

**GIRL SCOUTS OF SOUTH CAROLINA -
MOUNTAINS TO MIDLANDS, INC.**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 and 2018

**GIRL SCOUTS OF SOUTH CAROLINA –
MOUNTAINS TO MIDLANDS, INC.**

**TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4-5
STATEMENTS OF FUNCTIONAL EXPENSES	6-7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-34

Independent Auditor's Report

To the Board of Directors
Girl Scouts of South Carolina –
Mountains to Midlands, Inc.
Greenville, South Carolina

We have audited the accompanying financial statements of Girl Scouts of South Carolina – Mountains to Midlands, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, 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 audits 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.

Members
American Institute of Certified Public Accountants
S.C. Association of Certified Public Accountants



To the Board of Directors
Girl Scouts of South Carolina –
Mountains to Midlands, Inc.
January 9, 2020

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 South Carolina – Mountains to Midlands, Inc. 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.

Mckinley, Cooper & Co., LLC

Greenville, South Carolina
January 9, 2020

GIRL SCOUTS OF SOUTH CAROLINA - MOUNTAINS TO MIDLANDS, INC.

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

Assets	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 3,076,563	\$ 3,853,231
Short-term investments (Note 7)	129,462	128,059
Total cash and cash equivalents	<u>3,206,025</u>	<u>3,981,290</u>
Accounts receivable, net (Note 5)	38,280	79,672
Promises to give, net (Note 6)	104,297	276,052
Inventories, net	116,469	125,697
Prepaid expenses	89,801	87,851
Total current assets	<u>3,554,872</u>	<u>4,550,562</u>
Non-current assets		
Long-term investments (Note 7)	2,542,010	2,559,771
Long-term promises to give (Note 6)	185,893	181,233
Property and equipment, net (Note 8)	11,437,207	5,715,786
Beneficial interest in assets held by others (Note 9)	95,625	92,486
Total non-current assets	<u>14,260,735</u>	<u>8,549,276</u>
Total assets	<u>\$ 17,815,607</u>	<u>\$ 13,099,838</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 163,468	\$ 98,172
Accrued liabilities	330,035	200,272
Accrued interest	24,932	7,159
Deferred revenue	147,108	149,821
Funds held for GSUSA (Note 10)	540	11,285
Funds held for others	64,262	54,672
Deposits	500	500
Current portion of note payable	-	2,256
Total current liabilities	<u>730,845</u>	<u>524,137</u>
Noncurrent liabilities		
Mortgage payable (Note 15)	6,277,232	1,847,500
Total noncurrent liabilities	<u>6,277,232</u>	<u>1,847,500</u>
Total liabilities	<u>7,008,077</u>	<u>2,371,637</u>
Net assets		
Net assets without donor restrictions		
Operating	1,970,560	3,005,205
Board-designated (Note 12)	2,126,590	2,130,490
Net investment in property and equipment	5,159,975	3,866,030
Total net assets without donor restrictions	<u>9,257,125</u>	<u>9,001,725</u>
Net assets with donor restrictions (Note 13)	1,550,405	1,726,476
Total net assets	<u>10,807,530</u>	<u>10,728,201</u>
Total liabilities and net assets	<u>\$ 17,815,607</u>	<u>\$ 13,099,838</u>

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

GIRL SCOUTS OF SOUTH CAROLINA - MOUNTAINS TO MIDLANDS, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
United Way support	\$ 311,916	\$ -	\$ 311,916
Grants	42,533	-	42,533
Contributions			
Individuals	58,502	446,270	504,772
Corporations and civic groups	92,470	127,125	219,595
Foundations	34,971	18,000	52,971
Product sales			
Sales	6,603,734	-	6,603,734
Cost of sales	(2,928,973)	-	(2,928,973)
Council Shop			
Sales	287,158	-	287,158
Cost of sales	(163,331)	-	(163,331)
Program service fees	316,368	-	316,368
Income on investments	59,030	17,824	76,854
Net unrealized and realized gains on investments	(19,279)	14,546	(4,733)
Other income	72,356	-	72,356
Donated goods and services	1,314	-	1,314
Special fundraising, net	8,794	-	8,794
Net assets released from restrictions Restrictions satisfied by payments	799,836	(799,836)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	5,577,399	(176,071)	5,401,328
EXPENSES			
Program services	4,355,976	-	4,355,976
Supporting services			
Management and general	307,182	-	307,182
Fundraising	658,841	-	658,841
TOTAL EXPENSES	5,321,999	-	5,321,999
INCREASE (DECREASE) IN NET ASSETS	255,400	(176,071)	79,329
NET ASSETS, BEGINNING OF YEAR	9,001,725	1,726,476	10,728,201
NET ASSETS, END OF YEAR	\$ 9,257,125	\$ 1,550,405	\$ 10,807,530

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

GIRL SCOUTS OF SOUTH CAROLINA - MOUNTAINS TO MIDLANDS, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
United Way support	\$ 287,919	\$ -	\$ 287,919
Grants	37,250	-	37,250
Contributions			
Individuals	73,043	222,492	295,535
Corporations and civic groups	67,015	160,550	227,565
Foundations	21,788	298,300	320,088
Planned gifts	12,119	-	12,119
Product sales			
Sales	6,779,833	-	6,779,833
Cost of sales	(2,893,816)	-	(2,893,816)
Council Shop			
Sales	301,889	-	301,889
Cost of sales	(199,552)	-	(199,552)
Program service fees	396,187	-	396,187
Income on investments	39,178	16,852	56,030
Net unrealized and realized gains			
on investments	86,550	82,537	169,087
Other income	87,386	-	87,386
Donated goods and services	40,414	-	40,414
Special fundraising, net	2,689	-	2,689
Net assets released from restrictions			
Restrictions satisfied by payments	607,714	(607,714)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	5,747,606	173,017	5,920,623
EXPENSES			
Program services	4,467,898	-	4,467,898
Supporting services			
Management and general	226,587	-	226,587
Fundraising	696,698	-	696,698
TOTAL EXPENSES	5,391,183	-	5,391,183
INCREASE IN NET ASSETS	356,423	173,017	529,440
NET ASSETS, BEGINNING OF YEAR	8,645,302	1,553,459	10,198,761
NET ASSETS, END OF YEAR	\$ 9,001,725	\$ 1,726,476	\$ 10,728,201

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

GIRL SCOUTS OF SOUTH CAROLINA - MOUNTAINS TO MIDLANDS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Employee compensation and related expenses				
Salaries	\$ 1,770,682	\$ 134,762	\$ 324,650	\$ 2,230,094
Employee health and retirement benefits	500,941	67,032	86,608	654,581
Payroll taxes	162,837	7,985	28,174	198,996
Total employee compensation and related expenses	2,434,460	209,779	439,432	3,083,671
Other expenses				
Professional services and fees	156,005	13,339	71,926	241,270
Food and beverage	56,627	1,647	3,844	62,118
Supplies	105,140	3,058	7,137	115,335
Printing and publications	76,158	131	11,122	87,411
Advertising	32,263	56	4,711	37,030
Telecommunications	145,649	21,536	18,597	185,782
Postage and delivery	13,587	610	3,071	17,268
Occupancy	357,021	3,006	40,341	400,368
Utilities	78,135	658	8,829	87,622
Rental, repair and maintenance on equipment	117,511	7,934	13,161	138,606
Taxes, licenses and permits	4,860	41	549	5,450
Travel	50,633	1,596	6,842	59,071
Automobile expense	133,176	4,197	17,995	155,368
Training and development - volunteers and staff	26,826	5,397	6,775	38,998
Assistance and grants	103,476	-	-	103,476
Membership dues (in other organizations)	5,427	1,092	1,370	7,889
Interest expense	211,049	-	566	211,615
Insurance	94,806	3,086	2	97,894
Recruitment expense	7,921	21,205	43	29,169
Bank fees	30,691	6,390	1,801	38,882
Miscellaneous	10,365	2,250	4	12,619
Total expenses before depreciation	4,251,786	307,008	658,118	5,216,912
Depreciation	104,190	174	723	105,087
Total expenses	\$ 4,355,976	\$ 307,182	\$ 658,841	\$ 5,321,999

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

GIRL SCOUTS OF SOUTH CAROLINA - MOUNTAINS TO MIDLANDS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Employee compensation and related expenses				
Salaries	\$ 2,007,680	\$ 95,733	\$ 351,567	\$ 2,454,980
Employee health and retirement benefits	528,433	38,750	69,073	636,256
Payroll taxes	158,213	6,861	26,997	192,071
Total employee compensation and related expenses	2,694,326	141,344	447,637	3,283,307
Other expenses				
Professional services and fees	221,707	20,272	65,076	307,055
Food and beverage	59,427	1,616	5,440	66,483
Supplies	106,740	2,904	9,771	119,415
Printing and publications	70,600	88	10,513	81,201
Advertising	22,829	28	3,400	26,257
Telecommunications	130,229	5,777	17,168	153,174
Postage and delivery	18,108	705	2,776	21,589
Occupancy	321,316	14,366	45,780	381,462
Utilities	56,169	2,511	8,003	66,683
Rental, repair and maintenance on equipment	142,203	6,014	18,628	166,845
Taxes, licenses and permits	2,007	90	286	2,383
Travel	35,840	1,076	5,935	42,851
Automobile expense	130,577	3,918	21,623	156,118
Training and development - volunteers and staff	36,989	5,184	6,989	49,162
Assistance and grants	121,784	-	-	121,784
Membership dues (in other organizations)	7,460	1,045	1,409	9,914
Interest expense	86,920	25	25	86,970
Insurance	82,552	16,838	-	99,390
Recruitment expense	17,504	262	9,050	26,816
Bank fees	20,291	303	10,491	31,085
Miscellaneous	8,916	133	4,610	13,659
Total expenses before depreciation	4,394,494	224,499	694,610	5,313,603
Depreciation	73,404	2,088	2,088	77,580
Total expenses	\$ 4,467,898	\$ 226,587	\$ 696,698	\$ 5,391,183

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

GIRL SCOUTS OF SOUTH CAROLINA - MOUNTAINS TO MIDLANDS, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 79,329	\$ 529,440
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	105,087	77,580
(Gain) on sale of investments	(70,665)	(97,523)
Unrealized (gain)/loss on investments	17,946	(85,072)
Unrealized (gain) on assets held by others	(851)	(1,854)
(Increase) decrease in assets		
Accounts receivable, net	41,392	(43,402)
Promises to give, net	167,095	(113,336)
Inventories	9,228	(5,046)
Prepaid expenses	(1,950)	1,928
Increase (decrease) in liabilities		
Accounts payable	65,296	18,408
Accrued liabilities	129,763	(27,749)
Accrued interest	17,773	(256)
Deferred revenue	(2,713)	(23,704)
Funds held for others	(1,155)	(25,636)
Net cash provided by operating activities	555,575	203,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and disposals of fixed assets	(5,826,508)	(207,084)
Proceeds from sales and maturities of investments	679,998	601,662
Purchases of investments	(609,518)	(552,464)
Contributions to assets held by others	(1,000)	(1,250)
Realized net change in assets held by others	(1,288)	(1,833)
Net cash (used in) investing activities	(5,758,316)	(160,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(2,256)	(5,564)
Proceeds from/payments on mortgage payable, net	4,429,732	(2,500)
Net cash provided by (used in) financing activities	4,427,476	(8,064)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(775,265)	34,745
CASH AND CASH EQUIVALENTS, beginning of year	3,981,290	3,946,545
CASH AND CASH EQUIVALENTS, end of year	\$ 3,206,025	\$ 3,981,290
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 211,615	\$ 86,970

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

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Girl Scouts of South Carolina – Mountains to Midlands, Inc. is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Council's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Organization and Nature of Activities – Girl Scouts of South Carolina – Mountains to Midlands, Inc. is an affiliate of the Girl Scouts of the USA. Its purpose is to provide the leadership and financial support to maintain scouting programs for girls aged 5 to 17 in a 22 county area of South Carolina.

Financial Statement Presentation – The Council's financial statements are presented in accordance with FASB ASC 958-205 *Not-For-Profit Presentation of Financial Statements*. The Council's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

During the current year, the Council adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, as it relates to net asset classification and liquidity disclosure. The primary objective of the new ASU is to provide more useful information to financial statement users of net assets and financial assets available for general expenditure.

Net assets – Net assets without donor restrictions represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Net assets with donor restrictions are those net assets whose use has been limited by donors to specified purposes or to later periods of time.

A summary of the net assets reclassification in accordance with ASU 2016-14 is as follows:

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

As originally stated:

Net assets, beginning of year, October 1, 2018

Unrestricted	\$	9,001,725
Temporarily restricted		1,084,921
Permanently restricted		641,555
		<hr/>
Total net assets, beginning of year	\$	<u>10,728,201</u>

As restated:

Net assets, beginning of year, October 1, 2018

Without donor restrictions	\$	9,001,725
With donor restrictions		1,726,476
		<hr/>
Total net assets, beginning of year	\$	<u>10,728,201</u>

Contributions – 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 with donor restrictions that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Council reports that support as without donor restriction.

Contributions that are restricted for certain programs or restricted by donors for the Council's real endowments are recorded as support with donor restrictions. When donor restrictions are met, the net assets with donor restrictions are reclassified to net assets without donor restrictions and are included in net assets released from restrictions in the accompanying statement of activities.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the Council considers unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments – Investments consist primarily of assets invested in marketable equity and debt securities, alternative investments, commodities, and money-market funds. The Council accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the Statements of Financial Position. Fair value of marketable equity and debt securities is based on quoted market prices.

Investment income is recorded net of investment expenses. The realized and unrealized gain or loss on investments is reflected in the Statements of Activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

Receivables – The Council records product receivables on its books at the estimated net realizable value. An allowance for uncollectible receivables is estimated based on past experience and on analysis of collectability.

Promises to Give – Promises to give that are due within 12 months are reflected as current promises to give and are recorded at their net realizable value. Promises to give due in subsequent periods are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises to give is estimated based on past experience and on analysis of collectability. The majority of the promises to give are received from a broad base of contributors within the council jurisdictional area.

Inventories – Inventories of Girl Scout merchandise and equipment held for resale are valued at cost determined on average-cost, but not in excess of market value.

Property and Equipment – Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives. The Council capitalizes assets with a cost of \$1,000 or more and an estimated useful life of at least 3 years.

Beneficial Interest in Assets Held by Others – Assets transferred to a recipient organization, the beneficiary of which is the Council, are reported in accordance with FASB Accounting Standards Codification (ASC) 958-605, Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others. Such beneficial interests in assets held by others are valued at their fair value. Unrealized gains and losses are included in the change in net assets.

Compensated Absences – Vacation and sick days are accumulated by each employee. Upon retirement or other termination, employees are not paid for any accumulated sick leave; however, they are paid for unused vacation days earned and not taken as of their departure date. The Council accrues a liability for compensated absences which meet the following criteria:

1. The payment of compensation is probable.
2. The amount can be reasonably estimated.

In accordance with the above criteria, as of September 30, 2019 and 2018, the Council has accrued a liability for earned but unused compensated absences in the amount of \$69,356 and \$85,281, respectively.

Fair Value of Financial Instruments – The carrying values of cash and cash equivalents, accounts receivable, promises to give, accounts payable, accrued liabilities, accrued interest, deferred revenue, funds held for others, and deposits approximate fair value because of the terms and relative short maturity of the financial instruments. The carrying values of long-term investments, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

Endowments – FASB ASC 958-205-50-1A, Reporting Endowment Funds provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2006 (“UPMIFA”) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. South Carolina enacted a version of UPMIFA into the Code of Laws effective July 1, 2008. See Note 11 for further discussion.

Reclassifications – Certain reclassifications may have been made to the 2018 financial statement information to conform to the current year presentation. These reclassifications had no effect on the change in net assets for the year ended 2018.

Estimates – Management uses estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Income Taxes - The Council has obtained exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization which is not a private foundation as well as an eleemosynary corporation recognized in South Carolina. Therefore, no provision for income taxes has been included in the financial statements.

Financial Accounting Standards Board (FASB) ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Council has taken or expects to take on a tax return. The Council recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Council’s income tax filings are subject to audit by various taxing authorities. Management believes the adoption of ASC 740-10 resulted in no significant impact to the Council’s financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS

The Council’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, are as follows:

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS - Continued

Cash and cash equivalents	\$ 3,076,563
Contributions receivable - for general operations	104,297
Accounts receivable	38,280
Total liquid assets as of year end	<u>3,219,140</u>
Planned appropriation from endowments for general expenditures in subsequent year:	
Board-designated endowment	42,504
General endowment	42,504
Total financial assets available to meet general expenditures within the next 12 months	<u><u>\$ 3,304,148</u></u>

The Council’s Endowment Fund includes donor-restricted endowments and funds designated by the Board of Directors to function as Endowments (referred to as “quasi-endowments”). Income from donor-restricted endowment gifts may, or may not be available for general expenditure, subject to donor restrictions. The method of calculating distributable income from the Endowment Fund is described in Note 11.

As part of the Council’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has two committed unsecured lines of credit and one committed secured line of credit, with a total of \$1,900,000, which it could draw upon. Additionally, the Council has Board-designated funds of \$2,126,590. Although the Council does not intend to spend from the Board-designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts without donor restrictions from the Board-designated funds could be made available if necessary.

NOTE 3 – FAIR VALUE MEASUREMENTS

The accounting standards establish 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) and the lowest priority to measurements involving significant unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

Level 1 – financial instruments with quoted prices in active markets for identical assets or liabilities.

Level 2 – financial instruments with valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. Accounting standards require that the fair value determination be based on maximum use of observable inputs (Levels 1 and 2) and minimum use of unobservable inputs (Level 3). The Council considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following tables summarize the valuation of the Council's financial assets and liabilities measured at fair value as of September 30, 2019 and 2018, based on the level of input utilized to measure fair value:

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

	2019			Total
	Level 1	Level 2	Level 3	
Investments				
Short-term investments				
Money market funds	\$ 129,462	\$ -	\$ -	\$ 129,462
Fixed income securities				
Corporate bonds				
Domestic	-	148,895	-	148,895
International	-	31,974	-	31,974
Global	-	21,349	-	21,349
U.S. Treasury securities	-	36,967	-	36,967
Residential mortgage-backed securities	-	11,174	-	11,174
Mutual funds				
Domestic	355,817	-	-	355,817
Global	34,805	-	-	34,805
Equities securities				
Domestic	994,386	-	-	994,386
International	350,130	-	-	350,130
Mutual funds				
Domestic	290,112	-	-	290,112
International/Global	114,132	-	-	114,132
Alternative strategies	152,269	-	-	152,269
	<u>2,421,113</u>	<u>250,359</u>	<u>-</u>	<u>2,671,472</u>
Other financial instruments				
Beneficial interests in assets held by others	-	-	95,625	95,625
Total investments and financial instruments	<u>\$ 2,421,113</u>	<u>\$ 250,359</u>	<u>\$ 95,625</u>	<u>\$ 2,767,097</u>

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
Short-term investments				
Money market funds	\$ 128,059	\$ -	\$ -	\$ 128,059
Fixed income securities				
Corporate bonds				
Domestic	-	144,846	-	144,846
International	-	30,520	-	30,520
Global	-	40,956	-	40,956
U.S. Treasury securities	-	22,044	-	22,044
Residential mortgage-backed securities	-	13,546	-	13,546
Mutual funds				
Domestic	336,147	-	-	336,147
International	32,605	-	-	32,605
Equities securities				
Domestic	1,068,918	-	-	1,068,918
International	315,271	-	-	315,271
Mutual funds				
Domestic	289,884	-	-	289,884
International	114,402	-	-	114,402
Alternative strategies	150,632	-	-	150,632
	<u>2,435,918</u>	<u>251,912</u>	<u>-</u>	<u>2,687,830</u>
Other financial instruments				
Beneficial interests in assets held by others	-	-	92,486	92,486
Total investments and financial instruments	<u>\$ 2,435,918</u>	<u>\$ 251,912</u>	<u>\$ 92,486</u>	<u>\$ 2,780,316</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instruments measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Short-term investments - The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 1. The money market mutual fund consists primarily of domestic commercial paper and other cash management instruments, such as repurchase agreements and master notes, U.S. government and corporate obligations and other securities of foreign issuers. The fund seeks to maintain a stable net asset value (“NAV”) of \$1.

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 3 – FAIR VALUE MEASUREMENTS - Continued

Debt Investments - Investments in debt vehicles are comprised of U.S. Treasury obligations, corporate bonds and notes and residential mortgage-backed securities, which are classified as Level 2, based on multiple sources of information. These sources may include market data for assets from markets that are not active and/or quoted market prices for the same or similar assets in active markets. To estimate the fair value, the Council used an industry standard valuation model which is based on a market approach. Investments in fixed income daily traded mutual funds are classified as Level 1.

Equity Investments - Investments in equity vehicles are comprised of corporate stocks and daily traded mutual funds. Securities held in corporate stocks and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied. Corporate stocks that are traded in inactive markets are categorized as Level 2.

Beneficial interests in assets held by others – The Council’s interest in assets held by others represent investments held by Central Carolina Community Foundation (CCCF) and The Spartanburg County Foundation (SCF), which are comprised of pooled investments and are valued using the fair value of the investment assets held by the Foundations as a practical expedient, unless facts and circumstances indicate that the fair value of the assets held by the Foundations differs from the fair value of the beneficial interest. The Council classifies its beneficial interest in the assets held by others as Level 3.

While the Council 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 estimate of fair value at the reporting date.

The following table summarizes the changes in the fair value of the Council’s Level 3 financial assets for the periods ending September 30, 2019 and 2018:

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 3 – FAIR VALUE MEASUREMENTS - Continued

	Fair value measurements using significant unobservable inputs (Level 3)		
	Beneficial Interest in Assets Held by Others		
	CCCF	SCF	Total
	\$	\$	\$
Balance, September 30, 2017	27,350	60,199	87,549
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains or losses			
Included in changes in net assets	988	2,699	3,687
Purchases, issues, sales, and settlements			
Purchases	-	1,250	1,250
Issues	-	-	-
Sales	-	-	-
Settlements	-	-	-
Balance, September 30, 2018	28,338	64,148	92,486
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Total gains or losses			
Included in changes in net assets	487	1,652	2,139
Purchases, issues, sales, and settlements			
Purchases	-	1,000	1,000
Issues	-	-	-
Sales	-	-	-
Settlements	-	-	-
Balance, September 30, 2019	\$ 28,825	\$ 66,800	\$ 95,625
Change in unrealized gains or losses for the period included in changes in net assets for assets held at September 30, 2019	\$ (389)	\$ 1,240	

NOTE 4 – CASH AND CASH EQUIVALENTS

Concentration of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, the Council's cash deposits may exceed the federally insured limits and at September 30, 2019 and 2018, its uninsured deposits totaled \$2,233,860 and \$3,040,604, respectively. The Council

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 4 – CASH AND CASH EQUIVALENTS – Continued

has implemented a collateralized deposit policy that allows the Council to maintain excess balances at banks with capital ratios that meet or exceed the FDIC definition for a “well capitalized” institution. The Council has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents due to additional controls involving the oversight of the Council’s Finance Committee.

Restrictions on Cash

The values of cash and money market funds that are included in the investment portfolios are presented as short-term investments in the Statements of Financial Position, which combined with cash held in depository accounts, comprise cash and cash equivalents. Included in cash and cash equivalents at September 30, 2019 and 2018 is \$129,462 and \$128,059, respectively, which is designated by the Board of Directors to be used for fixed assets and other operations. Also included in cash and cash equivalents at September 30, 2019 and 2018 is \$157,064 and \$156,322 of restricted funds, respectively.

NOTE 5 – ACCOUNTS RECEIVABLE

Receivables represent amounts due for short-term trade receivables, product sales, grants and financial aid, and returned checks. Accounts receivable consist of the following at September 30:

	2019	2018
Other accounts receivable	\$ 29,665	\$ 76,655
Returned checks from current year	17,229	6,035
Allowance for uncollectibles	(8,614)	(3,018)
	<u>\$ 38,280</u>	<u>\$ 79,672</u>

All receivables are considered collectible within the next year.

NOTE 6 – PROMISES TO GIVE

Promises to give due in excess of one year are discounted between 1.41% and 2.29%, depending upon the year the contribution was recorded. An allowance for doubtful accounts of 15% has been established. Promises to give at September 30 are as follows:

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 6 – PROMISES TO GIVE - Continued

	2019	2018
Promises to give expected to be collected in:		
Less than one year	\$ 122,703	\$ 324,767
Allowance for uncollectible promises to give	(18,406)	(48,715)
	104,297	276,052
One to five years	233,615	228,656
Allowance for uncollectible promises to give	(35,042)	(34,298)
Discount of promises to give	(12,680)	(13,125)
	185,893	181,233
	\$ 290,190	\$ 457,285

NOTE 7 – INVESTMENTS

Investments are summarized as follows as of September 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Short-term investments				
Money market funds	\$ 129,462	\$ 129,462	\$ 128,059	\$ 128,059
Fixed income securities				
Corporate bonds				
Domestic	140,694	148,895	145,907	144,846
International	30,645	31,974	30,848	30,520
Global	24,981	21,349	43,809	40,956
U.S. Treasury securities	31,411	36,967	22,647	22,044
Residential mortgage-backed securities	10,948	11,174	13,519	13,546
Mutual funds				
Domestic	365,816	355,817	357,394	336,147
Global	36,121	34,805	35,864	32,605
Equities securities				
Domestic	758,560	994,386	756,870	1,068,918
International	308,718	350,130	288,065	315,271
Mutual funds				
Domestic	256,155	290,112	221,122	289,884
International/Global	101,107	114,132	95,028	114,402
Alternative strategies	139,804	152,269	135,743	150,632
Total investments	\$ 2,334,422	\$ 2,671,472	\$ 2,274,875	\$ 2,687,830

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 7 – INVESTMENTS - Continued

Investment income from cash equivalents and investments comprise the following for the years ended September 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 75,818	\$ 31,086	\$ 106,904
Realized gains	33,613	37,229	70,842
Unrealized gains (losses)	(52,892)	(22,683)	(75,575)
	<u>\$ 56,539</u>	<u>\$ 45,632</u>	<u>\$ 102,171</u>

Corresponding investment expenses for the year ending September 30, 2019 totaled \$30,050.

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 55,978	\$ 30,109	\$ 86,087
Realized gains	48,840	49,589	98,429
Unrealized gains	37,710	32,948	70,658
	<u>\$ 142,528</u>	<u>\$ 112,646</u>	<u>\$ 255,174</u>

Corresponding investment expenses for the year ending September 30, 2018 totaled \$30,057.

Investment restrictions and designations at September 30 are summarized as follows:

	2019	2018
Without donor restrictions		
Board designated	\$ 1,670,283	\$ 1,673,683
With donor restrictions		
Endowment earnings for programs and activities	413,179	425,818
Term endowment funds	30,200	30,519
Endowment	557,810	557,810
Total investments	<u>\$ 2,671,472</u>	<u>\$ 2,687,830</u>

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 8 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 2,894,274	\$ 2,894,274
Work in process	-	299,186
Buildings and improvements	9,676,296	4,296,787
Furniture and equipment	1,474,182	821,778
Vehicles	195,309	190,724
	<u>14,240,061</u>	<u>8,502,749</u>
Less: accumulated depreciation	<u>(2,802,854)</u>	<u>(2,786,963)</u>
	<u>\$ 11,437,207</u>	<u>\$ 5,715,786</u>

Depreciation expense for the years ended September 30, 2019 and 2018 is \$105,087 and \$77,580, respectively.

NOTE 9 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

At various times in prior years, donors have transferred assets to establish various funds for the benefit of the Council at the Central Carolina Community Foundation (CCCF) and The Spartanburg County Foundation (SCF). Likewise, in prior years, the Council has transferred assets to the same CCCF and SCF funds. These amounts are reported on the Council's balance sheet as a beneficial interest in assets held by others. CCCF and SCF do not have variance power over these assets and is required to distribute them to the Council as required.

Beneficial interests in assets held by others represent investments held by the Foundations which are comprised of pooled accounts. The fair value of the asset is based on the fair value of the investment assets held by the Foundations for the benefit of the Council. Dividends, interest, realized and unrealized gains and losses and administrative fees are included in the Statements of Activities.

The fair value of these assets consists of the following as of September 30:

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 9 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS – Continued

	<u>2019</u>	<u>2018</u>
Funds held at CCCF:		
Camperships from Lasley Endowment	\$ 9,077	\$ 8,998
Chandler-Burns Scholarships Endowment	19,748	19,340
Funds held at SCF:		
Camp Ponderosa Fund	26,585	25,803
Girl Scout Endowment Fund	40,215	38,345
	<u>\$ 95,625</u>	<u>\$ 92,486</u>

The following table summarizes the changes in the Council’s beneficial interest in assets held by others to reflect the same categories as those used in the Statements of Activities.

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 92,486	\$ 87,549
Contributions	1,000	1,250
Investment income	2,253	1,998
Net realized gains	177	906
Net unrealized gains	851	1,853
Administrative fees	(1,142)	(1,070)
Balance, end of year	<u>\$ 95,625</u>	<u>\$ 92,486</u>

NOTE 10 – TRANSACTIONS WITH AFFILIATED ENTITIES

The Council collects and remits membership dues to the Girl Scouts of the United States of America (GSUSA). As of September 30, 2019 and 2018, the Council held \$540 and \$11,285 in membership dues to be remitted to GSUSA, respectively.

NOTE 11 – ENDOWMENT ASSETS

See Note 3 for discussions of the methodologies and assumptions used to determine the fair value of the Council’s investments.

The Council’s endowment consists of approximately 13 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds,

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 11 – ENDOWMENT ASSETS – Continued

including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Council has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) enacted July 1, 2008 in the State of South Carolina as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation of earnings required to be added to the permanent endowment as stipulated by the donor-applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Council 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 Council.
7. The investment policies of the Council.

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 11 – ENDOWMENT ASSETS – Continued

Endowment net assets consist of the following at September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds	\$ (290)	\$ 1,170,883
Board-designated endowment funds	940,410	-
Total endowment net assets	<u>\$ 940,120</u>	<u>\$ 1,170,883</u>

Endowment net assets consist of the following at September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds	\$ (319)	\$ 1,179,959
Board-designated endowment funds	955,661	-
Total endowment net assets	<u>\$ 955,342</u>	<u>\$ 1,179,959</u>

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

	Without Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds	\$ (319)	\$ 1,179,959
Board-designated endowment funds	955,661	-
Endowment net assets, September 30, 2018	<u>955,342</u>	<u>1,179,959</u>
Investment return:		
Investment income	13,956	17,725
Net appreciation, (realized and unrealized)	13,298	14,546
	<u>27,254</u>	<u>32,271</u>
Contributions	<u>28</u>	<u>1,685</u>
Appropriation of endowment assets for expenditure	(42,504)	(43,032)
Endowment net assets, September 30, 2019	<u>\$ 940,120</u>	<u>\$ 1,170,883</u>

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 11 – ENDOWMENT ASSETS – Continued

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

	Without Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds	\$ (344)	\$ 1,120,861
Board-designated endowment funds	910,227	-
Endowment net assets, September 30, 2017	909,883	1,120,861
Investment return:		
Investment income	13,941	16,771
Net appreciation, (realized and unrealized)	73,996	82,537
	87,937	99,308
Contributions	26	2,320
Appropriation of endowment assets for expenditure	(42,504)	(42,530)
Endowment net assets, September 30, 2018	\$ 955,342	\$ 1,179,959

Funds with Deficiencies

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 UPMIFA requires the Council to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets without donor restrictions were \$290 and \$319 as of September 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions with donor restrictions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level will be classified as an increase in net assets without donor restrictions or net assets with donor restrictions, as applicable.

Return Objectives and Risk Parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable, stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Council must hold in perpetuity or for a donor-specified period as well as board-designated funds. As authorized by Board-approved policies, these assets are invested to maximize long-term returns, while

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 11 – ENDOWMENT ASSETS – Continued

simultaneously mitigating risk through maintaining a diversified portfolio. A multi-generational window not only allows for the typical diversification across asset classes, but also for time diversification across both up and down markets. The assets are invested in a manner that is intended to produce results that meet or exceed the composite return and are within the risk parameters of an appropriate benchmark that corresponds to each fund goal. The long-term objective is to attain, within acceptable risk parameters, an average annual total return that exceeds the sum of the Council's approved payout rate plus inflation, plus investment management and related fees. The objective is expected to be obtained over time but not in each and every reporting period.

Strategies Employed for Achieving Objectives

To address its long-term rate-of-return objectives, the Council 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 Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Council's spending policy appropriates for distribution each year a certain percentage of its endowment funds' average fair value for the prior three years through the fiscal yearend preceding the fiscal year in which the distribution is planned. In establishing this policy, the Council considered the expected return on its endowment. The goal of such spending policy is to allow the endowment to maintain its purchasing power, achieve a reasonable degree of stability and predictability in income availability for operations and to achieve a balance between present and future needs. Real growth is achieved through new gifts and any excess investment return.

NOTE 12 – BOARD-DESIGNATED FUNDS

As of September 30, the Board had approved designations of net assets without donor restrictions as follows:

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 12 – BOARD-DESIGNATED FUNDS - Continued

	2019	2018
Girl Scouts Trust Fund - Operating Reserve Fund	\$ 940,410	\$ 955,661
Congaree Area Property Fund - Property Fund	729,373	718,022
She Sees The Future Fund - Program/Property Fund	456,807	456,807
	<u>\$ 2,126,590</u>	<u>\$ 2,130,490</u>

During the years ended September 30, 2019 and 2018, the Girl Scouts Trust Fund released \$42,504 of earnings for general operating use by the Council, per year.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2019 are restricted for the following purposes or periods:

<u>Subject to expenditure for a specific purpose:</u>	
Susan Phifer-Johnson Leadership Fund	\$ 83,094
Anna Mae Dickson-Future Capital Expenditures	3,134
Lilla Gilliam Endowment	1,500
Program Grants	1,302
Promises to Give - Capital Expenditures	290,190
Other	302
Total purpose restrictions	379,522
<u>Endowment:</u>	
Perpetual in nature:	
Camperships from Lasley Endowment	4,450
Juliette Low Endowment	24,186
Chandler-Burns Scholarship Endowment	9,500
Becky Johnson Fund	7,874
Pearl Society Endowment	557,810
Penny Cooper Girl Tech Fund	12,197
Bobbie Hagins Scholarship Fund	10,560
Lillian Holley Martin Travel Endowment	15,663
Total Perpetual in nature endowments	642,240
Subject to endowment spending policy and appropriation:	528,643
Total net assets with donor restrictions	\$ 1,550,405

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS – Continued

Net assets with donor restrictions for September 30, 2018 are restricted for the following purposes or periods:

<u>Subject to expenditure for a specific purpose:</u>	
Susan Phifer-Johnson Leadership Fund	\$ 82,995
Anna Mae Dickson-Future Capital Expenditures	3,134
Lilla Gilliam Endowment	1,500
Program Grants	1,302
Promises to Give - Capital Expenditures	457,285
Other	301
Total purpose restrictions	546,517
<u>Endowment:</u>	
<u>Perpetual in nature:</u>	
Camperships from Lasley Endowment	4,350
Juliette Low Endowment	24,186
Chandler-Burns Scholarship Endowment	9,500
Becky Johnson Fund	7,874
Pearl Society Endowment	557,810
Penny Cooper Girl Tech Fund	11,687
Bobbie Hagins Scholarship Fund	10,560
Lillian Holley Martin Travel Endowment	15,588
Total Perpetual in nature endowments	641,555
Subject to endowment spending policy	
and appropriation:	538,404
Total net assets with donor restrictions	\$ 1,726,476

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$799,836 and \$607,714 for the years ended September 30, 2019 and 2018, respectively.

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 14 – OPERATING LEASES

The Council leases certain office space and equipment under various operating leases. As of September 30, 2019, minimum lease payments under these non-cancelable lease agreements are as follows:

<u>Year Ending September 30,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 168,596	\$ 54,337	\$ 222,933
2021	129,677	54,337	184,014
2022	-	53,032	53,032
2023	-	49,117	49,117
2024	-	37,415	37,415
2025	-	65	65
	<u>\$ 298,273</u>	<u>\$ 248,303</u>	<u>\$ 546,576</u>

NOTE 15 – MORTGAGE NOTE PAYABLE

On March 25, 2011, the Council obtained a 2 year mortgage note issued by a private bank in the amount of \$1,850,000, with an original maturity of April 5, 2013. The note is collateralized by real property.

In November 2018, this mortgage note was rolled into a long-term construction loan. The bank committed to extend a loan of up to \$5.6 million for the up-fit and construction of the Girl Scout’s Leadership Center located in Columbia, SC, as well as a second loan of up to \$2 million for the purchase of furniture, fixtures, and equipment. The construction loan accrues interest at a fixed rate of 4.75%, with monthly payments of interest only until October 31, 2020. Beginning in November, 2020, monthly payments of principal and interest based on a 25-year amortization are due until the final balloon payment in October, 2027. The Council intends to negotiate new terms upon maturity. The balance of the construction loan is \$5,600,000 at September 30, 2019.

The FFE loan accrues interest at a floating rate of Wall Street Journal Prime minus 0.35%, with monthly payments of interest only until October 31, 2021, at which time all unpaid principal and accrued interest is due. The Council intends to negotiate new terms upon maturity. The principal

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 15 – MORTGAGE NOTE PAYABLE - Continued

balance of the FFE loan is \$677,232 at September 30, 2019. The interest rate is 4.90% at September 30, 2019.

Scheduled principal payments for the next five years are as follows:

<u>September 30,</u>	
2020	\$ -
2021	109,509
2022	802,251
2023	131,088
2024	137,453
Thereafter	<u>5,096,931</u>
	<u>\$ 6,277,232</u>

NOTE 16 – LINES OF CREDIT

At September 30, 2019, the Council had a \$100,000 uncollateralized line of credit with a bank to be drawn upon as needed with an interest rate of prime percent and a \$500,000 uncollateralized line of credit with a bank to be drawn upon as needed with an interest rate of prime plus one percent. As of September 30, 2019 and 2018, the outstanding balances on these lines of credit were \$0.

NOTE 17 – DONATED SERVICES

The Council receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The value of these contributions is not susceptible to objective measurement and does not meet the criteria for recognition of in-kind contributions, and, accordingly, is not recognized in the financial statements. Gifts in-kind represent donated supplies, materials, and fixed assets and are recognized at their estimated fair value, if readily determinable, in the Statements of Activities.

NOTE 18 – RETIREMENT EXPENSES

The Council provides a 401(k) Plan for its employees. Participation in the 401(k) Plan is open to substantially all employees of the Council subject to length of employment, age, and hours worked per year. The 401(k) Plan is a safe harbor contributory plan where the Council matches the participant's contributions up to a maximum of 3% of the participant's wages and an

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 18 – RETIREMENT EXPENSES – Continued

additional one-half of the participant's contributions up to a maximum Council contribution of 4% of the participant's wages. Accordingly, the Council incurred employer-match contribution expenses of \$34,498 and \$42,374 for the years ended September 30, 2019 and 2018, respectively.

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

Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2019. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (IRS), all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (PPA). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCR the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal years 2018 and 2019 were \$32.4 million and \$32.2 million, respectively. Aggregate contributions made in fiscal year 2020 are expected to be \$32.2 million. Contributions made by the Mountains to Midlands Council in fiscal years 2019 and 2018 were \$284,784 for both years.

NOTE 19 – STATEMENT OF FUNCTIONAL EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Functional Expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Council providing those services.

GIRL SCOUTS OF SOUTH CAROLINA – MOUNTAINS TO MIDLANDS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
YEARS ENDED SEPTEMBER 30, 2019 and 2018

NOTE 20 – COMMITMENTS

In January 2018, the Council entered into an agreement with a construction contractor for the renovation of the Leadership Center in Columbia. Construction was substantially complete at September 30, 2019; however, the Council is committed to construction change order costs totaling \$60,000.

The Council's Wistagoman Lodge is constructed on land leased from the Secretary of the Army. The terms of the lease include the following:

1. Total cost for the current ten-year lease expiring June 30, 2028 is \$1,000 plus "any sum which may have to be expended after termination of the lease in restoring the premises to a condition satisfactory to the District of Engineer, U.S. Army District, Savannah, Georgia."
2. "This lease may be revoked by the Secretary of the Army in the event the lessee violates any of the terms and conditions of this lease and continues and persists therein for a period of 30 days after notice thereof in writing by the said officer or in the event the said officer determined the premises are required for project purposes of/for a higher priority use."

In management's opinion, no conditions exist which would cause this lease to be revoked by the Secretary of the Army.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.