

The logo for atkinson, featuring the word in a lowercase serif font with a small green dot above the letter 'i'.

atkinson

A large, light green circle on the left side of the page, partially overlapping a larger grey circle in the background.

Precise.

Personal.

Proactive.

**GIRL SCOUTS OF
NEW MEXICO TRAILS, INC.**

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

September 30, 2018 and 2017

atkinson

CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Girl Scouts of New Mexico Trails, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts of New Mexico Trails, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and changes in net assets, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

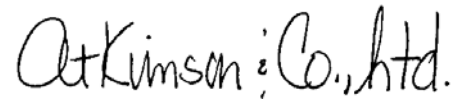
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 auditor considers internal control relevant to Girl Scouts of New Mexico Trails, Inc.'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 Girl Scouts of New Mexico Trails, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of New Mexico Trails, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Atkinson & Co., Ltd." in a cursive, slightly stylized font.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
February 13, 2019

Girl Scouts of New Mexico Trails, Inc.

STATEMENTS OF FINANCIAL POSITION

September 30,

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 165,150	\$ 32,411
Restricted	17,889	13,585
Grants receivable	37,365	30,743
Current portion of unconditional promises to give	18,101	8,021
Other receivables, net of an allowance for doubtful accounts of \$3,314 and \$30,499 at September 30, 2018 and 2017, respectively	9,121	10,452
Inventories	62,328	55,359
Prepaid expenses	<u>37,429</u>	<u>33,203</u>
Total current assets	347,383	183,774
INVESTMENTS	1,400,286	1,329,061
PROPERTY AND EQUIPMENT, net	2,173,673	2,341,929
OTHER ASSETS		
Beneficial interest in perpetual trust	89,553	87,488
Deposits	22,423	21,887
Unconditional promises to give, less current portion, net of \$710 of unamortized discount at September 30, 2018 and 2017	<u>8,046</u>	<u>4,040</u>
Total other assets	<u>120,022</u>	<u>113,415</u>
 Total assets	 <u><u>\$ 4,041,364</u></u>	 <u><u>\$ 3,968,179</u></u>

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	\$ 58,672	\$ 27,185
Other accrued liabilities	25,875	23,382
Accrued payroll and related taxes	58,992	49,495
Accrued compensated absences	45,380	41,307
Line-of-credit	750,000	700,000
Current portion of long-term debt	6,182	5,904
Current portion of capital lease obligation	-	13,170
Accrued incentives payable	10,270	19,801
Total current liabilities	955,371	880,244
CAPITAL LEASE OBLIGATION, less current portion	-	17,315
LONG-TERM DEBT, less current portion	23,189	29,372
Total liabilities	978,560	926,931
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted		
Undesignated	1,214,802	1,504,787
Board designated	1,585,697	1,360,568
	2,800,499	2,865,355
Temporarily restricted net assets	172,752	88,405
Permanently restricted net assets	89,553	87,488
Total net assets	3,062,804	3,041,248
Total liabilities and net assets	\$ 4,041,364	\$ 3,968,179

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

Girl Scouts of New Mexico Trails, Inc.

**STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS**

For the Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Cookie program, gross revenue of \$3,022,697 net of direct costs of \$1,271,693	\$ 1,751,004	\$ -	\$ -	\$ 1,751,004
Program services fees	316,000	-	-	316,000
Other fundraising	237,811	-	-	237,811
Cash contributions	82,556	58,064	-	140,620
Grants	13,559	84,569	-	98,128
Net realized and unrealized gains on investments	55,200	-	-	55,200
MagNut program, gross revenue of \$111,075 net of direct costs of \$63,051	48,024	-	-	48,024
Sales of Girl Scout merchandise, gross revenue of \$147,393 net of direct costs of \$102,013	45,380	-	-	45,380
Interest and dividend income	29,328	-	-	29,328
Rental and service income and other	26,029	-	-	26,029
Noncash contributions	5,395	-	-	5,395
Change in value of beneficial interest in perpetual trust	-	-	2,065	2,065
Loss on disposition of property and equipment	(5,640)	-	-	(5,640)
Total revenue and support	2,604,646	142,633	2,065	2,749,344
Net assets released from restrictions:				
Restrictions satisfied by time and expenditures	58,286	(58,286)	-	-
EXPENSES				
Program services:				
Program and camp services	1,323,684	-	-	1,323,684
Membership and volunteer support	624,103	-	-	624,103
Cookie/MagNut program	223,362	-	-	223,362
Total program services	2,171,149	-	-	2,171,149
Supporting services:				
Management and general	378,552	-	-	378,552
Fundraising	178,087	-	-	178,087
Total supporting services	556,639	-	-	556,639
Total expenses	2,727,788	-	-	2,727,788
CHANGES IN NET ASSETS	(64,856)	84,347	2,065	21,556
Net assets at beginning of year	2,865,355	88,405	87,488	3,041,248
Net assets at end of year	<u>\$ 2,800,499</u>	<u>\$ 172,752</u>	<u>\$ 89,553</u>	<u>\$ 3,062,804</u>

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

Girl Scouts of New Mexico Trails, Inc.

**STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS – CONTINUED**

For the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Cookie program, gross revenue of \$3,329,107 net of direct costs of \$1,366,348	\$ 1,962,759	\$ -	\$ -	\$ 1,962,759
Gain on disposition of property and equipment	565,094	-	-	565,094
Program services fees	357,267	-	-	357,267
Grants	88,535	102,599	-	191,134
Cash contributions	111,977	2,821	-	114,798
Contribution of beneficial interest in perpetual trust	-	-	87,488	87,488
MagNut program, gross revenue of \$154,546 net of direct costs of \$95,186	59,360	-	-	59,360
Sales of Girl Scout merchandise, gross revenue of \$173,037 net of direct costs of \$115,240	57,797	-	-	57,797
Rental and service income and other	51,482	-	-	51,482
Net realized and unrealized gains on investments	42,853	-	-	42,853
Other fundraising	41,786	-	-	41,786
Noncash contributions	15,558	-	-	15,558
Interest and dividend income	14,511	-	-	14,511
Total revenue and support	3,368,979	105,420	87,488	3,561,887
Net assets released from restrictions:				
Restrictions satisfied by time and expenditures	96,526	(96,526)	-	-
EXPENSES				
Program services:				
Program and camp services	1,359,832	-	-	1,359,832
Membership and volunteer support	599,013	-	-	599,013
Cookie/MagNut program	310,606	-	-	310,606
Total program services	2,269,451	-	-	2,269,451
Supporting services:				
Management and general	426,156	-	-	426,156
Fundraising	184,996	-	-	184,996
Total supporting services	611,152	-	-	611,152
Total expenses	2,880,603	-	-	2,880,603
CHANGES IN NET ASSETS	584,902	8,894	87,488	681,284
Net assets at beginning of year	2,280,453	79,511	-	2,359,964
Net assets at end of year	<u>\$ 2,865,355</u>	<u>\$ 88,405</u>	<u>\$ 87,488</u>	<u>\$ 3,041,248</u>

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

Girl Scouts of New Mexico Trails, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2018

	Program			Supporting Services			
	Program and Camp Services	Membership and Volunteer Support	Cookie/ MagNut Program	Management and General	Fundraising		Total Expenses
					Fund Development	Capital Campaign	
Salaries and related expenses							
Salaries and wages	\$ 531,185	\$ 365,905	\$ 71,249	\$ 187,969	\$ 105,660	\$ -	\$ 1,261,968
Payroll taxes	38,022	26,448	4,189	13,777	7,896	-	90,332
Employee retirement	15,758	24,531	9,877	21,589	2,822	-	74,577
Employee benefits	38,045	12,967	3,847	5,409	2,807	-	63,075
Workers' compensation insurance	9,178	2,954	616	743	445	16	13,952
Total salaries and related expenses	632,188	432,805	89,778	229,487	119,630	16	1,503,904
Supplies	147,262	14,198	1,310	3,825	322	28	166,945
Professional services	86,484	12,796	3,808	22,517	13,227	405	139,237
Travel	60,299	23,218	3,818	12,289	1,267	-	100,891
Maintenance	57,320	17,375	1,050	7,996	3,860	274	87,875
Utilities	57,841	10,221	2,310	5,486	2,003	535	78,396
Other occupancy	64,691	4,849	553	4,851	441	225	75,610
Incentives	102	7,458	51,779	327	991	-	60,657
Insurance	35,285	11,130	1,863	7,808	1,522	548	58,156
Telecommunications	31,332	15,255	2,591	6,046	2,329	580	58,133
Miscellaneous	-	438	47,269	445	38	3	48,193
Staff and volunteer development	5,313	8,495	4,819	9,474	17,166	-	45,267
Interest	1,597	91	22	40,333	20	4	42,067
Printing, promotion, and publications	12,399	1,915	3,853	4,394	3,681	484	26,726
Assistance and grants	11,082	13,893	-	-	-	-	24,975
Bank charges	-	17,346	425	4,250	460	-	22,481
Rental of program facilities	1,337	8,200	1,060	-	-	-	10,597
Investment fees	-	-	-	10,043	-	-	10,043
Postage and delivery	3,579	2,040	228	365	3,560	35	9,807
Recruitment	811	5,103	-	450	-	-	6,364
Bad debt expense	-	-	3,258	-	-	-	3,258
Total expenses before depreciation	1,208,922	606,826	219,794	370,386	170,517	3,137	2,579,582
Depreciation of property and equipment	114,762	17,277	3,568	8,166	2,753	1,680	148,206
Total expenses	\$ 1,323,684	\$ 624,103	\$ 223,362	\$ 378,552	\$ 173,270	\$ 4,817	\$ 2,727,788

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

Girl Scouts of New Mexico Trails, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED

For the Year Ended September 30, 2017

	Program			Supporting Services			Total Expenses
	Program and Camp Services	Membership and Volunteer Support	Cookie/MagNut Program	Management and General	Fundraising Fund Development	Capital Campaign	
Salaries and related expenses							
Salaries and wages	\$ 540,470	\$ 349,038	\$ 71,515	\$ 210,232	\$ 98,080	\$ -	\$ 1,269,335
Payroll taxes	39,155	25,257	4,293	15,735	7,181	-	91,621
Employee retirement	15,653	24,726	9,792	22,154	2,763	(20)	75,068
Employee benefits	15,689	13,376	2,671	15,411	3,945	-	51,092
Workers' compensation insurance	12,105	3,435	758	1,438	456	57	18,249
Total salaries and related expenses	623,072	415,832	89,029	264,970	112,425	37	1,505,365
Supplies	183,055	9,931	4,652	5,827	16,517	45	220,027
Professional services	136,504	10,857	2,123	33,394	16,694	521	200,093
Incentives	307	7,536	90,042	811	356	-	99,052
Travel	62,668	18,006	2,944	5,935	1,470	-	91,023
Utilities	60,623	14,544	2,105	5,353	1,624	991	85,240
Maintenance	30,317	22,762	984	10,466	3,438	426	68,393
Other occupancy	60,624	4,724	513	1,802	433	233	68,329
Insurance	35,222	15,663	2,214	8,298	1,847	1,232	64,476
Telecommunications	21,949	17,857	2,034	16,440	1,818	864	60,962
Bad debt expense	-	-	56,025	-	-	-	56,025
Miscellaneous	1,128	3,594	42,037	1,686	80	20	48,545
Staff and volunteer development	7,873	4,136	7,807	12,445	10,795	-	43,056
Interest	1,422	-	-	35,703	-	-	37,125
Assistance and grants	14,707	7,253	-	-	-	-	21,960
Bank charges	-	17,221	406	3,862	331	-	21,820
Printing, promotion, and publications	8,187	1,669	3,027	3,132	5,310	268	21,593
Recruitment	829	7,846	830	-	-	-	9,505
Postage and delivery	2,699	1,278	263	1,310	2,718	67	8,335
Investment fees	-	-	-	5,646	-	-	5,646
Rental of program facilities	2,116	1,014	-	-	-	-	3,130
Total expenses before depreciation	1,253,302	581,723	307,035	417,080	175,856	4,704	2,739,700
Depreciation of property and equipment	106,530	17,290	3,571	9,076	2,755	1,681	140,903
Total expenses	<u>\$ 1,359,832</u>	<u>\$ 599,013</u>	<u>\$ 310,606</u>	<u>\$ 426,156</u>	<u>\$ 178,611</u>	<u>\$ 6,385</u>	<u>\$ 2,880,603</u>

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

Girl Scouts of New Mexico Trails, Inc.

STATEMENTS OF CASH FLOWS

For the Years Ended September 30,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 21,556	\$ 681,284
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	148,206	140,903
In-kind contributions of property and equipment	-	-
Donated stock	-	-
Net realized and unrealized gains on investments	(55,200)	(42,853)
Provision for bad debts	3,258	56,025
Loss (gain) on sale of property and equipment	5,640	(565,094)
Donation of beneficial interest in perpetual trust	-	(87,488)
Change in value in beneficial interest in perpetual trust	(2,065)	-
(Increases) decreases in operating assets		
Grants receivable	(6,622)	(17,506)
Unconditional promises to give	(14,086)	2,491
Other receivables	(1,927)	(63,640)
Inventories	(6,969)	6,393
Prepaid expenses	(4,226)	4,667
Deposits	(536)	10,290
Increases (decreases) in operating liabilities		
Accounts payable	31,487	(20,186)
Accrued expenses	6,532	16,012
	<u>125,048</u>	<u>121,298</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	139,886	1,131,962
Proceeds from sale of property and equipment	-	728,307
Purchases of property and equipment	(10,413)	(295,259)
Purchases of investments	(155,911)	(1,718,217)
	<u>(26,438)</u>	<u>(153,207)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net activity on line-of-credit	50,000	-
Principal payments on capital lease obligation	(5,662)	(11,517)
Principal payments on long-term debt	(5,905)	(10,328)
	<u>38,433</u>	<u>(21,845)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	137,043	(53,754)
Cash, cash equivalents, and restricted cash at beginning of year	<u>45,996</u>	<u>99,750</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 183,039</u>	<u>\$ 45,996</u>

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

Girl Scouts of New Mexico Trails, Inc.

STATEMENTS OF CASH FLOWS – CONTINUED

For the Years Ended September 30,

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	<u>2018</u>	<u>2017</u>
Cash paid during the year for interest	<u>\$ 42,067</u>	<u>\$ 37,125</u>
Return of leased asset to lessor (acquired under capital lease)	<u>\$ 24,823</u>	<u>\$ -</u>
Donation of materials, supplies, and services	<u>\$ 5,395</u>	<u>\$ 15,558</u>
Asset acquired through debt financing	<u>\$ -</u>	<u>\$ 38,573</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

NOTE A – ORGANIZATION

The Girl Scouts of New Mexico Trails, Inc. (formerly Girl Scouts of Chaparral Council, Inc.) (the Council) is a not-for-profit organization incorporated in New Mexico in 1958. The Council's primary purpose is to service girl scouting under a charter from the Girl Scouts of the United States of America (the GSUSA). The Council provides programs and activities in its jurisdiction based on three program goals of developing courage, confidence, and character. The Council's jurisdiction was modified effective November 1, 2007, as part of the nation-wide realignment of councils as discussed below. As a result of the modification, the Council now serves girl scouting throughout the top two-thirds of the State of New Mexico. Previously, the Council served girl scouting in west central and northwest New Mexico.

The Council defines its programs and services as follows:

Camping Services - Through the camping experience, girls gain independence, self-esteem, and an appreciation for themselves and others. Camp activities teach girls to protect the environment and to use resources wisely.

Program Events (Cookie/Magnut Program) - Program events supplement the volunteer leaders' efforts to help girls grow strong emotionally and physically and become tomorrow's competent and self-confident leaders. Program events serve girls ages 5-17 throughout the Council's jurisdiction. Product sales, including cookies, nuts, and magazines, teach Girl Scouts customer service, budgeting, goal-setting, and product knowledge while providing funds for troop activities. The Girl Scout shop provides official GSUSA merchandise to the membership.

Membership and Volunteer Support

Membership - The Girl Scouts of New Mexico Trails, Inc. is dedicated to serving "Every girl, everywhere" ages 5-17 years within its jurisdiction. The Council currently supports a membership of 5,250 (unaudited) girls and adults through a wide range of programs and training opportunities. The Council believes it is investing in tomorrow's leaders by empowering young girls and women to reach beyond the conventional to achieve their goals.

Volunteers - Training is provided by Girl Scout volunteers and community professionals at no or minimal cost for adult volunteers.

Management and General - Management and general costs provide the administrative support to meet the Council's goals and objectives as stipulated by the Board of Directors.

Fundraising - Fundraising seeks financial support from the community to promote the Girl Scout program as a means to enhance the lives, self-esteem, and the future of girls and women.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Presentation and Net Assets

The Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted and board designated net assets - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Council in accordance with the Articles of Incorporation and By-Laws. Board designated net assets are unrestricted funds that the Board of Directors plans to use for specific purposes and for future unspecified projects or reserves.

Temporarily restricted net assets - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Council or the passage of time.

Permanently restricted net assets - represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

2. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments purchased outside the trust (see Note E) with original maturity dates of less than three months. Money market accounts purchased inside the trust and held at broker and security institutions are considered investments. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash and cash equivalents do include cash that is considered restricted for specific purposes.

In November of 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18 *Restricted Cash* which requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Under this standard, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018, but early adoption is permitted. The Council has early adopted this ASU.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Cash and Cash Equivalents – Continued

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 165,150	\$ 32,411
Restricted cash	<u>17,889</u>	<u>13,585</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 183,039</u>	<u>\$ 45,996</u>

3. Grants and Other Receivables

Grants receivable consist primarily of grant awards due from United Way agencies and other grantor agencies. Other receivables consist primarily of amounts due for registration service fees and checks for cookie and magnet sales returned for nonsufficient funds. Other receivables are shown net of an allowance for doubtful accounts of \$3,314 and \$30,499 at September 30, 2018 and 2017, respectively. The Council provides an allowance, as needed, for doubtful collections that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Balances that are still outstanding after reasonable collection efforts are written off. Balances that are past due for 90 days or more are not significant at September 30, 2018 and 2017.

4. Investments

Investments are carried at fair value. Fair value is the price 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. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these financial statements.

5. Inventory

Inventory consists solely of purchased Girl Scout supply merchandise and is stated at the lower of cost (FIFO) or net realizable value.

In July of 2015, the FASB issued ASU 2015-11 *Inventory* (FASB Codification Topic 330) which changed the measurement test of inventory from the lower of cost or market to the lower of cost or net realizable value. Under this standard, net realizable value includes the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective for fiscal years beginning after December 15, 2016, and has been fully adopted by the Council.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. However, contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

7. Property and Equipment

Property and equipment are capitalized at cost. It is the Council's policy to capitalize expenditures for items in excess of \$5,000. Lesser amounts are expensed. When property and equipment is acquired by means of donation, such properties and equipment are reflected as contributions in the accompanying statements at their estimated fair market values at date of receipt. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from three to forty years. The Council uses the direct expensing method to account for planned major maintenance activities.

8. Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Council in writing that is, in substance, unconditional and legally enforceable. If a donor states an intent verbally to give rather than a promise to give, contributions are recorded in the year payment is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using present value techniques and a discount rate of 3%. Conditional promises to give are not included in support until the conditions are substantially met.

9. Donated Services, Supplies, and Facilities

Donated supplies and other items have been recorded in the accompanying financial statements as noncash contributions at their estimated fair market value at the date of receipt. Included in noncash contributions in the statements of activities and changes in net assets for the years ended September 30, 2018 and 2017, are \$5,395 and \$15,558 of donated supplies, equipment, and software of which none were capitalized.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Donated Services, Supplies, and Facilities – Continued

Donated services are reflected as contributions at their estimated fair market value at date of receipt where the donor has specialized skills or the services enhance a nonmonetary asset, and the services would be purchased if not donated. There were no donated services received during the years ended September 30, 2018 or 2017.

A substantial number of volunteers have donated significant amounts of their time in the Council's program services and its fundraising activities. These services do not require specialized skills nor do they enhance a nonmonetary asset, and accordingly, no amounts have been reflected in the statements for those services since they do not meet the criteria for recognition.

Donated merchandise utilized for fundraising events is recorded as a contribution at its estimated value on the date of receipt. This value is adjusted through contribution revenue to the actual amount received from the ultimate recipient of the item.

10. Intentions to Give

Occasionally the Council is notified that it has been named as beneficiary of trusts or life insurance policies. These intentions to give are to be paid on death of the designees, are revocable at any time prior to the death of the designees, and have not been received in writing by the Council. Since these amounts do not meet the criteria of revenue recognition, they are not reflected as contributions in the statements of activities and changes in net assets.

11. Income Taxes

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, its normal activities do not result in any income tax liability. The Council is classified as other than a private foundation.

The Council would record a liability for uncertain tax positions when it became probable that a loss has been incurred and the amount can be reasonably estimated. Interest would be recognized and accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings are continually evaluated. As of September 30, 2018 and 2017, no liabilities for uncertain tax positions have been recorded. The Organization's tax returns for the tax years 2015 to 2018, by statute, may be subject to normal federal and state examination.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Most expenses are allocated directly to the program or the support service benefited. Certain costs are allocated to the appropriate program or support service using a variable percentage base, determined by management.

13. Program Service Fees

Program fees are recognized as the services are performed.

14. Advertising Costs

Advertising costs which consist of both purchased and donated items are charged to expense as costs are incurred and contribution revenue as donated items are received. For the years ended September 30, 2018 and 2017, advertising expense was \$5,062 and \$202, respectively. None of the advertising expenses represented noncash contributions.

15. Estimates

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

16. Subsequent Events

The Council has evaluated subsequent events through February 13, 2019, the date which financial statements were available to be issued. Management believes no material subsequent events have arisen that would require disclosure or accrual in these financial statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE C – CONCENTRATION OF CREDIT RISKS

The Council maintains its cash balances in several financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At various times balances may exceed federally insured limits; however the Council maintains its cash with financial institutions which the Council believes limits these risks. At September 30, 2018 and 2017, the Council had no uninsured cash balances.

The Council is primarily supported through its cookie sales, grants, and program fees. Approximately 72% and 66% of the Council's support for the years ended September 30, 2018 and 2017, came from cookie sales.

NOTE D – UNCONDITIONAL PROMISES TO GIVE

The Council received \$35,560 and \$11,735 in written multi-year promises to give during 2018 and 2017, respectively. Some of these are to be paid through 2021. Unconditional promises to give that are due in more than one year are recognized at net present value, using present value techniques and a discount rate of 3%. Unconditional promises to give that are expected to be collected within one year are recorded at fair value.

The unconditional promises to give consist of the following:

	<u>2018</u>	<u>2017</u>
Promises to give, gross	\$ 12,771	\$ 15,262
Additional pledges	35,560	11,735
Pledges written off	-	-
Received as of September 30,	<u>(21,474)</u>	<u>(14,226)</u>
Promises to give at September 30,	26,857	12,771
Less: unamortized discount	<u>(710)</u>	<u>(710)</u>
Net unconditional promises to give	<u>\$ 26,147</u>	<u>\$ 12,061</u>
Amounts due in:		
Less than one year	18,101	8,021
One to five years	<u>8,046</u>	<u>4,040</u>
Total	<u>\$ 26,147</u>	<u>\$ 12,061</u>

Amortization of the discount is included in contribution revenue. The Council has not provided an allowance for doubtful accounts on outstanding amounts at September 30, 2018 or 2017, as the Council believes all remaining outstanding amounts will be fully collected.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE E – INVESTMENTS

The Council follows a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy are:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; valuation methodology using other observable inputs or inputs derived from or corroborated by observable market data by correlation or other means
- Level 3: Valuation methodology using unobservable inputs

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2018 and 2017.

Mutual funds: Valued at the net asset value (NAV) of shares held by the respective mutual fund. Net asset value is based on aggregate fair values of all individual shares traded on active markets.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Assets held in perpetual trust: Valued at fair value obtained from third-party trustee.

Cash management account: Valued at net realizable value and included in the accompanying table for reconciliation to the statements of financial position.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

The Council holds various investments in a trust established by the Council at a financial institution. The trust agreement authorizes the trustee to hold and invest the funds with the approval of the Council. Distributions of income or principal to the Council by the trustee shall only be made with the approval of 75% of the Board of Directors of the Council.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE E – INVESTMENTS – CONTINUED

Investments consist of the following:

Assets at Fair Value as of September 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 745,020	\$ -	\$ -	\$ 745,020
Fixed income mutual funds	602,121	-	-	602,121
Assets held in perpetual trust	89,553	-	-	89,553
Cash management account	<u>53,145</u>	<u>-</u>	<u>-</u>	<u>53,145</u>
Total	<u>\$ 1,489,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,489,839</u>

Assets at Fair Value as of September 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 671,805	\$ -	\$ -	\$ 671,805
Fixed income mutual funds	623,651	-	-	623,651
Assets held in perpetual trust	87,488	-	-	87,488
Cash management account	<u>33,605</u>	<u>-</u>	<u>-</u>	<u>33,605</u>
Total	<u>\$ 1,416,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,416,549</u>

A summary of assets held in trust is as follows:

	<u>September 30, 2018</u>		<u>September 30, 2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investments held in trust:				
Equity mutual funds	\$ 596,028	\$ 745,020	\$ 571,956	\$ 671,805
Fixed income mutual funds	616,870	602,121	614,412	623,651
Assets held in perpetual trust	N/A	89,553	N/A	87,488
Cash management account	<u>56,359</u>	<u>53,145</u>	<u>36,777</u>	<u>33,605</u>
Total investments held in trust	<u>\$ 1,269,257</u>	<u>\$ 1,489,839</u>	<u>\$ 1,223,145</u>	<u>\$ 1,416,549</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE F – PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Buildings	\$ 2,854,454	\$ 2,665,290
Land improvements	865,051	854,632
Furniture, fixtures, and equipment	660,053	724,030
Building improvements	379,239	367,066
Vehicles	144,227	144,227
Construction in progress	-	201,337
	<u>4,903,024</u>	<u>4,956,582</u>
Less accumulated depreciation and amortization	<u>(3,438,133)</u>	<u>(3,323,435)</u>
Land	<u>708,782</u>	<u>708,782</u>
	<u>\$ 2,173,673</u>	<u>\$ 2,341,929</u>

Depreciation expense was \$148,206 and \$140,903 for the years ended September 30, 2018 and 2017, respectively.

In May 2017, the Council sold a property in Santa Fe for \$775,000 and recognized a gain on the sale of \$559,450.

NOTE G – LINE-OF-CREDIT

The Council has a \$1,200,000 revolving line-of-credit with a credit union. The line-of-credit was first obtained in February 2015 with a one-year term and provisions for annual extensions. In May 2018, the credit union extended the agreement and removed the provision for a fixed term and maturity date; however, the line-of-credit remains subject to a due on demand feature in which payment in full is due within 15 days of the lender's demand. The line is subject to a variable interest rate based on the prime rate as quoted in the money section of the Wall Street Journal plus 1% (6% at September 30, 2018, and 5.25% at September 30, 2017), with a floor of 5.75%. Interest is payable monthly with principal due upon lender's demand. The line is secured by property. The outstanding balance as of September 30, 2018 and 2017, was \$750,000 and \$700,000, respectively. The Council is required to comply with certain covenants and provisions in connection with the line-of-credit. All such covenants and provisions were not complied with as of September 30, 2018; however, the Council has received a waiver from the credit union regarding those covenants and provisions.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE H – LONG-TERM DEBT

Long-term debt consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Note payable to finance company, 4.68% interest; maturity February 2023; secured by vehicle; monthly payments (including interest) of \$617	<u>\$ 29,371</u>	<u>\$ 35,276</u>
	29,371	35,276
Less current portion	<u>(6,182)</u>	<u>(5,904)</u>
Long term portion	<u>\$ 23,189</u>	<u>\$ 29,372</u>

Maturities on long-term debt are as follows for the year ending September 30:

2019	\$ 6,182
2020	6,445
2021	6,754
2022	7,077
2023	<u>2,913</u>
	<u>\$ 29,371</u>

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets restricted by the donor consist of the following as of September 30:

	<u>2018</u>	<u>2017</u>
Restricted for purpose:		
Foundation and other grants	\$ 44,414	\$ 24,680
Other	39,585	4,855
STEM grants	14,015	4,657
Gold Award scholarships - Harkey	11,226	11,226
GSUSA grants	-	183
Restricted for time:		
Grants receivable	37,365	30,743
Unconditional promises to give	<u>26,147</u>	<u>12,061</u>
Total temporarily restricted	<u>\$ 172,752</u>	<u>\$ 88,405</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE I – TEMPORARILY RESTRICTED NET ASSETS – CONTINUED

Temporarily restricted net assets released from restrictions were comprised of the following as of September 30:

	<u>2018</u>	<u>2017</u>
Releases from restrictions:		
Foundation and other grants	\$ 31,214	\$ 41,245
STEM grants	10,643	19,748
Other	5,476	4,489
GSUSA grants	183	2,817
United Way	-	11,800
Grants receivable cash receipts	6,999	11,115
Payments on unconditional promises to give	3,771	5,312
	<u>\$ 58,286</u>	<u>\$ 96,526</u>

NOTE J – BOARD DESIGNATED NET ASSETS

Unrestricted board designated net assets consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Future projects/reserves	\$ 1,372,420	\$ 1,303,029
Master development	156,650	2,746
Board designated endowment funds	38,163	38,163
Gold Award scholarships - earnings portion only - Harkey	16,640	14,806
Wengerd craft center	1,824	1,824
	<u>\$ 1,585,697</u>	<u>\$ 1,360,568</u>

NOTE K – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a beneficial interest in a perpetual trust, which is restricted to investment in perpetuity. As of September 30, investment income earned on permanently restricted contributions is expendable to support the following:

	<u>2018</u>	<u>2017</u>
Underprivileged children	\$ 89,553	\$ 87,488
	<u>\$ 89,553</u>	<u>\$ 87,488</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE L – PERPETUAL TRUST

During 2017, the Council determined that it has a one-third equal beneficiary share of a certain perpetual trust. The value of the perpetual trust at September 30, 2018 and 2017, was \$268,658 and \$262,463, respectively, of which the Council’s one-third beneficial share of the assets is \$89,553 and \$87,488, respectively. The Council’s share was recorded as permanently restricted contribution revenue on the 2017 statement of activities and changes in net assets, as the trust document intends for the corpus to be held in perpetuity and the investment income to be distributed to the beneficiary organizations no less frequently than on an annual basis. Distributions from the perpetual trust of \$1,057 and \$1,043 for the years ended September 30, 2018 and 2017, respectively, are reflected as temporarily restricted contribution income as the trust restricts the funds for the benefit of under-privileged children in and about the general vicinity and area of Albuquerque, New Mexico. Changes in the value of the trust are reflected as changes in permanently restricted net assets in each respective year of the change. The Council is permitted to select one of the trust’s five-member governing board.

NOTE M – ENDOWMENTS

The Council’s endowments consist of two individual funds. The first was established as a quasi-endowment fund and includes funds designated by the Board of Directors to function as an endowment. The second includes funds which are donor-restricted and includes the Council’s beneficial interest in a perpetual trust. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, 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.

Endowment Net Asset Composition by Type of Fund as of September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 89,553	\$ 89,553
Board-designated endowment funds	38,163	-	-	38,163
	<u>\$ 38,163</u>	<u>\$ -</u>	<u>\$ 89,553</u>	<u>\$ 127,716</u>

Girl Scouts of New Mexico Trails, Inc.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE M – ENDOWMENTS – CONTINUED

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 38,163	\$ -	\$ 87,488	\$ 125,651
Investment return:				
Interest and dividends	-	-	-	-
Net appreciation/depreciation (realized and unrealized)	-	-	2,065	2,065
Total investment return	-	-	2,065	2,065
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 38,163</u>	<u>\$ -</u>	<u>\$ 89,553</u>	<u>\$ 127,716</u>

Endowment Net Asset Composition by Type of Fund as of September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 87,488	\$ 87,488
Board-designated endowment funds	38,163	-	-	38,163
	<u>\$ 38,163</u>	<u>\$ -</u>	<u>\$ 87,488</u>	<u>\$ 125,651</u>

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 38,163	\$ -	\$ -	\$ 38,163
Investment return:				
Interest and dividends	-	-	-	-
Net depreciation (realized and unrealized)	-	-	-	-
Total investment return	-	-	-	-
Contributions	-	-	87,488	87,488
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 38,163</u>	<u>\$ -</u>	<u>\$ 87,488</u>	<u>\$ 125,651</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE M – ENDOWMENTS – CONTINUED

	<u>2018</u>	<u>2017</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	\$ 89,553	\$ 87,488
Total endowment funds classified as permanently restricted net assets	<u>\$ 89,553</u>	<u>\$ 87,488</u>

Interpretation of Relevant Law

The Finance Committee of the Council has interpreted the accounting for its endowments as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence. The Council considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation/depreciation of investments, (6) other resources of the Council, and (7) the Council's investment policies.

Return Objectives and Risk Parameters

The Council does not have an investment policy with regards to the Board-designated endowment and the funds and is currently holding the funds in a cash account with a financial institution. The donor-restricted endowment has an investment policy with a balanced level of investment risk. The objectives for the portfolio are preservation of principal and investment income. Funds are managed by an outside trustee, which is a financial institution. Currently the funds are allocated between money market, mutual fund, equity, alternative, and real asset investments.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE N – PROGRAM EVENTS

A summary of special program events during the years ended September 30, 2018 and 2017, is as follows:

	Sales	Direct Costs	2018 Net Revenue	2017 Net Revenue
Cookie sales	\$ 3,022,697	\$ 1,271,693	\$ 1,751,004	\$ 1,962,759
Magazine subscriptions, nuts and chocolate	111,075	63,051	48,024	59,360
Total	<u>\$ 3,133,772</u>	<u>\$ 1,334,744</u>	<u>\$ 1,799,028</u>	<u>\$ 2,022,119</u>

The direct cost of cookie sales includes \$835,890 and \$814,422 in purchases from a single vendor for the year ended September 30, 2018 and 2017, respectively. Sales revenue and cost of sales are reported net of discounts.

NOTE O – EMPLOYEE BENEFIT PLANS

The Council participates in the National Girl Scout Council Retirement Plan (NGSCR) (the Plan), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA. The National Board of the Girl Scouts of the USA voted to freeze future benefits 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. The Council's pension expense and contributions to this Plan for the years ending September 30, 2018 and 2017, were \$53,725 and \$53,836, respectively.

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, 2018. 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 year 2017 and 2018 were \$33.1 million and \$32.4 million, respectively. The aggregate annual contributions decreased from 2017 to 2018 due to the reduction in the Plan's total aggregate contributions from \$34.3 million to \$32.5 million, effective May 1, 2017, and the spin-off of Girl Scouts of Louisiana East effective May 1, 2018. Aggregate contributions to be made in fiscal 2019 are expected to be \$32.2 million.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE O – EMPLOYEE BENEFIT PLANS – CONTINUED

The Council instituted a 401(k) pension plan in January 2000. Employees are immediately eligible to contribute upon being hired. The Council matches 100% of the first 3% of employee contributions after the employee has completed 90 days of employment. Employees become vested in the Council contribution after three years of service. Investments are directed by the participants. For the years ended September 30, 2018 and 2017, the Council's 401(k) matching contributions were \$20,852 and \$21,232, respectively.

NOTE P – UNEMPLOYMENT TRUST

The Council has elected to contract with a third-party vendor for unemployment compensation and claims management. The costs of claims under this program are expensed as claims arise. The Council contributed to an unemployment trust account during the years ended September 30, 2018 and 2017. Contributions and deductions from the trust account are as follows as of September 30:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 21,217	\$ 23,861
Contributions	12,362	8,041
Claims paid	(14,946)	(6,479)
Other deductions	<u>(1,287)</u>	<u>(4,206)</u>
Ending balance	<u>\$ 17,346</u>	<u>\$ 21,217</u>

Other deductions from the trust account include participation costs, surety bond premiums, and investment income. There were no material threatened or pending claims through the date of the independent auditors' report. The unemployment trust is presented in deposits on the statements of financial position.

NOTE Q – OPERATING LEASE REVENUE

The Council (lessor) leases property in Santa Fe under an operating lease, effective December 2012, with a term of 60 months and a monthly rental charge of \$3,646. Rental income as of September 30, 2017 totaled \$29,384. The building was sold in May 2017 (see Note F).

In addition to the Santa Fe property rental, the Council also received rental income from the use of its camp properties, on a case by case basis. The rental income related to the Council's camp properties during September 30, 2018 and 2017, totaled \$13,316 and \$10,454, respectively.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE R – OPERATING LEASE COMMITMENTS

The Council (lessee) leases certain office space and equipment under operating leases. Monthly payments range from \$123 to \$448. Future minimum payments under leases having initial lease terms in excess of one year are as follows:

2019	\$	18,818
2020		13,300
2021		13,300
2022		13,300
2023		<u>7,507</u>
	\$	<u>66,225</u>

Equipment lease expense was \$40,600 and \$21,923 for the years ended September 30, 2018 and 2017, respectively. Office lease expense was \$7,937 and \$738 for the years ended September 30, 2018 and 2017, respectively.

NOTE S – CAPITAL LEASE OBLIGATION

The Council leases office equipment under a capital lease expiring in 2020. The asset and liability under the capital lease are recorded at the present value of the minimum lease payments. The asset is amortized over the life of the lease. Amortization of the asset under the capital lease is included in depreciation expense. The lease was terminated early in March 2018 and the asset was returned to the lessor.

NOTE T – PURCHASE COMMITMENT

The Council has entered into a contract with Little Brownie Bakers, an unrelated corporation, for the purchase of all cookies related to the cookie sale program. The contract was renewed for three new seasons ending with the 2019-2020 season. Based on historical trends, purchases under this contract have approximated \$800,000 - \$900,000 per year.

NOTE U – RELATED PARTY TRANSACTIONS

Contributions from the Council's Board of Directors and Council staff totaled \$116,970 and \$66,482 for the years ended September 30, 2018 and 2017, respectively.

The Council purchases the majority of inventory for the store from Girl Scouts of the United States of America (the GSUSA), its national affiliate. For the years ended September 30, 2018 and 2017, total inventory purchases from GSUSA were \$68,145 and \$58,658, respectively.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE U – RELATED PARTY TRANSACTIONS – CONTINUED

In addition, the Council collects member dues on behalf of the GSUSA and remits those dues periodically throughout the year for members who register through the Council's office. Dues for members that register online are collected directly by the GSUSA and are at no time in the custody of the Council. For the years ended September 30, 2018 and 2017, dues remitted totaled approximately \$28,305 and \$24,730, respectively. Dues collected and payable to the GSUSA, and other amounts due were \$9,600 and \$309 at September 30, 2018 and 2017, respectively.

NOTE V – SALE OF LAND CONSERVATION INCENTIVE TAX CREDIT

During fiscal year 2017, the Council transferred the development rights to a portion of the Rancho de Chaparral camp land in Sandoval County, NM, for the purpose of receiving a land conservation incentive tax credit. In 2018, tax credit was awarded by the New Mexico Department of Taxation and Revenue in the amount of \$245,000. The Council sold the tax credit for 91.50% of the face value, resulting in a sale price of \$224,175, from which \$30,270 of broker fees were deducted. The proceeds are included in other fundraising revenue on the statements of activities and changes in net assets.

NOTE W – TROOP BANK ACCOUNTS

Girl Scout troops establish bank accounts under the Council's tax identification number. All troop funds are maintained for the benefit of the girls within the respective troop. These funds are not under the control of the Council and have not been included in the accompanying financial statements. However, the Council has established procedures and oversight protocols to ensure that funds are used appropriately. If a troop becomes inactive, any funds remaining in the account are surrendered to the Council. The funds are then used to provide financial aid to girls in the region in which the troop existed. Management has estimated troop funds totaled approximately \$412,577 and \$384,415 as of May 31, 2018 and 2017, respectively, the most recent data available based on the schedule in which troops report to the Council (unaudited).

NOTE X – NEW ACCOUNTING STANDARDS

1. The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, (Topic 606): *Revenue from Contracts with Customers*, along with several amendments to the ASU, that was designed to develop a common revenue standard for U.S. GAAP and international standards. The core principle of this ASU 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE X – NEW ACCOUNTING STANDARDS – CONTINUED

Steps to apply the core principle are as follows:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

Several new disclosures will also be required to include sufficient information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU will be effective for annual periods beginning after December 15, 2018.

2. In February 2016, the FASB issued ASU 2016-02 *Leases* (FASB Codification Topic 842) which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, generally accepted accounting principles now will require lessees under operating leases to recognize a liability in the statement of financial position and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2019.

3. In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (FASB Codification Topic 958) to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of the ASU are as follows:

- A. Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a not-for-profit will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- B. Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item A) rather than that of the currently required three classes. A not-for-profit would continue to report the currently required amount of the change in total net assets for the period.
- C. Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE X – NEW ACCOUNTING STANDARDS – CONTINUED

D. Provide the following enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how a not-for-profit manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
- Quantitative information, either on the face of the statement of financial position or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of a not-for-profit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions.
- Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location, which could be on the face of the statement of activities, as a separate statement, or in notes to financial statements.
- Method(s) used to allocate costs among program and support functions.
- Underwater endowment funds, which include required disclosures of (1) a not-for-profit's policy, and any actions taken during the period, concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate of the original gift amounts (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater (deficiencies), which are to be classified as part of net assets with donor restrictions.

E. Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.

F. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from *net assets with donor restrictions* to *net assets without donor restrictions* for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The requirements of this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

September 30, 2018 and 2017

NOTE X – NEW ACCOUNTING STANDARDS – CONTINUED

4. In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (FASB Codification Topic 958) to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update clarify the criteria for evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional.

The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, with respect to contributions received and fiscal years beginning after December 15, 2019, with respect to contributions made. Early adoption is permitted.

As of the date of these financial statements, management has not determined the impact these new ASUs will have on future reporting periods.

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