-	154,510	500,986
Depreciation and amortization	621,840	1,422	534	-	623,796
Professional services and fees	242,549	70,283	24,060	294,097	630,989
Recognition	155,392	4,863	3,869	-	164,124
Assistance and grants	43,688	-	-	-	43,688
Insurance	29,509	55,957	-	-	85,466
Equipment rental and maintenance	22,102	10,463	793	-	33,358
Telecommunications	51,815	132,115	15,979	-	199,909
Travel and transportation	85,472	26,061	4,604	-	116,137
Bank and credit card fees	4,359	23,202	518	-	28,079
Advertising and promotion	-	42,688	1,025	-	43,713
Office supplies	47,682	27,201	1,558	20,027	96,468
Conferences and meetings	11,809	29,466	8,919	-	50,194
Printing and publications	13,478	916	-	-	14,394
Postage and delivery	7,841	2,006	7,567	-	17,414
Interest	-	24,683	-	-	24,683
Total expenses	\$ 3,114,944	\$ 973,485	\$ 290,758	468,634	4,847,821
Less: direct benefit to donors				(468,634)	(468,634)
				\$ -	\$ 4,379,187

See accompanying notes to consolidated financial statements

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

SEPTEMBER 30, 2018

	Program Services	Management and General	Fundraising	Special Event Direct Benefit	Total
Salaries and related	\$ 970,662	\$ 446,786	\$ 117,231	\$ -	\$ 1,534,679
Employee benefits	70,459	151,434	10,486	-	232,379
Payroll taxes	94,624	38,342	10,751	-	143,717
Supplies and fees	312,808	1,475	1,477	-	315,760
Occupancy	307,659	1,011	406	-	309,076
Depreciation and amortization	198,351	19,835	2,204	-	220,390
Professional services and fees	188,737	139,511	22,076	322,292	672,616
Recognition	92,815	3,096	3,395	-	99,306
Assistance and grants	47,131	-	-	-	47,131
Insurance	-	58,638	-	-	58,638
Equipment rental and maintenance	13,328	32,957	553	162,226	209,064
Telecommunications	56,513	121,315	21,131	-	198,959
Travel	90,021	27,503	2,699	-	120,223
Bank and credit card fees	14,970	15,144	14,256	-	44,370
Advertising and promotion	-	11,431	750	-	12,181
Office supplies	69,754	17,607	875	14,216	102,452
Conferences and meetings	12,211	34,328	2,962	-	49,501
Printing and publications	15,869	2,710	-	-	18,579
Postage and delivery	3,635	3,070	5,282	-	11,987
Interest	-	17,253	-	-	17,253
Total expenses	\$ 2,559,547	\$ 1,143,446	\$ 216,534	498,734	4,418,261
Less: direct benefit to donors				(498,734)	(498,734)
				\$ -	\$ 3,919,527

See accompanying notes to consolidated financial statements

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SEPTEMBER 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 7,478,028	\$ 557,979
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	623,796	220,390
Impairment loss	188,975	-
Unrealized/realized gain on investments	(68,688)	(67,150)
(Gain)/loss on disposal of assets	(367)	3,097
Donated assets	(7,672,240)	-
Change in allowance for doubtful accounts	535	23,339
Changes in assets and liabilities:		
Accounts receivable	(11,904)	6,209
Grants receivable	10,000	-
Pledges receivable	(8,740)	(20,397)
Inventory	(6,604)	(5,522)
Prepaid expenses	(29,182)	13,234
Accounts payable	(12,725)	43,343
Accrued expenses	(16,308)	28,122
Funds held for others	5,262	(24,002)
Deferred revenue	4,383	(122,700)
Net cash provided by operating activities	484,221	655,942
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	-	500
Purchases of property and equipment	(99,125)	(212,718)
Sales of investments	3,905,439	630,367
Purchases of investments	(2,705,070)	(938,610)
Net cash provided by (used in) investing activities	1,101,244	(520,461)
Cash flows from financing activities:		
Payments of capital lease obligations	(37,400)	(32,329)
Net cash used in financing activities	(37,400)	(32,329)
Net increase in cash	1,548,065	103,152
Cash and cash equivalents, beginning of year	1,879,438	1,776,286
Cash and cash equivalents, end of year	\$ 3,427,503	\$ 1,879,438
Summary of cash accounts		
Cash and cash equivalents	\$ 2,642,046	\$ 1,346,492
Cash and equivalents, restricted	154,157	441,995
Cash and equivalents, restricted, noncurrent	631,300	90,951
	\$ 3,427,503	\$ 1,879,438

See accompanying notes to consolidated financial statements

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SEPTEMBER 30, 2019 AND 2018

	2019	2018
Supplemental disclosures:		
Assets acquired through accounts payable	\$ -	\$ 27,200
Assets acquired through capital lease obligations	\$ 116,358	\$ -
Interest expense paid	\$ 24,683	\$ 17,253

See accompanying notes to consolidated financial statements

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

1. Organization and Nature of Activities

The accompanying consolidated financial statements (financial statements) include the accounts of Girl Scouts of Southern Nevada, Inc. (GSSNV), Frias Girl Scouts Camp I, LLC, Frias Girl Scouts Camp II, LLC, and Frias Girl Scouts Camp III, LLC (collectively, the Organization).

GSSNV is an affiliate member of the Girl Scouts of the United States of America (GSUSA). GSSNV is the premier leadership development organization where girls ages 5 to 17 thrive in an all-girl and girl-led environment. GSSNV provides girls and families with a clear roadmap for success that focuses on four key pillars: STEAM education, outdoor experiences, life skills, and entrepreneurship opportunities. All of the GSSNV's participants come from the Southern Nevada and Inyo County, California areas.

GSSNV is supported through government grants, appeals and contributions, program service fees, sales of merchandise, and investment income.

GSSNV provides the following pathway programs: Camp, Events, Series, Travel, Troop, and Adult Learning. Camp programs offer a variety of camp sessions with a focus on the out-of-doors and/or environmental education. Event programs help girls explore their skills and interests in areas such as community service, cultural arts, healthy living, math and science, aquatics, green initiatives, leadership development and more. Series programs are thematic in nature and developed to support initiatives in the areas of science, technology, math, engineering, healthy living, financial literacy, entrepreneurship and the environment. Travel programs offer girls leadership and cross-cultural opportunities through regional, national and international travel. Troop programs offer girls an opportunity to develop team relationships and leadership skills with girls of their own age. Adult Learning programs motivate and inspire Girl Scout volunteers and staff with resources, techniques, and strategies to utilize when working with girls.

Frias Girl Scouts Camp I, LLC, Frias Girl Scouts Camp II, LLC, and Frias Girl Scouts Camp III, LLC (the Camps) are wholly owned subsidiaries of GSSNV whose purpose is to hold certain assets in Alamo, Nevada. These assets constitute the gift contributed by Charles and Phyllis M. Frias Charitable Trust to the Organization during the year ended September 30, 2019 (Note 6) and are held and managed by GSSNV through the Camps in furtherance of GSSNV's mission.

2. Summary of Significant Accounting Policies

Basis of Consolidation – The consolidated financial statements include the financial information of GSSNV and the aforementioned subsidiaries. Intercompany transactions have been eliminated in the consolidation.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – The Organization presents its financial statements in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Under the FASB ASC, the Organization is required to report information regarding its financial position and changes in financial position activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

2. **Summary of Significant Accounting Policies (continued)**

Revenue Recognition – The Organization accounts for contributions in accordance with the FASB Codification. As such, contributions are recognized as revenue when they are received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities (statements of activities) as net assets released from restrictions.

Reclassifications - Certain reclassifications have been made to the 2018 presentation to conform to the 2019 presentation.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows (statements of cash flows), the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory - Inventory is stated at the lower of cost or net realizable value under the first-in, first-out method.

Investments - The investments of the Organization are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell that asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date (the exit price).

Purchases and sales of the investments are reflected on a trade-date basis.

Property and Equipment - Property and equipment are carried at cost. Additions greater than \$1,000 and with a useful life greater than one year are capitalized while replacements and maintenance or repairs which do not improve or extend the lives of the respective assets are expensed currently. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets as follows:

Building - office	40 years
Buildings and other improvements	5 - 40 years
Computer hardware and software	3 - 7 years
Equipment and office furniture	3 - 7 years
Vehicles	5 years

Deferred Revenue - Council service fees collected in advance and fees collected up front for future events are included in deferred revenue in the accompanying consolidated statements of financial position (statements of financial position). This deferred revenue is expected to be recognized within one year.

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

2. Summary of Significant Accounting Policies (continued)

Funds Held for Others - Funds held for others represents monies held for Organization members in a custodial capacity.

Donated Goods and Services - Donated goods are recorded as contributions at their estimated fair value at the date of donation.

Donated services are recognized in accordance with FASB ASC if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased if not contributed. For the years ended September 30, 2019 and 2018, donated services reflected in the financial statements were \$451,425 and \$397,385 for professional services, respectively. Of these amounts, \$157,328 and \$93,093, respectively, have been allocated amongst the program and supporting services benefited on the statements of activities. \$294,097 and \$304,292, respectively, related to special events have been included in the appropriate natural classification on the statements of activities.

A substantial number of volunteers have donated significant amounts of time in the Organization's program services; the value of these services has not been reflected in these statements since they do not meet the criteria under FASB Codification, as stated above.

Receivables - Accounts and grants receivable consist of revenues generated from various sources to include program and membership dues income, event receipts, product sales and grant awards. It is the Organization's policy to charge off uncollectible receivables when management determines the receivables will not be collected. The allowance for doubtful accounts receivable at September 30, 2019 and 2018, respectively, was \$38,614 and \$39,149.

The pledges receivable balance consists of unconditional promises to give generated at the Dessert Before Dinner event. All pledges receivable are expected to be collected within one year. There was no allowance or discount for pledges receivable recognized for the years ended September 30, 2019 and 2018.

Functional Expense Allocations - The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and in the consolidated statements of functional expenses (statements of functional expenses). Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of employee time and effort and space utilized.

Income Tax Status - Girl Scouts of Southern Nevada, Inc. is a not-for-profit organization as described in Section 501(c)(3) and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

The Camps are considered disregarded entities for federal income tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

2. **Summary of Significant Accounting Policies (continued)**

Subsequent Events - Subsequent events were evaluated through January 17, 2020, which is the date the financial statements were available to be issued.

Impairment of Long-Lived Assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of the assets. During the year ended September 30, 2019, management recognized an impairment loss of \$188,975 related to the donated estate gift (Note 6). Management believes that no adjustment for impairment was necessary during the year ended September 30, 2018.

Advertising Costs - Advertising costs are expensed as incurred.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

New Accounting Pronouncement – During the year ended September 30, 2019, the Organization adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which changes the current guidance for asset classification, investment return, expenses, and liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. In the absence of explicit donor restrictions, ASU 2016-14 requires nonprofit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by nonprofit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires nonprofit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. The Organization has chosen not to disclose liquidity and availability information as of September 30, 2018, as permitted in the year of adoption. As a result of adoption, investment expenses are netted against investment return in the statements of activities, presentation of net asset classes were changed, and footnote disclosures were expanded. Prior year amounts were reclassified to conform to the current year presentation.

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2019 AND 2018

3. Liquidity and Availability of Resources

The Organization receives program and contribution revenues and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of September 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	\$ 2,796,203
Investments, current	1,216,676
Accounts receivable, net	16,277
Pledges receivable	<u>56,340</u>
Total financial assets	4,085,496
Funds held for others	<u>(31,740)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,053,756</u>

4. Fair Value Measurements

The Organization measures fair value in accordance with FASB Codification 820, *Fair Value Measurements and Disclosures*, which establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2019 AND 2018

4. Fair Value Measurements (continued)

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2019:

Investments in mutual funds:

	Total	Level 1	Level 2	Level 3
Equities	\$ 412,123	\$ 412,123	\$ -	\$ -
Fixed income	1,591,784	1,591,784	-	-
Hedge funds	382,276	382,276	-	-
Real estate funds	2,500	2,500	-	-
	<u>\$ 2,388,683</u>	<u>\$ 2,388,683</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2018:

Investments in mutual funds:

	Total	Level 1	Level 2	Level 3
Equities	\$ 1,807,877	\$ 1,807,877	\$ -	\$ -
Fixed income	1,494,630	1,494,630	-	-
Real estate funds	56,542	56,542	-	-
Commodities	161,315	161,315	-	-
	<u>\$ 3,520,364</u>	<u>\$ 3,520,364</u>	<u>\$ -</u>	<u>\$ -</u>

5. Endowment Funds

The Organization has three endowment funds that are all held in investments and cash and equivalents at September 30, 2019 and 2018. The endowment funds include only donor-restricted endowment funds. As required by generally accepted accounting principles in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

5. **Endowment Funds (continued)**

The *Building Maintenance Fund* was started in August 2002. At that time the Organization was awarded a grant in the amount of \$4,245,390 by the Donald W. Reynolds Foundation for the purpose of constructing the new training and service center. This grant required the Organization to restrict in perpetuity an amount equal to 20% of the awarded grant (\$849,078) to a *Building Maintenance Fund* in which only the earnings could be spent. Subsequently, in 2013, the Reynolds Foundation changed the restriction over this building fund to allow expenditure of up to 5% of the corpus each year.

The initial contribution to fund the *Betty L. Shultz Scholarship Fund* of \$50,000 was received in 2005. This fund could not be expended until the principal balance reached \$100,000 or 7 years had passed; then the funds could be expended for scholarships up to 5% of the fund per year.

In 2011, the Reynolds Foundation awarded another grant in the amount of \$849,078 to establish a *Restricted Fund for Programs*. The Organization is allowed to spend the earnings and up to 5% of the corpus each year.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds 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 considers net assets restricted in perpetuity as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, 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. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

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

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2019 AND 2018

5. Endowment Funds (continued)

Return Objectives and Risk Parameters

Girl Scouts of Southern Nevada, Inc. has adopted investment policies for endowed assets that have the dual goals of striving to preserve assets in addition to maximizing the fund's total rate of return. Endowment assets include those assets of donor-restricted funds that the Organization must hold long-term. Under this policy approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that should achieve a rate of return in excess of inflation (Consumer Price Index) while assuming a reasonable level of risk.

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 and How the Investment Objectives Relate to Spending Policy

The Organization has a current policy of retaining the earnings within the endowment fund until such time that the Board of Directors has determined specific expenditures in which to use the earnings not restricted by the donor.

Endowment net asset composition by type of fund as of September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,928,072	\$ 1,928,072

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 1,859,421	\$ 1,859,421
Investment income, net	3,000	68,651	71,651
Appropriation	(3,000)	-	(3,000)
Endowment net assets, ending	\$ -	\$ 1,928,072	\$ 1,928,072

GIRL SCOUTS OF SOUTHERN NEVADA, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
SEPTEMBER 30, 2019 AND 2018**5. Endowment Funds (continued)**

Endowment net asset composition by type of fund as of September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,859,421	\$ 1,859,421

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 2,038,456	\$ 2,038,456
Investment income, net	33,625	41,815	75,440
Appropriation	(33,625)	(220,850)	(254,475)
Endowment net assets, ending	\$ -	\$ 1,859,421	\$ 1,859,421

6. Property and Equipment

In December 2018, the Charles & Phyllis M. Frias Charitable Trust donated 68.71 acres of land and property in Alamo, NV to the Organization. The total value of the gift, including land, real property, and contents was appraised at \$7,672,240. Of this amount, management determined that \$188,975 should be impaired based on appraised remaining useful life, which is included in impairment loss on the statements of activities.

Property and equipment consists of the following at September 30,:

	2019	2018
Artwork	\$ 156,902	\$ 156,902
Land and improvements	1,592,319	425,000
Land patent – Calico	1,642	1,642
Building and improvements	11,843,116	6,209,031
Construction in progress	56,533	-
Computer hardware and software	235,720	179,165
Equipment and office furniture	1,255,180	352,728
Vehicles	122,062	105,064
	15,263,474	7,429,532
Less: accumulated depreciation	3,835,724	3,050,311
	<u>\$ 11,427,750</u>	<u>\$ 4,379,221</u>

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2019 AND 2018

7. Capital Leases

In September 2017, the Organization entered into an agreement to lease two copiers for 36 months due in monthly installments of \$2,536. During the years ended September 30, 2019 and 2018, amortization expense of \$10,151 and \$20,301, respectively, was recognized and included with depreciation and amortization in the statements of functional expenses. This lease was replaced with a lease for new equipment during March 2019, as noted in the following paragraph.

In March 2019, the Organization entered into an agreement to lease two copiers for 36 months due in monthly installments of \$3,009. During the year ended September 30, 2019, amortization expense of \$9,000 was included with depreciation and amortization in the statement of functional expenses.

In October 2018, the Organization entered into an agreement to lease laptop and desktop computers for 36 months due in monthly installments of \$1,900. During the year ended September 30, 2019, amortization expense of \$15,753 was included with depreciation and amortization in the statement of functional expenses.

Current obligations under capital lease	\$ 33,407
Long-term obligations under capital lease	<u>64,872</u>
Total obligations under capital lease	<u>\$ 98,279</u>

Future minimum rental payments required under these capital leases at September 30 are as follows:

2020	\$ 58,910
2021	58,910
2022	<u>22,963</u>
Total minimum payments	140,783
Less: amount representing interest	<u>42,504</u>
	<u>\$ 98,279</u>

Amortization related to these assets is included in depreciation and amortization in the statements of functional expenses. Assets under capital lease obligations as of September 30, include the following:

	2019	2018
Furniture and equipment	\$ 64,803	\$ 60,904
Computer hardware	<u>51,555</u>	<u>43,563</u>
	116,358	104,467
Less: accumulated depreciation	<u>24,753</u>	<u>29,042</u>
	<u>\$ 91,605</u>	<u>\$ 75,425</u>

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **SEPTEMBER 30, 2019 AND 2018**

8. Operating Leases

The Organization has one lease for office equipment and one lease for a vehicle expiring May 2021 and February 2022, respectively, that are considered operating leases. An additional operating lease for office equipment expired during the year ended September 30, 2018. Expenses for these leases for the years ended September 30, 2019 and 2018, respectively, were \$6,114 and \$51,445. Future minimum lease payments required under these leases are as follows:

2020	\$	9,109
2021		8,469
2022		2,995
		<u>\$ 20,573</u>

The Organization occupies facilities in Henderson under a lease arrangement at \$1 per year and land in Las Vegas through a ground lease agreement at \$1 per year. It also has an informal understanding for facilities in Boulder City at \$1 per year. In addition, the Organization has the right to use outdoor facilities at Camp Foxtail under a use permit from the United States Forest Service and at Calico under a land patent from the Bureau of Land Management. The value of this use is not estimable at as of September 30, 2019 and 2018.

9. Employee Benefit Plan

The Organization participates in a 401(k) profit-sharing plan. The Plan allows eligible employees to defer a portion of their compensation. The Organization, at its discretion, may match a portion of the employees' contributions. During the years ended September 30, 2019 or 2018, the Organization made \$27,895 and \$20,208 matching contributions, respectively.

10. Participation in Multiemployer Plan

The Organization offers participation in the National Girl Scout Council Retirement Plan (the "Plan"). The Plan is a multiemployer, noncontributory, defined benefit pension plan sponsored by the Girls Scouts of the USA. The risk of participating in multiemployer defined benefit pension plans is different from single employer plans. Assets contributed to a multiemployer defined benefit pension plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

Effective July 31, 2010, the Plan was frozen to new entrants and to further benefits accruals for existing participants; although previously earned benefits can continue to vest. Accrued benefits earned prior to July 31, 2010 are based on years of service levels. The Organization is required to make estimated contributions to the plan to cover the unfunded liability for benefits frozen through December 31, 2023. The plan is currently not subject to the provisions of the Pension Protection Act of 2006 with regards to minimum funding or benefits restriction rules.

GIRL SCOUTS OF SOUTHERN NEVADA, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
SEPTEMBER 30, 2019 AND 2018**10. Participation in Multiemployer Plan (continued)**

The Organization's participation in the multiemployer defined benefit pension plan for the year ended September 30, 2019 and 2018 is outlined below. The employer identification number (EIN) and three-digit plan number (PN) are included. The available annual report represents the year-end date of the plan to which the annual report (Form 5500) relates.

Pension Plan:	National Girl Scout Council Retirement Plan
EIN/PN:	13-1624016/002
Most Recent Contributions:	2019 - \$108,288
	2018 - \$108,288
Available Annual Report (Form 5500):	12/31/2018

Contributions to the plan are made monthly under the terms of a participation agreement, which does not have an expiration date. The Organization's contributions do not represent more than 5% of total contributions to the plan as indicated in the plan's most recently available annual report (Form 5500).

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes and periods as of September 30,:

	2019	2018
Building	\$ 1,155,320	\$ 1,365,380
Building maintenance	838,933	804,582
Program restrictions	957,253	925,133
Scholarships	131,887	142,906
Financial empowerment services	52,000	-
STEAM	29,657	200,000
Other	72,500	137,844
Time restricted	56,340	47,600
	<u>\$ 3,293,890</u>	<u>\$ 3,623,445</u>

Net assets with donor restrictions were held as follows as of September 30,:

	2019	2018
Buildings	\$ 1,155,320	\$ 1,365,380
Investments	1,296,773	1,768,470
Pledges receivable	56,340	47,600
Cash and cash equivalents	785,457	441,995
	<u>\$ 3,293,890</u>	<u>\$ 3,623,445</u>

GIRL SCOUTS OF SOUTHERN NEVADA, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
SEPTEMBER 30, 2019 AND 2018

11. Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
STEAM	\$ 177,843	\$ 27,500
Scholarships	13,200	1,651
Other	<u>76,844</u>	<u>11,476</u>
	267,887	40,627
Expiration of time restrictions:		
Building	210,060	210,060
Building maintenance	<u>-</u>	<u>219,199</u>
Total net assets released from donor restrictions	<u>\$ 477,947</u>	<u>\$ 469,886</u>

12. Product Sales

As part of the programing to teach girls financial literacy, the Organization holds sales of cookies, nuts and candies during the year, which are classified under product sales. A portion of the revenue from these sales is provided to the troops and service units, while the Organization retains a portion of these sales as follows for the years ended September 30,:

	<u>2019</u>	<u>2018</u>
Gross product sales	\$ 4,757,369	\$ 4,741,887
Less: Cost of goods sold	1,196,581	1,170,437
Less: allocation to troops and service units	<u>922,274</u>	<u>922,607</u>
Net product sales	<u>\$ 2,638,514</u>	<u>\$ 2,648,843</u>

13. Concentrations

The Organization maintains deposits at one financial institution which, at most times, exceeded amounts covered by the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Organization has not experienced any losses on deposits and does not believe they are exposed to a significant credit risk.

The Organization maintains cash balances in investment accounts held by one investment broker which, at most times, exceeded amounts covered by the Securities Investor Protection Corporation (SIPC) limit of \$250,000. SIPC insurance covers losses due to investment fraud. The Organization has not experienced any such losses and does not believe they are exposed to a significant credit risk.

For the years ended September 30, 2019 and 2018 approximately 22% and 60%, respectively, of the Organization's support came from the sale of cookies, nuts and candies. Two vendors provided all of the products sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

14. Related Party Transactions

The Organization is an affiliated-chartered member of the Girl Scouts of the United States of America (GSUSA). GSUSA is the supplier of resale items for the Organization's retail store; provides training, materials and schooling for members, volunteers, and staff of the Organization; and also provides registration information collected from members. The Organization collects annual dues from its members and forwards them to GSUSA. The amounts remitted to GSUSA for the year ending September 30, 2019 were \$17,935 for membership dues and \$102,021 for purchases from GSUSA for resale in the Organization's store. The amounts remitted to GSUSA for the year ending September 30, 2018 were \$27,485 for membership dues, \$122,564 for purchases from GSUSA for resale in the Organization's store, and \$102,625 for interim CEO services. As of September 30, 2019 and 2018, \$11,373 and \$2,046, respectively, was payable to GSUSA.

Three members of the Organization's Board of Directors are owners or senior executives for companies that provided purchased and in-kind goods and services to the Organization. For the years ended September 30, 2019 and 2018, \$58,222 and \$60,675 in purchased goods and services and \$218,122 and \$211,948 in in-kind contributions, respectively, were provided by related parties. Of these amounts, \$273,393 and \$268,408 were related to the Dessert Before Dinner event, and \$2,951 and \$4,215 were for other goods and services, for the years ended September 30, 2019 and 2018, respectively.

15. Significant Estimates

The Organization receives significant amounts of donated services for the annual event, Dessert Before Dinner. This is recognized as in-kind special event revenue and in-kind special event expense. The valuation of these in-kind donations is a significant estimate. The amount recorded as revenue and expense is based on management's assessment of the reasonableness of invoices provided by the vendors who provide the in-kind services.

During the year ended September 30, 2019, the Organization received a significant amount of donated assets from the Charles and Phyllis M. Frias Charitable Trust (Note 6). These assets were recognized as property, plant, and equipment and in-kind donation – estate gift. The valuation of this in-kind donation is a significant estimate, based on management's assessment of the reasonableness of professional appraisals.

GIRL SCOUTS OF SOUTHERN NEVADA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019 AND 2018

16. Prior Period Reclassification of Net Assets

As discussed in Note 2, the Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ended September 30, 2019.

A summary of the net asset reclassifications made as a result of the adoption of ASU 2016-14 as of September 30, 2018 follows:

	Beginning of Year	End of Year
As originally stated:		
Unrestricted	\$ 5,193,275	\$ 5,956,112
Temporarily restricted	3,828,303	6,623,445
	<u>\$ 9,021,578</u>	<u>\$ 9,579,557</u>
As restated:		
Without donor restrictions	\$ 5,193,275	\$ 5,956,112
With donor restrictions	3,828,303	6,623,445
	<u>\$ 9,021,578</u>	<u>\$ 9,579,557</u>