GIRL SCOUTS OF SOUTHERN ARIZONA AND AFFILIATES

Audited Combined Financial Statements

For the year ended September 30, 2019

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LUDWIG KLEWER & RUDNER PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Girl Scouts of Southern Arizona and Affiliates

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Girl Scouts of Southern Arizona (a nonprofit organization) and affiliates, which comprise the combined statement of financial position as of September 30, 2019, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of Southern Arizona and Affiliates as of September 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ludwig Klewer & Rudner, PLLC

February 19, 2020

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GIRL SCOUTS OF SOUTHERN ARIZONA AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
September 30, 2019

Current assets:		
Cash and cash equivalents	$	1,351,528
Accounts receivable, net		25,631
Accrued interest receviable		5,321
Contributions receivable		5,113
Inventory		163,702
Prepaid expenses		55,821
Total current assets		1,607,116
Deposits		2,703
Investments		3,512,471
Property and equipment, net		4,936,398
Total assets	$	10,058,688

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	$	70,460
Accrued expenses		218,129
Deferred revenue		16,637
Forgivable Angel Charity loan, current portion		50,000
Total current liabilities		355,226
Forgivable Angel Charity loan, non-current portion		350,000
Total liabilities		705,226
Net assets:		
Without donor restrictions:		
Designated by the Board		886,700
Expended for property and equipment		4,936,398
Available for operations		2,744,789
Total net assets without donor restrictions		8,567,887
Net assets with donor restrictions		
Restricted for specified purposes		302,006
Perpetual in nature		483,569
Total net assets with donor restrictions		785,575
Total net assets		9,353,462
Total liabilities and net assets	$	10,058,688

GIRL SCOUTS OF SOUTHERN ARIZONA AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
For the year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Public support:			
Contributions	$ 533,937	$ 433,071	$ 967,008
In-kind contributions	46,687	-	46,687
Grants and contracts	58,061	-	58,061
Allocations from United Way	15,426	-	15,426
Total public support	654,111	433,071	1,087,182
Operating revenue:			
Cookie sales:			
Gross cookie sales	4,233,886	-	4,233,886
Troop incentives	(639,384)	-	(639,384)
Sales incentives and appreciation	(249,308)	-	(249,308)
Cost of goods sold	(976,602)	-	(976,602)
Cookie sales, net	2,368,592	-	2,368,592
Retail sales, net	65,294	-	65,294
Program service fees	276,587	-	276,587
Investment income, net	140,317	14,390	154,707
Rental income	48,364	-	48,364
Gain on sale of property	31,672	1,885	33,557
Miscellaneous revenue	34	-	34
Total operating revenue	2,930,860	16,275	2,947,135
Total public support and operating revenue	3,584,971	449,346	4,034,317
Net assets released from restrictions	139,994	(139,994)	-
Total revenues, support and reclassifications	3,724,965	309,352	4,034,317
Expenses:			
Program services	2,992,169	-	2,992,169
Supporting services			
General and administrative	402,629	-	402,629
Fund-raising and development	387,497	-	387,497
Total expenses	3,782,295	-	3,782,295
Change in net assets	(57,330)	309,352	252,022
Net assets, beginning of year, reclassified	8,625,217	476,223	9,101,440
Net assets, end of year	$ 8,567,887	$ 785,575	$ 9,353,462

See independent auditor's report and accompanying notes.

GIRL SCOUTS OF SOUTHERN ARIZONA AND AFFILIATES

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2019

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fund-raising and Development	Total
Salaries and wages	$ 1,433,708	$ 192,229	$ 214,431	$ 1,840,368
Employee benefits	179,278	22,857	23,891	226,026
Payroll taxes and insurance	121,418	33,740	1,471	156,629
Total salaries and related expenses	1,734,404	248,826	239,793	2,223,023
Professional fees	164,182	26,543	57,274	247,999
Girl and adult opportunities	217,747	523	10,427	228,697
Occupancy	222,330	4,080	1,995	228,405
Insurance	67,617	19,646	-	87,263
Printing, publications and advertising	58,488	9,102	6,033	73,623
Supplies	45,851	8,424	10,364	64,639
Travel and transportation	57,800	4,898	1,346	64,044
Dues, licenses and fees	43,331	4,112	9,586	57,029
Donated goods and services	-	8,340	32,647	40,987
Telephone	34,444	2,023	360	36,827
Conferences, conventions and meetings	16,807	16,343	3,133	36,283
Equipment rental and maintenance	15,166	13,664	5,855	34,685
Interest and bank fees	10,577	12,767	6,596	29,940
Bad debt	20,296	6,119	-	26,415
Postage	8,043	1,544	2,088	11,675
Recruitment	6,308	1,529	-	7,837
Total functional expenses before depreciation	2,723,391	388,483	387,497	3,499,371
Depreciation	268,778	14,146	-	282,924
Total functional expenses	$ 2,992,169	$ 402,629	$ 387,497	$ 3,782,295

See independent auditor's report and accompanying notes.

GIRL SCOUTS OF SOUTHERN ARIZONA AND AFFILIATES

COMBINED STATEMENT OF CASH FLOWS
For the year ended September 30, 2019

Cash flows from operating activities:		
Change in net assets	$	252,022
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		282,924
Gain on sale of property		(33,557)
Uncollectible promises to give written off		5,400
Angel charity loan forgiven		(50,000)
Donated property and equipment		(5,700)
Net realized and unrealized gain on investments		(96,889)
Changes in operating assets and liabilities:		
Accounts receivable, net		49,261
Accrued interest receivable		(233)
Inventory		48,749
Prepaid expenses		(14,210)
Deposits		(2,353)
Accounts payable		(20,763)
Accrued expenses		4,084
Deferred revenue		(7,614)
Total adjustments		159,099
Net cash provided by operating activities		411,121
Cash flows from investing activities:		
Purchases of property and equipment		(151,955)
Proceeds from sale of property		261,387
Proceeds from sale of investments - other		149,994
Purchases of investments		(2,615,382)
Proceeds from sale of investments		2,403,047
Net cash provided by investing activities		47,091
Cash flows from financing activities:		
Proceeds from borrowings on line of credit		824,743
Repayments of line of credit		(824,743)
Principal payments on vehicle loan		(10,465)
Collections of contributions restricted for capital purposes		39,942
Net cash provided by financing activities		29,477
Net change in cash and cash equivalents		487,689
Cash and cash equivalents, beginning of year		863,839
Cash and cash equivalents, end of year	$	1,351,528
Supplemental schedule of cash flow information:		
Cash paid during the year for interest	$	1,155
Supplemental schedule of noncash investing and financing activities:		
Donated property and equipment	$	5,700

See independent auditor's report and accompanying notes.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended September 30, 2019

1. Organization

The combined entities, Girl Scouts of Southern Arizona ("GSSA"), Girl Scouts of Southern Arizona Foundation and Girl Scouts of Southern Arizona Properties, Inc. (collectively the "Organization"), are nonprofit charitable organizations, incorporated in the State of Arizona and chartered by the Girl Scouts of the United States of America ("GSUSA").

The Organization has been engaging girls in the Girl Scout Leadership Experience in Southern Arizona for over 80 years. GIRL stands for Go-getter, Innovator, Risk-taker and Leader. The Organization has structured its programs, assembled staff, and trained volunteers with focus and determination in order to further the mission to develop GIRLS of Courage, Confidence and Character who make the world a better place. While the Organization annually serves more than 7,000 members throughout Southern Arizona, that number only tells a portion of the story.

The Organization believes that every girl deserves equal access to opportunity regardless of her socio-economic or "at-risk" status. While volunteer-led troops are extremely important to Girl Scouts, if GSSA allowed its leadership to be content with this model, it would only reach a fraction of the girls who want to be Girl Scouts each year, leaving out those who are the most vulnerable including girls in crisis, girls who live in foster care group homes and temporary shelters, girls with incarcerated mothers, girls who are in detention or on the brink of incarceration, girls who live in isolated or rural communities, and those who live in impoverished areas. The need for enrichment programs for girls in need was the catalyst for the Organization to change to a Social Justice model of program delivery to ensure that no girl ever slips through the cracks. The Organization serves at-risk and impoverished girls free-of-charge in order to break down any financial barriers that might prevent their participation.

The Organization's primary program focus is on cultivating leadership in girls, by facilitating a broad range of relevant, innovative and fun, informal learning experiences that give girls opportunities to learn and grow. Through the Organization's programs, girls gain life skills, a sense of civic responsibility, social conscience, self-worth and a variety of developmental assets that serve them well throughout their lives.

The Girl Scout Leadership Experience is supported by five initiatives: literacy, including financial literacy; health and wellness, which includes obesity prevention, nutrition education, physical fitness, self-esteem and body image; Science, Technology, Engineering and Math ("STEM"), which includes astronomy, technology, robotics, physics, and basic math skills; arts and culture, which gives girls the opportunity to explore culture locally and globally and use art as a vehicle for self-expression; and environmental education, which includes outdoor education, stewardship and green initiatives.

The goals of the Organization are to serve girls ages 5-17 through a wide range of contemporary programs that reflect the unique needs and interests of girls living in Southern Arizona; to provide preventative strategies that help girls succeed in school and life; to empower girls to reach their full potential; to give girls a voice in the community and their own lives; to provide access to programs to girls in need; to support a diverse adult leadership; to develop effective community collaborations; and to remain fiscally sound to ensure that Girl Scouting is available to girls long into the future.

The Organization's revenues are primarily generated from cookie sales, retail sales, program service fees and public support. Girl Scout cookie sale activities help girls learn invaluable skills such as goal-setting, decision-making, money management, and delivering on a promise. Each Girl Scout troop that sells products earns money for its troop's treasury and plans how to spend that money to achieve its goals. The Organization's share of proceeds from the cookie sale activities helps to provide the financial assistance needed to make Girl Scouting available for all girls, fund camp and program activities, keep event and camp fees for all members to a minimum, improve and maintain camp and other activity sites, recruit and train volunteer leaders, and to pay Organization operating expenses.

1. Organization, Continued

Retail sales consist primarily of sales of Girl Scout related items. Sales occur mainly at the Organization's retail stores located in Southern Arizona. Proceeds from these sales help to cover the cost of maintaining the Organization's retail stores as a service to its members.

Program service fees consist of fees for camp, special event, and other related programs for the girls to develop a sense of accomplishment and increase self-confidence and leadership skills.

2. Summary of Significant Accounting Policies

Financial Statement Presentation and Contributions

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

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor (or grantor) restrictions. Net assets without donor restrictions also includes net assets designated by the governing board for a general operating reserve, a program operating reserve and a capital projects reserve.
- Net assets with donor restrictions – net assets subject to donor (or grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Principles of Combination

The combined financial statements include the accounts of Girl Scouts of Southern Arizona, Girl Scouts of Southern Arizona Foundation and Girl Scouts of Southern Arizona Properties, Inc. All significant inter-organization accounts and transactions have been eliminated.

Use of Estimates

The preparation of the combined 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 combined financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts, which for short periods of time, may exceed federally insured limits of $250,000 per institution. At September 30, 2019, the Organization had $155,463 on deposit in excess of federally insured limits.

Investments held by brokerage institutions are covered up to $500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. The Organization had $3,251,821 in investments in excess of the SIPC limit at September 30, 2019. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

Investments

In accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Unrealized gains and losses are included in the change in net assets.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. As of September 30, 2019 all contributions receivable are considered current, and management expects the entire contributions receivable balance to be collected; therefore, no allowance for uncollectible amounts has been recorded as of September 30, 2019.

Donated Services and Materials

Donated materials are valued at their fair market value. Donated services are recognized in the combined financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although the Organization may utilize the services of outside volunteers, the fair value of these services has not been recognized in the accompanying combined financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from Arizona income tax under Arizona Revised Statute Section 43-1201(4). Therefore, no provision has been made for income taxes in the accompanying combined financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(A)(1). There were no income taxes paid during the year ended September 30, 2019.

2. Summary of Significant Accounting Policies, Continued

Income Tax Status, continued

The Organization's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of September 30, 2019, there were no uncertain tax positions that are potentially material.

Advertising Costs

Advertising costs are expensed as incurred. The Organization does not participate in direct-response advertising, which requires the capitalization and amortization of related costs. Advertising expense for the year ended September 30, 2019 was $41,155.

Allocation of Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural classification. Certain other expenses are allocated among program services and supporting services benefited. These allocated expenses include payroll and related expenses, which are allocated based on estimates of time and effort as well as depreciation, utilities, insurance and other operating expenses, which are allocated based on the department. Each department is identified by a department code and various items purchased to maintain operations are allocated to the departments. Administration and fundraising expenses are identified by separate department codes and are allocated based on use.

3. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date, are comprised of:

Cash and cash equivalents	$ 1,351,528
Accounts receivable, net	25,631
Contributions receivable	5,113
Inventory	163,702
Total financial assets available within one year	1,545,974
Less:	
Amounts unavailable for general expenditure within one year due to:	
Purpose restrictions	(302,006)
Total financial assets available to management for general expenditure within one year	$ 1,243,968

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of weekly requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of $700,000, which it could draw upon. In addition, the Organization has a board-designated reserve fund. Although the Organization does not intend to spend from these funds, other than the amounts appropriated for general expenditures as part of its annual budget approval process, these funds can be made available if necessary.

4. Investments

Investments are valued at fair market value and consist of the following at September 30, 2019:

Equity securities	$	1,670,796
Mutual funds		973,887
U.S. Government securities		319,972
Corporate bonds		532,327
Commodities		15,489
Total investments		3,512,471
Less perpetual endowment funds		(483,569)
Investments available for operations	$	3,028,902

Investment income consists of the following for the year ended September 30, 2019:

Interest and dividends	$	93,676
Realized and unrealized gain, net		96,889
Investment expenses		(35,858)
Investment income, net	$	154,707

5. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

5. Fair Value Measurements, Continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019.

- *Equities, fixed income, commodities and other marketable assets:* Valued at fair value based on national trade listing.
- *Mutual funds:* Valued at the net asset value ("NAV") of shares held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of investment assets measured on a recurring basis at September 30, 2019 are:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 1,670,796	$ -	$ -	$ 1,670,796
Mutual funds	973,887	-	-	973,887
U.S. Government securities	319,972	-	-	319,972
Corporate bonds	532,327	-	-	532,327
Commodities	15,489	-	-	15,489
Total assets at fair value	$ 3,512,471	$ -	$ -	$ 3,512,471

6. Property and Equipment

Property and equipment consists of the following as of September 30, 2019:

Land and improvements	$ 788,675
Buildings and building improvements	7,637,675
Furniture and equipment	910,512
Vehicles	180,270
Total property and equipment	9,517,132
Less accumulated depreciation	(4,580,734)
Total property and equipment, net	$ 4,936,398

7. Forgivable Angel Charity Loan

During the year ended September 30, 2017, GSSA entered into a non interest-bearing forgivable promissory note in the amount of $500,000 with Angel Charity for Children, Inc. The details of the loan are:

Forgivable note payable to a Angel Charity for Children, Inc; $50,000 forgiven annually for ten years provided that the Organization complies with the terms of the agreement; matures September 2027; secured by two deeds of trust, security agreement, and assignments of leases and rents, one related to the Organization's administrative building and the other related to the constructed property.	$	400,000
Less current portion		(50,000)
Non-current portion	$	350,000

The scheduled future maturities of the loan are:

Year ending September 30,:		
2020	$	50,000
2021		50,000
2022		50,000
2023		50,000
2024		50,000
Thereafter		150,000
	$	400,000

8. Line of Credit

The Foundation has a revolving line of credit agreement with a financial institution with a maximum borrowing limit of $700,000. Management is authorized to use this line of credit solely to facilitate timely payments of cookie invoices in order to take advantage of purchase discounts offered. Interest is calculated at LIBOR plus the daily spread (as defined by the agreement). The line is secured by the Foundation's securities held by the financial institution. The line of credit does not have a maturity date; however, amounts outstanding are due on demand at the discretion of the financial institution. There was no outstanding balance on the line of credit as of September 30, 2019.

9. Net Assets Without Restrictions

Net assets without restrictions includes net assets designated by the Board for the following purposes as of September 30, 2019:

Girl Scouts of Southern Arizona:		
General operating reserve	$	600,000
Girl Scouts of Southern Arizona Properties, Inc.- future capital expenditures		286,700
Total board designated net assets	$	886,700

10. Net Assets With Restrictions

Net assets with donor restrictions are restricted for the following purposes as of September 30, 2019:

Subject to expenditure for specified purpose:	
Yuma Girl Scouts operations	$ 136,274
Leadership Development (Social Justice Program)	93,134
Capital projects	25,000
Health and Wellness	13,750
STEM (Science, Technology, Engineering and Math)	13,568
Civic Engagement	10,000
Capital campaign	5,113
Girl Scouts Leadership Experience	2,083
Travel Programs	1,667
Stewards of Children	1,000
Girl Scouts Behind Bars	417
	302,006
Endowment:	
Not subject to spending policy or appropriation:	
Original endowment gifts	483,569
Net assets with donor restrictions	$ 785,575

Activity in net assets with donor restrictions is comprised of the following for the year ended September 30, 2019:

	Contributions	Investment Income	Releases
Subject to expenditure for specified purpose:			
Yuma Girl Scouts operations	$ 1,885	$ -	-
Leadership Development (Social Justice Program)	92,460	-	(41,360)
Capital projects	25,000	-	-
Health and Wellness	12,917	-	(7,500)
STEM (Science, Technology, Engineering and Math)	13,527	-	(35,542)
Civic Engagement	10,000	-	-
Capital campaign	-	-	(45,342)
Girl Scouts Leadership Experience	2,083	-	(5,000)
Travel Programs	1,667	-	(4,000)
Stewards of Children	-	-	-
Girl Scouts Behind Bars	417	-	(1,250)
	159,956	-	(139,994)
Endowment:			
Not subject to spending policy or appropriation:			
Original endowment gifts	275,000	14,390	-
Net assets with donor restrictions	$ 434,956	$ 14,390	$ (139,994)

11. Endowment Funds

The Organization's endowments were established to support and further enhance the mission of the Organization.

The Organization has interpreted the "Management of Charitable Funds Act" (Arizona's version of the Uniform Prudent Management of Institutional Funds Act or UPMIFA) as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, not subject to spending policy or appropriation. (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) if applicable, 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 with donor restrictions, not subject to spending policy or appropriation is classified as net assets with donor restrictions, subject to spending policy or appropriation until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by law. The Board of Directors has designated earnings on donor-restricted endowments, that are not subject to donor stipulation, be appropriated for expenditure.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, the endowment assets are invested in a balanced portfolio comprised of mutual funds, bonds, and equities. To satisfy its long-term 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) while assuming a moderate level of investment risk. The Organization targets a diversified asset allocation that places more emphasis on equity securities to achieve its long-term return objectives within prudent risk constraints. The Organization expects its endowment funds, over time, to provide an absolute rate of return approximately 5 percent annually. Actual returns in any given year may vary from that amount.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires the Organization to retain for a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of September 30, 2019.

All of the Organization's endowment net assets are donor-restricted. Changes in endowment net assets for the year ended September 30, 2019 are:

Balance, September 30, 2018	$ 194,179
Contributions	275,000
Investment income, net	14,390
Balance, September 30, 2019	$ 483,569

12. Retail Sales

The components of retail sales are as follows for the year ended September 30, 2019:

Retail sales	
Gross sales	$ 260,898
Less cost of goods sold	(195,604)
	$ 65,294

13. Retirement Plan

The Organization participated in the National Girl Scout Council Retirement Plan ("Retirement Plan"); a noncontributory multi-employer defined benefit pension plan sponsored by GSUSA which covers substantially all employees of the Organization. Benefits are based on years of service and salary levels. The Organization's required annual contribution to the retirement plan for the year ended September 30, 2019 totaled $127,978.

The risks of participating in this multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer 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.
- If the Organization chooses to stop participating in the multi-employer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The National Board of GSUSA voted to freeze future benefits under the Retirement Plan effective July 31, 2010. The Retirement Plan is currently under funded; however, information is not available from GSUSA to allow the Organization to determine its share of funded or unfunded vested benefits.

As of September 30, 2019, the Retirement Plan was 61% funded. According to the Pension Protection Act of 2006, this gives the Retirement Plan a zone status of red based on information that the Organization received from the Retirement Plan. Plans in the red zone are generally less than 65% funded; plans in the yellow zone are less than 80% funded; and plans in the green zone are at least 80% funded.

On September 29, 2010, the Organization's board of directors approved a resolution to terminate its sponsorship of the Retirement Plan.

14. SIMPLE IRA Plan

Effective January 2, 2011, the Organization established a Savings Incentive Match Plan for Employees (SIMPLE) IRA for all eligible employees, as defined by the Plan. The Organization's required matching contribution totaled $26,006 for the year ended September 30, 2019.

15. Operating Leases

The Organization leases retail space for some of its resource centers, vehicles and certain pieces of office equipment under non-cancelable operating leases. The leases generally have options to renew for one to five-year periods and require the Organization to pay taxes, insurance and normal maintenance and repair costs. The following is a summary of future minimum lease payments under non-cancelable operating leases as of September 30, 2019:

15. Operating Leases, Continued

Year ending September 30,		
2020	$	25,049
2021		6,953
2022		296
Total future minimum lease payments	$	32,298

Rental expense totaled $53,399 for the year ended September 30, 2019.

16. Related Party Transactions

The Organization is a chartered member of GSUSA. Accordingly, the Organization collects and passes through membership fees on behalf of GSUSA. The Organization also purchases the majority of its retail inventory from GSUSA. The Organization's inventory purchases from GSUSA for 2019 totaled $110,482. The liability to GSUSA for purchases as of September 30, 2019 totaled $10,217. The obligation to GSUSA is included in accounts payable in the accompanying combined statement of financial position. The Organization paid software fees in the amount of $38,354 to GSUSA during the year ended September 30, 2019. In addition, the total amount paid by the Organization to GSUSA for girls that could not afford the membership dues totaled $70,269 for the year ended September 30, 2019.

Contribution revenue for the year ended September 30, 2019 includes $26,105 contributed by members of the Organization's staff and the board of directors.

17. Net Asset Reclassification

Net assets as of September 30, 2018 has been reclassified to reflect net assets with donor restrictions that were incorrectly reported as net assets without donor restrictions. As a result, net assets with donor restrictions has been increased, and net assets without donor restrictions has been decreased, by $134,389 as September 30, 2018. This reclassification did not effect the change in net assets as previously reported for the year ended September 30, 2018.

18. Concentrations of Risk

Revenues

The Organization generates the majority of its revenue from cookie sales to the public, via the sales efforts of the Girl Scout troops. If the level of this support declines, there may be a resulting negative impact upon the level and types of activities and program services offered by the Organization. During the year ended September 30, 2019, 59% of the Organization's revenue was generated from the net proceeds from cookie sales.

19. Subsequent Events

The Organization was unaware of any subsequent events as of February 19, 2020, the date the combined financial statements were available to be issued