



January 9, 2019

To the Board of Directors and Management
Girl Scouts of Utah
Salt Lake City, Utah

We have audited the financial statements of Girl Scouts of Utah as of and for the year ended September 30, 2018, and have issued our report thereon dated January 9, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 23, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Girl Scouts of Utah solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Girl Scouts of Utah is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant

accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

2017 Passed Adjustment:

| | |
|-------------------------------------|----------|
| Understatement of Land | \$35,080 |
| Overstatement of Land Mudslide Loss | \$35,080 |

2018 Passed Adjustments:

| | |
|---|----------|
| Overstatement of Depreciation Expense | \$18,182 |
| Overstatement of Accumulated Depreciation | \$18,182 |
| Overstatement of Wage Expense | \$9,315 |
| Overstatement of Accrued Wages | \$9,315 |

The effect of these uncorrected misstatements as of and for the year ended September 30, 2018, is an understatement of net assets of approximately \$27,500 and an overstatement of the change in net assets of approximately \$7,600.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Girl Scouts of Utah's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 9, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Girl Scouts of Utah, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Girl Scouts of Utah's auditors.

Other Matters

With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the Board of Directors and management of Girl Scouts of Utah and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah



Financial Statements
September 30, 2018 and 2017
Girl Scouts of Utah

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Independent Auditor's Report

To the Board of Directors
Girl Scouts of Utah
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts of Utah, which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 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 Girl Scouts of Utah as of September 30, 2018 and 2017, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 20 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Eide Bailly LLP

Salt Lake City, Utah
January 9, 2019

Girl Scouts of Utah
Statements of Financial Position
September 30, 2018 and 2017

| | 2018 | 2017 |
|---|---------------|---------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,457,246 | \$ 1,788,543 |
| Accounts receivable | 25,064 | 29,665 |
| Inventory | 124,271 | 118,160 |
| Prepaid expenses and other assets | 73,193 | 67,257 |
| Total current assets | 1,679,774 | 2,003,625 |
| Property and equipment, net | 11,478,186 | 11,753,071 |
| Long term investments | 4,497,558 | 4,247,198 |
| Total assets | \$ 17,655,518 | \$ 18,003,894 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 165,156 | \$ 69,996 |
| Accrued expenses and other liabilities | 380,461 | 293,496 |
| Funds held for others | 7,298 | 11,405 |
| Deferred revenue | 127,745 | 48,558 |
| Capital lease obligations - current portion | 20,382 | 23,518 |
| Long term debt - current portion | 133,711 | 3,850,141 |
| Total current liabilities | 834,753 | 4,297,114 |
| Capital lease obligations, less current portion | 23,281 | 42,995 |
| Long term debt, less current portion | 3,607,927 | - |
| Total liabilities | 4,465,961 | 4,340,109 |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 620,967 | 1,120,962 |
| Invested in property and equipment, net of related debt | 7,692,885 | 7,836,417 |
| Board designated insurance proceeds | - | 35,080 |
| Board designated investments | 4,497,558 | 4,247,198 |
| Total unrestricted net assets | 12,811,410 | 13,239,657 |
| Temporarily restricted net assets | 378,147 | 424,128 |
| Total net assets | 13,189,557 | 13,663,785 |
| Total liabilities and net assets | \$ 17,655,518 | \$ 18,003,894 |

Girl Scouts of Utah
Statements of Activities
Years Ended September 30, 2018 and 2017

| | 2018 | 2017 |
|--|---------------|---------------|
| Unrestricted Net Assets | | |
| Revenue, support, and gains | | |
| Family campaign | \$ 125,842 | \$ 182,925 |
| Program service fees | 806,202 | 728,174 |
| Cookie sales | 6,152,823 | 5,982,455 |
| Less cost of cookie sales | (2,744,847) | (2,563,840) |
| Net cookie sales | 3,407,976 | 3,418,615 |
| Gift shop sales | 415,325 | 382,222 |
| Less cost of goods sold | (271,298) | (247,429) |
| Net gift shop sales | 144,027 | 134,793 |
| Net investment return | 282,224 | 425,163 |
| Lease income, net | 29,582 | 38,769 |
| Rental income | 11,760 | 2,075 |
| Other revenue | 109,880 | 30,583 |
| Gross special events revenue | - | 75,930 |
| Less cost of direct benefits to donors | - | (36,753) |
| Net special events revenue | - | 39,177 |
| Loss on disposal of equipment | (14,021) | - |
| Net assets released from restrictions | 147,435 | 204,612 |
| Total unrestricted revenue, support, and gains | 5,050,907 | 5,204,886 |
| Expenses | | |
| Program services expense | | |
| Girls' services | 4,660,035 | 4,262,419 |
| Supporting services expense | | |
| Management and general | 539,984 | 542,891 |
| Fundraising | 279,135 | 256,384 |
| Total expenses | 5,479,154 | 5,061,694 |
| Change in Unrestricted Net Assets | (428,247) | 143,192 |
| Temporarily Restricted Net Assets | | |
| Revenue, support, and gains | | |
| Grants and contributions | 101,454 | 371,331 |
| Net assets released from restrictions | (147,435) | (204,612) |
| Change in Temporarily Restricted Net Assets | (45,981) | 166,719 |
| Change in Net Assets | (474,228) | 309,911 |
| Net Assets, Beginning of Year | 13,663,785 | 13,353,874 |
| Net Assets, End of Year | \$ 13,189,557 | \$ 13,663,785 |

Girl Scouts of Utah
Statement of Functional Expenses
Year Ended September 30, 2018

| | Supporting Services | | | | Total Expenses |
|--|---------------------|---------------------------|-------------|------------|-------------------|
| | Program Services | Management and General | Fundraising | Total | |
| Salaries | \$ 2,138,739 | \$ 215,842 | \$ 195,925 | \$ 411,767 | \$ 2,550,506 |
| Benefits | 464,102 | 90,377 | 24,508 | 114,885 | 578,987 |
| Total salaries and benefits | 2,602,841 | 306,219 | 220,433 | 526,652 | 3,129,493 |
| Professional fees | 180,843 | 48,270 | 34,701 | 82,971 | 263,814 |
| Supplies | 501,591 | 35,351 | 4,228 | 39,579 | 541,170 |
| Cost of cookie sales | 2,744,847 | - | - | - | 2,744,847 |
| Cost of goods sold | - | 271,298 | - | 271,298 | 271,298 |
| Telephone | 67,704 | 22,839 | 1,000 | 23,839 | 91,543 |
| Postage | 9,534 | 959 | 392 | 1,351 | 10,885 |
| Printing and publications | 66,752 | 19,862 | 2,386 | 22,248 | 89,000 |
| Occupancy, utilities, and building maintenance | 187,429 | 32,662 | 5,000 | 37,662 | 225,091 |
| Equipment rental, repairs and maintenance | 43,699 | 2,640 | 515 | 3,155 | 46,854 |
| Travel | 150,999 | 20,590 | 3,356 | 23,946 | 174,945 |
| Assistance to girls | 98,503 | - | - | - | 98,503 |
| Depreciation | 364,417 | 42,493 | 4,000 | 46,493 | 410,910 |
| Interest expense | 152,620 | 1,631 | 500 | 2,131 | 154,751 |
| Insurance | 95,994 | 22,326 | 1,500 | 23,826 | 119,820 |
| Bank charges, recruitment, bad debt, and other | 137,109 | 13,597 | 1,124 | 14,721 | 151,830 |
| | 7,404,882 | 840,737 | 279,135 | 1,119,872 | 8,524,754 |
| Less expenses included with revenues on the statement of activities | | | | | |
| Cost of cookie sales | (2,744,847) | - | - | - | (2,744,847) |
| Cost of goods sold | - | (271,298) | - | (271,298) | (271,298) |
| Tenant allocated costs | - | (29,455) | - | (29,455) | (29,455) |
| Total expenses included in the expense section on the statement of activities | \$ 4,660,035 | \$ 539,984 | \$ 279,135 | \$ 819,119 | \$ 5,479,154 |

Girl Scouts of Utah
Statement of Functional Expenses
Year Ended September 30, 2017

| | Supporting Services | | | | Total Expenses |
|---|---------------------|------------------------|-------------|------------|----------------|
| | Program Services | Management and General | Fundraising | Total | |
| Salaries | \$ 1,824,766 | \$ 194,138 | \$ 118,354 | \$ 312,492 | \$ 2,137,258 |
| Benefits | 439,092 | 87,040 | 26,577 | 113,617 | 552,709 |
| Total salaries and benefits | 2,263,858 | 281,178 | 144,931 | 426,109 | 2,689,967 |
| Professional fees | 301,524 | 72,449 | 42,750 | 115,199 | 416,723 |
| Supplies | 400,169 | 35,274 | 33,343 | 68,617 | 468,786 |
| Cost of cookie sales | 2,563,840 | - | - | - | 2,563,840 |
| Cost of goods sold | - | 247,429 | - | 247,429 | 247,429 |
| Cost of direct benefits to donors | - | - | 36,752 | 36,752 | 36,752 |
| Telephone | 69,450 | 24,452 | 5,000 | 29,452 | 98,902 |
| Postage | 10,272 | 1,202 | 462 | 1,664 | 11,936 |
| Printing and publications | 69,097 | 23,514 | 8,295 | 31,809 | 100,906 |
| Occupancy, utilities, and building maintenance | 193,940 | 31,632 | 7,000 | 38,632 | 232,572 |
| Equipment rental, repairs and maintenance | 41,401 | 4,971 | 1,000 | 5,971 | 47,372 |
| Travel | 134,558 | 16,562 | 1,961 | 18,523 | 153,081 |
| Assistance to girls | 85,221 | - | - | - | 85,221 |
| Depreciation | 355,598 | 39,955 | 4,000 | 43,955 | 399,553 |
| Interest expense | 139,808 | 3,911 | 500 | 4,411 | 144,219 |
| Insurance | 88,122 | 20,384 | 1,500 | 21,884 | 110,006 |
| Bank charges, recruitment, bad debt, and other | 109,401 | 15,061 | 5,642 | 20,703 | 130,104 |
| | 6,826,259 | 817,974 | 293,136 | 1,111,110 | 7,937,369 |
| Less expenses included with revenues on the statement of activities | | | | | |
| Cost of cookie sales | (2,563,840) | - | - | - | (2,563,840) |
| Cost of goods sold | - | (247,429) | - | (247,429) | (247,429) |
| Cost of direct benefits to donors | - | - | (36,752) | (36,752) | (36,752) |
| Tenant allocated costs | - | (27,654) | - | (27,654) | (27,654) |
| Total expenses included in the expense section on the statement of activities | \$ 4,262,419 | \$ 542,891 | \$ 256,384 | \$ 799,275 | \$ 5,061,694 |

See Notes to Financial Statements

Girl Scouts of Utah
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Operating Activities | | |
| Change in net assets | \$ (474,228) | \$ 309,911 |
| Adjustments to reconcile change in net assets to net cash from (used for) operating activities | | |
| Depreciation | 410,910 | 399,553 |
| Loss on the disposal of property and equipment | 14,021 | - |
| Realized and unrealized gain on investments | (215,778) | (369,655) |
| Changes in operating assets and liabilities | | |
| Accounts receivable and promises to give | 4,601 | (8,318) |
| Inventory | (6,111) | (53,280) |
| Prepaid expenses and other assets | (5,936) | (27,868) |
| Accounts payable | 95,160 | 5,060 |
| Accrued expenses and other liabilities | 86,965 | 40,745 |
| Funds held for others | (4,107) | (905) |
| Deferred revenue | 79,187 | 36,475 |
| Net Cash from (used for) Operating Activities | (15,316) | 331,718 |
| Investing Activities | | |
| Purchases of investments | (190,981) | (174,911) |
| Proceeds from sales of investments | 156,399 | - |
| Insurance proceeds on damage to property | - | 81,540 |
| Purchases of property and equipment | (150,046) | (182,459) |
| Net Cash used for Investing Activities | (184,628) | (275,830) |
| Financing Activities | | |
| Principal payments on capital lease obligations | (22,850) | (24,165) |
| Principal payments on long term debt | (108,503) | (91,560) |
| Net Cash used for Financing Activities | (131,353) | (115,725) |
| Net Change in Cash and Cash Equivalents | (331,297) | (59,837) |
| Cash and Cash Equivalents, Beginning of Year | 1,788,543 | 1,848,380 |
| Cash and Cash Equivalents, End of Year | \$ 1,457,246 | \$ 1,788,543 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for | | |
| Interest | \$ 153,696 | \$ 144,491 |

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The jurisdiction of the Girl Scouts of Utah (the Council) covers the State of Utah and the city of Wendover, Nevada (with the exception of the Navajo Lands). The Council follows the mission statement of the Girl Scouts of the USA, which is, "Girl Scouting builds girls of courage, confidence, and character, who make the world a better place." The Council receives support from volunteers, including the elected Board of Directors and board committee members.

Cash and Cash Equivalents

The Council considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long term purposes of the Council are excluded from this definition.

Cash does not include bank accounts held by Girl Scout troops and other groups such as service units under the federal identification number of Girl Scouts of Utah. Bank accounts held by troops and groups are under the federal identification number but are not under the control of Girl Scouts of Utah, and therefore not included in these financial statements. The Council has no signature authority over and will not access the funds as long as a troop or group is functioning according to Girl Scout policy and procedure. Individual troops and groups have the responsibility to use funds in their control for the purposes of Girl Scouting as determined by the members and adult volunteers. If a troop or group is about to disband, the troop may use the funds to pay for lifetime memberships in Girl Scouts of the USA, to pay for a final group activity, to donate to groups or projects they consider worthwhile, to donate to the Juliette Lowe Fund (a separate nonprofit organization) or to the Girl Scouts of Utah's financial assistance funds. If a troop or group disbands without making a determination as to the final distribution of funds, the funds will revert to the Council for holding for a period of 12 months in case the troop re-forms or members of the troop join other troops. If, after this time, funds are not claimed, they will be considered a donation to the Girl Scouts of Utah financial assistance fund.

Receivables and Credit Policies

Accounts receivable consist primarily of amounts due from Girl Scouts related to cookie sales. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. No allowance for uncollectible accounts receivable was recorded at September 30, 2018 and 2017.

Inventory

Inventory is comprised of program-related merchandise held for sale in the gift shop and is stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value.

Property and Equipment

Property and equipment additions over \$2,500 and all livestock are recorded at cost or, if donated, at fair value on the date of donation. The Council's capitalization policy was amended by the Board of Directors, effective October 1, 2017. Prior to this date, property and equipment additions over \$10,000 were capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years or, in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. Livestock is recorded at cost and is depreciated over seven years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Council reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2018 and 2017.

Investments

Investment purchases are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses and dividends and interest are reported in the statements of activities.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board designated net assets consist of net assets designated by the Board of Directors for operating reserve and quasi-endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Council and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Council's Board of Directors.

The Council reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Council. The restrictions stipulate that resources be maintained permanently but permit the Council to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Cookie Activity Credits

As a sales incentive, the Council issues credits to those who sell a certain amount of cookies, which are redeemable for program and membership fees and Girl Scout merchandise. The value of these credits is recorded as an expense of cookie sales. Unredeemed and available credits are reflected in the financial statements as accrued expenses. Accrued credits as of September 30, 2018 and 2017 totaled \$72,555 and \$112,261, respectively. Credits expire within a specified time period and are charged back to accrued expenses upon expiration. Management has established a policy to record 80 percent of activity credits based upon the historical usage of credits. Management believes this is the best estimate of credits which will be used before their expiration.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Council's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Council records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended September 30, 2018 and 2017, respectively.

Advertising Costs

Advertising costs are expensed as incurred, and totaled \$46,513 and \$54,189 during the years ended September 30, 2018 and 2017, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Council is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Council is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Council is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Council has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Council believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Council would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Financial Instruments and Credit Risk

The Council manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Council has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members and foundations supportive of the Council's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. The investment objective of the Council is to manage the financial assets to earn an appropriate rate of return based on risk tolerance, investment time horizon, and asset allocation. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Council.

Additionally, a significant portion of the Council's revenues result from the annual cookie program campaign. Loss of this revenue source would have a significant adverse effect upon the Council.

Subsequent Events

Management has made an evaluation of subsequent events through January 9, 2019, the date on which the financial statements were available to be issued and determined there were no subsequent events to disclose.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Council develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Council's assessment of the quality, risk or liquidity profile of the asset or liability.

All of the Council's investment assets are classified within Level 1 because they are comprised of open-end income, equity and bond funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at September 30, 2018:

| | Total | Fair Value Measurements at Report Date Using | | |
|-------------------------------------|---------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Board Designated Investments | | | | |
| Cash and cash equivalents (at cost) | \$ 134,943 | \$ - | \$ - | \$ - |
| Income, equity and bond funds | 4,362,615 | 4,362,615 | - | - |
| | <u>\$ 4,497,558</u> | <u>\$ 4,362,615</u> | <u>\$ -</u> | <u>\$ -</u> |

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at September 30, 2017:

| | Total | Fair Value Measurements at Report Date Using | | |
|-------------------------------------|---------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Board Designated Investments | | | | |
| Cash and cash equivalents (at cost) | \$ 126,364 | \$ - | \$ - | \$ - |
| Income, equity and bond funds | 4,120,834 | 4,120,834 | - | - |
| | <u>\$ 4,247,198</u> | <u>\$ 4,120,834</u> | <u>\$ -</u> | <u>\$ -</u> |

Note 3 - Net Investment Return

Net investment return consists of the following for the years ended September 30:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Operating Investments | | |
| Interest income | \$ 2,782 | \$ 2,734 |
| Board Designated Investments | | |
| Interest and dividends - investments | 83,531 | 72,127 |
| Realized gains | 211,671 | 164,895 |
| Unrealized gains | 4,107 | 204,760 |
| Less investment management and custodial fees | (19,867) | (19,353) |
| | <u>\$ 282,224</u> | <u>\$ 425,163</u> |

Note 4 - Property and Equipment

Property and equipment consists of the following at September 30:

| | 2018 | 2017 |
|--|---------------|---------------|
| Land and Land Improvements | \$ 4,767,891 | \$ 4,632,811 |
| Buildings and Improvements | | |
| Administrative buildings | 1,916,813 | 2,107,603 |
| Camp Cloud Rim | 3,629,214 | 3,705,313 |
| Trefoil Ranch | 7,234,772 | 7,322,689 |
| Total buildings and improvements | 12,780,799 | 13,135,605 |
| Equipment and Livestock | | |
| Office equipment | 397,397 | 526,294 |
| Camp equipment | 218,421 | 307,880 |
| Vehicles | 207,440 | 231,923 |
| Livestock | 21,700 | 27,236 |
| Total equipment and livestock | 844,958 | 1,093,333 |
| Total | 18,393,648 | 18,861,749 |
| Less accumulated depreciation and amortization | (6,915,462) | (7,108,678) |
| | \$ 11,478,186 | \$ 11,753,071 |

During the year ended September 30, 2017, a mudslide occurred on the Council's land. Insurance proceeds of \$35,080 were not yet spent on land repairs as of year-end and were reported as board designated unrestricted net assets. As of September 30, 2018, the remaining \$35,080 was spent and recognized as miscellaneous income.

Note 5 - Long Term Debt

Long term debt consists of the following at September 30:

| | 2018 | 2017 |
|---|--------------|-------------|
| A 3.99% note payable, due in monthly installments of \$23,382, including interest, beginning February 1, 2018 through January 1, 2023, when the remaining balance is due, secured by the Council headquarters and Trefoil Ranch | \$ 3,741,638 | \$ - |
| A 3.55% note payable, due in monthly installments of \$19,327, including interest, beginning February 1, 2013 through January 1, 2018, when the remaining balance was due and refinanced into the new loan, secured by the Council headquarters and Trefoil Ranch | - | 3,850,141 |
| | 3,741,638 | 3,850,141 |
| Less current portion | (133,711) | (3,850,141) |
| Noncurrent portion | \$ 3,607,927 | \$ - |

Future maturities of long term debt are as follows:

| <u>Years Ending September 30,</u> | | | |
|-----------------------------------|--|----|-----------|
| 2019 | | \$ | 133,711 |
| 2020 | | | 139,145 |
| 2021 | | | 144,800 |
| 2022 | | | 150,684 |
| 2023 | | | 3,173,298 |
| Thereafter | | | - |
| | | \$ | 3,741,638 |

Note 6 - Leases

The Council leases office space and equipment under operating leases and equipment under various capital leases expiring at various dates through 2022.

Future minimum lease payments are as follows:

| <u>Years Ending September 30,</u> | <u>Capital Leases</u> | <u>Operating Leases</u> |
|---|---------------------------|-----------------------------|
| 2019 | \$ 22,155 | \$ 69,387 |
| 2020 | 19,381 | 68,021 |
| 2021 | 4,636 | 52,994 |
| Total minimum lease payments | 46,172 | <u>\$ 190,402</u> |
| Less amount representing interest | <u>(2,509)</u> | |
| Present value of net minimum lease payments | <u>\$ 43,663</u> | |

Rent expense for the years ended September 30, 2018 and 2017 totaled \$15,763 and \$15,825, respectively.

Leased property under capital leases consists of the following at September 30:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|------------------|------------------|
| Office equipment | \$ 114,556 | \$ 119,711 |
| Less accumulated amortization | <u>(77,656)</u> | <u>(60,043)</u> |
| | <u>\$ 36,900</u> | <u>\$ 59,668</u> |

Note 7 - Board Designated Unrestricted Net Assets

Board designated unrestricted net assets consists of the following at September 30:

| | 2018 | 2017 |
|----------------------------------|--------------|--------------|
| Operating reserve funds | \$ 3,386,419 | \$ 3,175,095 |
| Fixed asset replacement funds | 800,493 | 784,605 |
| Board designated permanent funds | 310,646 | 287,498 |
| | \$ 4,497,558 | \$ 4,247,198 |

The Council established an operating reserve to comply with Girl Scouts of the USA’s request to maintain nine months of operating funds in reserve. Sources of these longer term investments may include campaigns, investment income and surplus funds from prior years.

The Council designates a portion of cookie sales for fixed asset replacements or other capital expenditures including, but not limited to, buildings, land, and equipment. Capital purchases are initially made with operating funds and then annually reimbursed using fixed asset replacement funds.

The Council established a permanent fund to guarantee an independent base of financial stability to carry out the mission of the Girl Scouts of the USA. The permanent fund is approximately 7 percent of the total Council investments. The Council considers the following factors in making a determination to accumulate board designated permanent funds:

- The duration and preservation of the fund
- The purposes of the Organization and the board designated permanent fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Board designated permanent funds are intended to be reinvested until the funds reach \$10,000,000, at which point the funds will be used for special needs programs, capital projects, mission causes approved by the Board of Directors and general operating needs.

Note 8 - Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30:

| | 2018 | 2017 |
|-----------------------------------|------------|------------|
| Trefoil | \$ 103,814 | \$ 100,815 |
| Specific program services | 10,850 | 60,000 |
| Outreach | 66,266 | 70,000 |
| Camperships | 59,043 | 60,000 |
| Camp Cloud Rim | 67,887 | 62,500 |
| Cornelia Benton Scholarship | 67,220 | 68,746 |
| Heritage | 1,067 | 1,067 |
| Capital campaign - Camp Cloud Rim | 2,000 | 1,000 |
| | \$ 378,147 | \$ 424,128 |

Note 9 - Employee Benefits

The Council participates in the National Girl Scout Council Retirement Plan, a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA. The National Board of Girl Scouts of the USA voted to freeze the plan to new entrants and to freeze future benefit accruals for all current participants under the plan effective July 31, 2010. The plan covers substantially all of the employees of various Girl Scout councils who were eligible to participate in the plan prior to the plan freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels. Although net plan assets grew during the current 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, 2017. Contributions made in fiscal years 2018 and 2017 were \$146,940 and \$158,757, respectively.

The Council implemented a 401(k) retirement plan effective January 1, 2000. Employees over 18 years of age are eligible to participate, with the Council matching 100 percent of the employee contribution up to 4 percent of compensation. Council contributions vests immediately. The Council's contributions to the plan during the years ended September 30, 2018 and 2017 totaled \$53,647 and \$49,771, respectively.

Note 10 - Commitments and Contingencies

Pension Plan

As described in Note 9, the Council participates in a defined benefit pension plan sponsored by Girl Scouts of the USA which, at January 1, 2018 and 2017, has an unfunded accumulated plan benefit obligation in excess of plan assets. Currently the plan stipulates that the Council's contribution rate cannot exceed 16 percent of covered payroll. However, these rates are subject to change based on future market performance and future decisions regarding the timing and amounts of future benefit obligation funding. The Council will continue to fund its share of the annual unfunded accumulated plan benefit in excess of plan assets.

Severance Agreement

In September of 2018, the Council entered into a severance agreement with a former employee. The agreement provides base pay through January 2019 and COBRA insurance premium payments through September 2019, unless other employment is found and/or coverage is provided under another medical benefit plan. As of September 30, 2018, the Council has accrued liabilities of \$65,965 in connection with this agreement.

Note 11 - Non-Related Business Segment

The Council owns its own building and rents out approximately 11 percent of the building to tenants who are not related to the Council's nonprofit business operations. At September 30, 2018, approximately 81 percent of the building space available for lease is occupied by tenants. It is the policy of the Council to net all tenant related revenues and expenses which consist of:

| | 2018 | 2017 |
|-----------------------|-----------|-----------|
| Lease income | \$ 59,037 | \$ 66,423 |
| Less related expenses | (29,455) | (27,654) |
| Net lease income | \$ 29,582 | \$ 38,769 |

As of September 30, 2018, the Council has non-cancelable leases with two tenants, one with a lease term of two years through December 2019 and one with a lease term of two years with an expiration date of April 2019.

Future minimum lease rentals are as follows:

| Years Ending September 30, | |
|----------------------------|-----------|
| 2019 | \$ 51,387 |
| 2020 | 9,897 |
| | \$ 61,284 |

Note 12 - Related Party Transactions

During the years ended September 30, 2018 and 2017, the Council purchased inventory and incurred software fees totaling \$182,159 and \$244,647, respectively, from Girl Scouts of the USA, national organization. Of these amounts, \$3,423 and \$15,859 are included in accounts payable at September 30, 2018 and 2017, respectively.



Supplemental Schedule
September 30, 2018
Girl Scouts of Utah

Report on Cookie Sales

| | | |
|---|----------------|----------------------------|
| Product sales | | \$ 6,152,823 |
| Cost of products | 1,608,667 | |
| Troop profit | 661,450 | |
| Service unit profit | 76,027 | |
| Sales incentive, including \$309,856 of cookie credits redeemed for program and membership fees and equipment, \$26,508 for girl incentive awards, and \$62,339 for kickoff and awards celebrations | <u>398,703</u> | |
| Total costs | | <u>2,744,847</u> |
| Net proceeds | | <u><u>\$ 3,407,976</u></u> |