

GIRL SCOUTS HEART OF NEW JERSEY, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

GIRL SCOUTS HEART OF NEW JERSEY, INC.

SEPTEMBER 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Girl Scouts Heart of New Jersey, Inc.
Montclair, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts Heart of New Jersey, Inc. ("Council"), a nonprofit organization, which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Council'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 Council'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.

Emphasis of Matter

The Council adopted Financial Accounting Standards Board Accounting Standard 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2 during the year ended September 30, 2019. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts Heart of New Jersey, 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.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
April 13, 2020

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 843,756	\$ 497,036	\$ 1,340,792
Investments, fair value	1,314,812	115,050	1,429,862
Accounts receivable, net	28,245	-	28,245
Inventory	187,555	-	187,555
Prepaid expenses	109,745	-	109,745
	<u>2,484,113</u>	<u>612,086</u>	<u>3,096,199</u>
Property and equipment, net	6,643,830	-	6,643,830
Other assets:			
Investments, fair value	-	30,199	30,199
	<u>\$ 9,127,943</u>	<u>\$ 642,285</u>	<u>\$ 9,770,228</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 144,844	\$ -	\$ 144,844
Other current liabilities	82,491	-	82,491
Accrued expenses	212,951	-	212,951
Deferred revenue	200,825	-	200,825
Program deposits and custodial funds	52,008	-	52,008
	<u>693,119</u>	<u>-</u>	<u>693,119</u>
Other liabilities	1,250	-	1,250
	<u>694,369</u>	<u>-</u>	<u>694,369</u>
NET ASSETS:			
Without donor restrictions	8,433,574	-	8,433,574
With donor restrictions	-	642,285	642,285
	<u>8,433,574</u>	<u>642,285</u>	<u>9,075,859</u>
	<u>\$ 9,127,943</u>	<u>\$ 642,285</u>	<u>\$ 9,770,228</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,888,932	\$ 452,644	\$ 2,341,576
Investments, fair value	1,252,362	112,018	1,364,380
Accounts receivable, net	46,857	-	46,857
Grants receivable	12,250	-	12,250
Inventory	215,374	-	215,374
Prepaid expenses	118,879	-	118,879
	<u>3,534,654</u>	<u>564,662</u>	<u>4,099,316</u>
Property and equipment, net	6,799,722	-	6,799,722
Other assets:			
Investments, fair value	-	29,803	29,803
	<u>\$ 10,334,376</u>	<u>\$ 594,465</u>	<u>\$ 10,928,841</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 222,980	\$ -	\$ 222,980
Other current liabilities	82,584	-	82,584
Accrued expenses	196,812	-	196,812
Deferred revenue	213,426	-	213,426
Program deposits and custodial funds	39,642	-	39,642
	<u>755,444</u>	<u>-</u>	<u>755,444</u>
Other liabilities	1,700	-	1,700
	<u>757,144</u>	<u>-</u>	<u>757,144</u>
NET ASSETS:			
Without donor restrictions	9,577,232	-	9,577,232
With donor restrictions	-	594,465	594,465
	<u>9,577,232</u>	<u>594,465</u>	<u>10,171,697</u>
	<u>\$ 10,334,376</u>	<u>\$ 594,465</u>	<u>\$ 10,928,841</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Annual giving	\$ 239,402	\$ 22,512	\$ 261,914
United Way	2,078	-	2,078
Foundations and grants	24,355	235,813	260,168
Program fees	508,042	-	508,042
Camp fees	981,758	-	981,758
Merchandise sales:			
Gross sales	\$ 573,291		
Cost of sales	<u>(343,191)</u>		
	230,100	-	230,100
Cookie sales:			
Gross sales	4,744,745		
Cost of sales	<u>(1,603,859)</u>		
	3,140,886	-	3,140,886
Nut and QSP sales:			
Gross sales	504,678		
Cost of sales	<u>(221,419)</u>		
	283,259	-	283,259
Net realized and unrealized gain (loss)	36,135	(3,512)	32,623
Investment income, net	60,520	6,543	67,063
Special events	78,697	500	79,197
Rental income	131,045	-	131,045
Gain on land clean-up	514	-	514
Miscellaneous income	18,180	-	18,180
Net assets released from restrictions	214,036	(214,036)	-
	<u>5,949,007</u>	<u>47,820</u>	<u>5,996,827</u>
Expenses:			
Program and camp services	5,685,612	-	5,685,612
General and administrative	1,017,386	-	1,017,386
Fundraising	389,667	-	389,667
	<u>7,092,665</u>	<u>-</u>	<u>7,092,665</u>
Changes in net assets	(1,143,658)	47,820	(1,095,838)
NET ASSETS:			
Beginning of year	<u>9,577,232</u>	<u>594,465</u>	<u>10,171,697</u>
End of year	<u>\$ 8,433,574</u>	<u>\$ 642,285</u>	<u>\$ 9,075,859</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Annual giving	\$ 131,050	\$ 100,593	\$ 231,643
United Way	3,048	-	3,048
Foundations and grants	100	149,900	150,000
Program fees	524,006	-	524,006
Camp fees	982,805	-	982,805
Merchandise sales:			
Gross sales	\$ 664,960		
Cost of sales	<u>(401,884)</u>		
	263,076	-	263,076
Cookie sales:			
Gross sales	4,563,391		
Cost of sales	<u>(1,540,764)</u>		
	3,022,627	-	3,022,627
Nut and QSP sales:			
Gross sales	562,854		
Cost of sales	<u>(258,054)</u>		
	304,800	-	304,800
Net realized and unrealized gain	95,064	1,889	96,953
Investment income, net	44,423	3,227	47,650
Special events	38,751	-	38,751
Rental income	144,848	-	144,848
Insurance proceeds	42,089	-	42,089
Loss on land clean-up	(3,990)	-	(3,990)
Miscellaneous income	2,649	-	2,649
Net assets released from restrictions	<u>1,061,886</u>	<u>(1,061,886)</u>	<u>-</u>
	<u>6,657,232</u>	<u>(806,277)</u>	<u>5,850,955</u>
Expenses:			
Program and camp services	5,152,368	-	5,152,368
General and administrative	1,166,839	-	1,166,839
Fundraising	<u>203,242</u>	<u>-</u>	<u>203,242</u>
	<u>6,522,449</u>	<u>-</u>	<u>6,522,449</u>
Changes in net assets	134,783	(806,277)	(671,494)
NET ASSETS:			
Beginning of year	<u>9,442,449</u>	<u>1,400,742</u>	<u>10,843,191</u>
End of year	<u>\$ 9,577,232</u>	<u>\$ 594,465</u>	<u>\$ 10,171,697</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2019	2018
CASH FLOWS USED FOR:		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (1,095,838)	\$ (671,494)
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Depreciation and amortization	398,224	272,105
Bad debt expense	4,847	11,284
Realized loss (gain) on investments	8,345	(2,427)
Unrealized gain on investments	(40,968)	(94,526)
Changes in certain assets and liabilities:		
Accounts receivable	13,765	88,688
Grants receivable	12,250	12,481
Inventory	27,819	(15,042)
Prepaid expenses	9,134	(25,929)
Accounts payable	(78,136)	51,247
Other current liabilities	(93)	(91,222)
Accrued expenses	16,139	(175,991)
Deferred revenue	(12,601)	(27,051)
Program deposits and custodial funds	12,366	4,435
Other liabilities	(450)	-
Net Cash Used for Operating Activities	<u>(725,197)</u>	<u>(663,442)</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of investments	(338,298)	(459,250)
Sales proceeds from investments	305,043	742,363
Purchase of property and equipment	(242,332)	(516,075)
Net Cash Used for Investing Activities	<u>(275,587)</u>	<u>(232,962)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,000,784)	(896,404)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>2,341,576</u>	<u>3,237,980</u>
End of year	<u><u>\$ 1,340,792</u></u>	<u><u>\$ 2,341,576</u></u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	Program and Camp Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 3,445,592	\$ 505,500	\$ 323,221	\$ 4,274,313
Professional services	257,459	132,131	17,930	407,520
Supplies	507,855	21,678	2,089	531,622
Incentives	171,289	-	-	171,289
Telephone	8,826	33,995	-	42,821
Data communications, internet, web	6,433	23,044	-	29,477
Postage and shipping	16,564	-	537	17,101
Occupancy	306,137	36,280	-	342,417
Equipment rentals and maintenance	32,871	24,809	-	57,680
Printing and publications	13,980	25,827	193	40,000
Travel	30,792	5,948	3,099	39,839
Vehicle leasing and chartering	123,780	1,903	195	125,878
Vehicle and boat maintenance and repair	6,058	-	-	6,058
Transportation costs	3,487	1,582	32	5,101
Adult conferences and conventions	30,229	18,623	1,221	50,073
Staff development	10,119	3,154	5,165	18,438
Assistance to girls	97,325	-	-	97,325
Membership dues	1,904	-	1,600	3,504
Insurance	94,777	35,395	7,379	137,551
Recruitment	58,204	-	-	58,204
Other expenses	141,238	69,986	27,006	238,230
	<u>5,364,919</u>	<u>939,855</u>	<u>389,667</u>	<u>6,694,441</u>
Depreciation and amortization	320,693	77,531	-	398,224
	<u>\$ 5,685,612</u>	<u>\$ 1,017,386</u>	<u>\$ 389,667</u>	<u>\$ 7,092,665</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program and Camp Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 3,051,636	\$ 744,992	\$ 155,416	\$ 3,952,044
Professional services	285,744	88,896	11,640	386,280
Supplies	442,323	19,978	823	463,124
Incentives	137,329	-	-	137,329
Telephone	9,051	38,681	-	47,732
Data communications, internet, web	6,100	28,760	-	34,860
Postage and shipping	12,954	-	458	13,412
Occupancy	314,881	35,427	-	350,308
Equipment rentals and maintenance	23,925	19,826	1,425	45,176
Printing and publications	2,982	24,440	56	27,478
Travel	30,009	8,883	3,208	42,100
Vehicle leasing and chartering	143,050	437	13	143,500
Vehicle and boat maintenance and repair	6,721	-	-	6,721
Transportation costs	16,028	3,346	-	19,374
Adult conferences and conventions	27,439	18,272	4,600	50,311
Staff development	14,538	3,085	1,588	19,211
Assistance to girls	124,179	-	-	124,179
Membership dues	2,506	-	699	3,205
Insurance	91,095	40,434	4,520	136,049
Recruitment	55,751	-	-	55,751
Other expenses	112,770	60,634	18,796	192,200
	<u>4,911,011</u>	<u>1,136,091</u>	<u>203,242</u>	<u>6,250,344</u>
Depreciation and amortization	241,357	30,748	-	272,105
	<u>\$ 5,152,368</u>	<u>\$ 1,166,839</u>	<u>\$ 203,242</u>	<u>\$ 6,522,449</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - NATURE OF OPERATIONS:

Girl Scouts Heart of New Jersey, Inc. (“Council”) is a chartered council of the Girl Scouts of the United States of America (“GSUSA”), a nonprofit organization.

The Council serves the interests and needs of girls residing in its jurisdiction, ages five through seventeen, by providing an informal education program in partnership with caring adult volunteers who inspire girls with the highest ideals of character, conduct, leadership, patriotism and service to others in the community, in accordance with the purpose of GSUSA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies is presented to assist in understanding the Council’s financial statements. The financial statements and notes are the representations of the Council’s management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been applied in the preparation of the financial statements.

Financial Statement Reporting for Nonprofit Entities:

The Council adopted the Financial Accounting Standards Board (“FASB”), 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in 2019. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for Board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classifications.

As a result of the adoption of *Presentation of Financial Statements of Not-for-Profit Entities*, net assets as of September 30, 2018, were reclassified as follows:

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Reporting for Nonprofit Entities: (Continued)

	<i>ASU 2016-14 Classifications:</i>		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net Asset Classifications as Previously Presented:			
Unrestricted	\$ 9,577,232	\$ -	\$ 9,577,232
Temporarily restricted	-	419,189	419,189
Permanently restricted	-	175,276	175,276
Total Net Assets	<u>\$ 9,577,232</u>	<u>\$ 594,465</u>	<u>\$ 10,171,697</u>

Financial Statement Presentation:

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

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time, and other net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Council considers all cash balances and highly liquid investments available for current use with an initial maturity of three months or less when acquired, to be cash equivalents.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accounts and Grants Receivable:

Accounts and grants receivable are stated at unpaid balances. Receivables are determined to be past due based on contractual terms. Receivables are unsecured and are not interest-bearing. The Council charges uncollectible accounts receivable to operations when determined to be uncollectible. The Council has established an allowance for doubtful accounts in the amounts of \$16,000 and \$15,000 for each of the years ended September 30, 2019 and 2018, respectively, based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year.

Support and Revenue Recognition:

Contributions are recognized when received or when the donor makes an unconditional promise to give to the Council. Unconditional promises to give due in one year are recorded at their net realizable value. Unconditional promises to give due in subsequent years 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. Conditional promises to give are not included as support until the conditions are substantially met.

The Council reports gifts of cash and other assets as donor-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 accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions of donated, non-cash assets are recorded at their fair value in the period received. Contributions of donated services that: create or enhance nonfinancial assets; require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donations, are recorded at their fair values in the period received.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions.

Contributions, investment income, and gains restricted by donors are reported as increases in net assets without donor restriction if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income or gains are recognized.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Support and Revenue Recognition: (Continued)

Program service revenue is recognized upon completion of the program. Revenue from the sale of merchandise in Council shops is recognized at the point of sale with the customer. Rental revenue from campsites on Council property is recognized when received.

A Council service fee (“CSF”) is paid in conjunction with the membership fee for each girl registrant to offset the Council’s program delivery expense. The CSF totaled \$254,738 and \$253,974 for the years ended September 30, 2019 and 2018, respectively, and is included in program fees on the statements of activities and changes in net assets.

Use of Estimates:

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

Investments:

The Council records investments in equities, money market funds, certificates of deposit and mutual funds at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the statements of activities and changes in net assets. Investment income is presented net of investment advisory or management fees. Investment advisory or management fees were \$12,524 and \$13,773 for the years ended September 30, 2019 and 2018, respectively. All investment income and realized and unrealized gains are reported as a change in net assets without donor restriction unless otherwise restricted by the donor. Investments that are received as donations are recorded at their market value at the date of donation, which then becomes their cost.

Fair Value:

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fair Value: (Continued)

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Inventory:

Inventories are stated at the lower of cost or market. Cost is principally determined using the first-in, first-out method.

Property and Equipment:

The Council capitalizes all expenditures in excess of \$1,000 for property and equipment, including donated property, which is capitalized at the estimated fair value on the date of donation. Depreciation is computed by using the straight-line method, beginning in the year of acquisition, over the estimated useful life of the asset:

	Estimated Useful Life (in years)
Land improvements	10-30
Buildings and improvements	5-50
Vehicles	5-10
Computer equipment and software	3-10
Furniture and equipment	5-15

Deferred Revenue:

Deferred revenue represents cash received by the Council, in advance, for Council service fees or program fees from members of the Council.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Recent Accounting Pronouncements:

The Financial Accounting Standards Board (“FASB”) issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effective date for the pronouncement is for periods beginning after December 15, 2018. The Council is currently evaluating the effect the new standard will have on the financial statements.

The FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. The standard is effective for annual periods beginning after December 15, 2020. The Council is currently evaluating the effect the new standard will have on the financial statements.

Income Taxes:

The Council qualifies for an exemption from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provision for federal or state income tax is made in the accompanying financial statements. At September 30, 2019 and 2018, all required tax returns have been filed, and all taxes have been paid. There are no income-tax-related penalties and interest included in these financial statements.

The Council’s policy is to evaluate uncertain tax positions in accordance with the accounting pronouncement on accounting for uncertainty in income taxes. Pursuant to this accounting pronouncement, management has determined that it does not have any uncertain tax positions required to be reported.

Reclassification:

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 financial statement presentation.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 3 - INVESTMENTS:

Investments are stated at fair value and consist of certificates of deposit, bonds, mutual funds, equities, and participation in the Community Foundation of New Jersey’s (“Foundation”) endowment program. The Foundation matched the Council’s original contribution of \$10,000. The Foundation’s match is permanently restricted.

	September 30,	
	2019	2018
Short-term:		
Money market funds	\$ 30,717	\$ 28,863
U.S. government securities	232,387	182,199
Corporate bonds	87,644	86,431
Mutual funds	221,390	185,390
Pooled funds through the Community Foundation of New Jersey	47,749	45,610
Equities	809,975	835,887
	<u>1,429,862</u>	<u>1,364,380</u>
Long-term:		
Certificates of deposit	20,199	19,803
Pooled funds through the Community Foundation of New Jersey	10,000	10,000
	<u>30,199</u>	<u>29,803</u>
	<u>\$ 1,460,061</u>	<u>\$ 1,394,183</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 4 - FAIR VALUE DISCLOSURE:

The Council has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets that have been accounted for at fair value on a recurring basis, along with the basis for the determination of fair value.

FAIR VALUE MEASUREMENTS
AS OF SEPTEMBER 30, 2019

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equities	\$ 809,975	\$ -	\$ -	\$ 809,975
Money market funds	623,185	-	-	623,185
Certificates of deposit	-	20,199	-	20,199
U.S. government securities	-	232,387	-	232,387
Corporate bonds	-	87,645	-	87,644
Mutual funds	221,390	-	-	221,390
Pooled funds in Community Foundation of New Jersey	-	-	57,749	57,749
Less: Non-endowment money market funds reclassified to cash	(592,469)	-	-	(592,469)
Investments at Fair Value	<u>\$ 1,062,081</u>	<u>\$ 340,231</u>	<u>\$ 57,749</u>	<u>\$ 1,460,061</u>

FAIR VALUE MEASUREMENTS
AS OF SEPTEMBER 30, 2018

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equities	\$ 835,887	\$ -	\$ -	\$ 835,887
Money market funds	1,949,049	-	-	1,949,049
Certificates of deposit	-	19,803	-	19,803
U.S. government securities	-	182,199	-	182,199
Corporate bonds	-	86,431	-	86,431
Mutual funds	185,390	-	-	185,390
Pooled funds in Community Foundation of New Jersey	-	-	55,610	55,610
Less: Non-endowment money market funds reclassified to cash	(1,920,186)	-	-	(1,920,186)
Investments at Fair Value	<u>\$ 1,050,140</u>	<u>\$ 288,433</u>	<u>\$ 55,610</u>	<u>\$ 1,394,183</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 4 - FAIR VALUE DISCLOSURE: (Continued)

The Council values such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Council next attempts to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets, and other corroborating factors.

In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Council develops measurement criteria based on the best information available.

The Council's investments in equities are valued at their quoted market prices in active markets for identical investments. As such, the fair value of these investments is classified as Level 1.

Money market funds are considered cash and cash equivalents and are valued at \$1.00 per share. As such, the fair value of the money market funds is classified as Level 1.

Mutual funds are valued at their quoted market prices, which represent the net asset value of the securities held in such funds. As such, the fair value of the mutual funds is classified as Level 1.

Certificates of deposit are valued based on comparable certificates of deposit issued by the bank or similar institution on similar marketplaces. As such, the fair value of the certificates of deposit is classified as Level 2.

Pooled funds held in the Community Foundation of New Jersey's Flagship Portfolio pools are classified as Level 3.

The following table provides further details of Level 3 fair value investments.

	Year Ended	
	September 30,	
	2019	2018
Balance, Beginning of year	\$ 55,610	\$ 52,695
Interest and dividend income	1,756	1,028
Unrealized gains	1,431	2,662
Realized losses	(438)	(196)
Investment fees	(610)	(579)
Balance, End of year	<u>\$ 57,749</u>	<u>\$ 55,610</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 4 - FAIR VALUE DISCLOSURE: (Continued)

The following schedule summarizes the pooled fund in the Community Foundation of New Jersey by strategy:

	September 30,	
	2019	2018
Equity	61%	54%
Fixed income	38%	38%
Alternatives	1%	8%
Total Mutual Funds	100%	100%

NOTE 5 - PROPERTY AND EQUIPMENT:

	September 30,	
	2019	2018
Land	\$ 1,222,573	\$ 1,237,405
Land improvements	364,344	314,749
Buildings and improvements	11,199,311	10,762,040
Vehicles	252,527	203,555
Computer equipment and software	334,177	300,361
Furniture and equipment	1,393,190	1,789,069
	14,766,122	14,607,179
Less: Accumulated depreciation	(8,122,292)	(7,807,457)
Total	\$ 6,643,830	\$ 6,799,722

Depreciation expense for the years ended September 30, 2019 and 2018, was \$398,224 and \$272,105, respectively. Additionally, the Council evaluates property and equipment to determine if any have been impaired. No impairment has been recognized for the years ended September 30, 2019 or 2018.

During the year ended September 30, 2018, insurance proceeds of \$42,089 were received for a fire that occurred at Camp DeWitt, which destroyed the building and improvements. This was recorded as insurance proceeds in the accompanying statements of activities and changes in net assets.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 6 - SALE OF EAGLE ISLAND PROPERTY:

On November 6, 2015, the Council sold its Eagle Island camp and surrounding property. The proceeds from the sale were classified as with donor restriction and were used exclusively to promote Girl Scouts camping. During the year ended September 30, 2018, expenditures of approximately \$77,000 were used to improve the camps.

At September 30, 2017, the Council was owed \$100,000, which was to be released upon approval of the New York State Environmental Protection Agency, following the completion of a remediation process. This amount was received in full during the year ended September 30, 2018.

NOTE 7 - RELATED PARTY:

The Council is a member of the national organization, Girl Scouts of the United States of America. It also has members within its jurisdiction.

The Council collects membership dues on behalf of GSUSA. The amounts collected and remitted to GSUSA were \$681,255 and \$638,245 for the years ended September 30, 2019 and 2018, respectively.

The Council purchases merchandise for its retail shops from GSUSA. The amounts paid to GSUSA were \$216,925 and \$307,265 for the years ended September 30, 2019 and 2018, respectively.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes:

	September 30,	
	2019	2018
Programs	\$ 351,960	\$ 307,171
Interest generated from endowment funds available for programs	115,049	112,018
Donor-restricted endowment funds	175,276	175,276
	<u>\$ 642,285</u>	<u>\$ 594,465</u>

Net assets with donor restrictions of \$214,036 and \$1,061,886 were released from restrictions during the years ended September 30, 2019 and 2018, respectively, when the time and/or purpose restrictions were accomplished. These amounts are shown in the accompanying statements of activities and changes in net assets.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

Net assets with donor restrictions are subject to gift instruments restricted in perpetuity to continue the purpose of the Council.

Judgment was made on October 13, 2017, for the termination of the Kalmia Trust and distribution of all the trust assets valued at \$791,783 less expenses of administration. The trust had been held as net assets with donor restrictions prior to judgment. This asset had an original gift amount of \$800,000, which was released from restriction during the year ended September 30, 2018. This amount is shown in the accompanying statements of activities and changes in net assets.

NOTE 9 - ENDOWMENT FUNDS:

Endowment Funds:

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment funds, are classified and reported based on the existence or absence of any restrictions. Its endowment includes funds restricted by donors. The Council's endowment funds consist of several funds established for camp improvement purposes and Girl Scouting.

Interpretations of Relevant Law:

Management of the Council has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The income of the donor-restricted endowment fund is classified as with donor restriction until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by state law.

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 purpose 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 HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 - ENDOWMENT FUNDS: (Continued)

Interpretations of Relevant Law: (Continued)

The Board of Directors' primary objective, in this regard, is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the Board of Directors to grow the endowment and utilize the total return (income plus capital change) to further the purpose of the endowment. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted.

Return Objectives and Risk Parameters:

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable 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 donor-specified periods, as well as funds designated by the Board of Directors.

Strategies Employed for Achieving Objectives:

To satisfy 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).

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Council has an investment objective to provide sufficient liquidity to meet operating, distribution, and spending requirements.

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

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 175,276	\$ 175,276
Accumulated investment gains	-	115,049	115,049
	<u>\$ -</u>	<u>\$ 290,325</u>	<u>\$ 290,325</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 - ENDOWMENT FUNDS: (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ -	\$ 287,294	\$ 287,294
Investment return, net	-	3,031	3,031
Endowment Net Assets, End of year	<u>\$ -</u>	<u>\$ 290,325</u>	<u>\$ 290,325</u>

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

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 175,276	\$ 175,276
Accumulated investment gains	-	112,018	112,018
	<u>\$ -</u>	<u>\$ 287,294</u>	<u>\$ 287,294</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ -	\$ 1,082,178	\$1,082,178
Investment return, net	-	5,116	5,116
Reclassification	-	(800,000)	(800,000)
Endowment Net Assets, End of year	<u>\$ -</u>	<u>\$ 287,294</u>	<u>\$ 287,294</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 - ENDOWMENT FUNDS: (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Cash and cash equivalents	\$ -	\$ 194,793	\$ 194,793
Fixed income	-	30,717	30,717
Equities	-	34,232	34,232
Mutual funds	-	10,384	10,384
Certificates of deposit	-	20,199	20,199
	<u>\$ -</u>	<u>\$ 290,325</u>	<u>\$ 290,325</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Cash and cash equivalents	\$ -	\$ 191,923	\$ 191,923
Fixed income	-	28,748	28,748
Equities	-	36,268	36,268
Mutual funds	-	10,552	10,552
Certificates of deposit	-	19,803	19,803
	<u>\$ -</u>	<u>\$ 287,294</u>	<u>\$ 287,294</u>

NOTE 10 - EMPLOYEE BENEFIT PLANS:

The Council participates in the National Girl Scout Council Retirement Plan (“Plan”), a noncontributory, defined benefit pension plan, sponsored by Girl Scouts of the United States of America. The National Board of GSUSA 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.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 10 - EMPLOYEE BENEFIT PLANS: (Continued)

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 NGSCRП the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCRП 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. The aggregate annual contributions decreased from 2018 to 2019 due to the spinoff of Girl Scouts of Louisiana East effective May 1, 2018. Aggregate contributions to be made in fiscal 2020 are expected to be \$32.2 million.

The Council's pension expense and contributions to this Plan for the years ended September 30, 2019 and 2018, were \$427,678 and \$428,253, respectively, included in salaries and benefits on the statements of functional expenses.

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

Leases:

The Council leases equipment under terms of noncancelable operating leases. At September 30, 2019, future minimum aggregate payments on all leases are as follows:

Year Ending September 30,	Amount
2020	\$ 19,894
2021	19,894
2022	19,894
2023	14,122
2024	12,945
Total	<u>\$ 86,749</u>

Lease expense under all leases was \$21,916 and \$16,651 for the years ended September 30, 2019 and 2018, respectively; such amounts are included in occupancy in the accompanying statements of functional expenses.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - COMMITMENTS AND CONTINGENCIES: (Continued)

Legal Matters:

The Council is, at times, involved with certain claims, including equal opportunity and employment issues and other routine litigation matters arising in the normal course of operations. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material adverse effect on the Council's financial position or results of operations.

NOTE 12 - FUNDRAISING:

The Council accounts for the costs of activities that include fundraising, in accordance with the accounting pronouncement on accounting for costs of activities for not-for-profit organizations and state and local government entities that include fundraising. The accounting pronouncement requires not-for-profit entities to report costs of an activity that include fundraising as fundraising costs, unless the activity meets the criteria for purpose, audience, and content of a joint activity, as defined. If the criteria is met, the costs of a joint activity that are identifiable with a particular function should be charged to that function, and joint costs should be allocated between fundraising and the appropriate program or management and general function. The total fundraising costs were \$389,667 and \$203,242 for the years ended September 30, 2019 and 2018, respectively.

NOTE 13 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash and cash equivalents and certificates of deposit. The Council places its cash investments with high credit, qualified institutions, which at times, may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents and certificates of deposit.

During the year ended September 30, 2019, the Council received 69% of its revenue through the following: 53% through the net sales of cookies and 16% through camp fees.

During the year ended September 30, 2018, the Council received 68% of its revenue through the following: 52% through the net sales of cookies and 16% through camp fees.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 14 - CONTRIBUTED SERVICES:

A substantial number of unpaid volunteers have made significant contributions of their time to assist in the Council's programs. The value of this contributed time is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

NOTE 15 - FUNCTIONAL EXPENSES:

The financial statements contain certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages and payroll tax, which are allocated based on employee time spent in each program or department. All other expenses are direct costs.

NOTE 16 - RISKS AND UNCERTAINTIES:

The Council is actively monitoring the recent COVID-19 outbreak and its potential impact on our employees, volunteers, donors, consumers, and operations. While we do not expect that the virus will have a material adverse effect on our operations or financial results at this time, we are unable to predict the impact that COVID-19 will have due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 17 - LIQUIDITY AND AVAILABILITY:

The following represents the Council's financial assets at September 30, 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

Cash and cash equivalents	\$ 1,340,792
Investments, fair value	1,460,061
Accounts receivable, net	<u>28,245</u>
Total Financial Assets	<u>2,829,098</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>642,285</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,186,813</u>

The Council has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts.

NOTE 18 - SUBSEQUENT EVENTS:

The Council is currently in negotiations regarding the sale of the Montclair Service Center. The sale is pending certain approvals by Montclair Township. The building is currently in use by the Council.

The Council has evaluated subsequent events occurring after the statement of financial position date through the date of April 13, 2020, which is the date that the financial statements were available to be issued.