

**GIRL SCOUTS IN THE
HEART OF PENNSYLVANIA**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girl Scouts in the Heart of Pennsylvania
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts in the Heart of Pennsylvania (the Council), a nonprofit organization, which comprise the statements of financial position as of September 30, 2016 and 2015, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts in the Heart of Pennsylvania as of September 30, 2016 and 2015, 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 6, 2017

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 1,723,031	\$ 2,349,298
Custodian funds	97,381	76,415
Inventory	63,338	33,222
Accounts receivable, net		
United Way	291,121	306,617
Other	66,767	72,222
Prepaid expenses	218,929	236,620
Current portion of pledges receivable, net	<u>88,261</u>	<u>309,300</u>
Total current assets	<u>2,548,828</u>	<u>3,383,694</u>
Other assets		
Investments	6,914,675	6,323,206
Beneficial interests in perpetual trusts	537,494	525,569
Pledges receivable, net, less current portion	<u>101,422</u>	<u>72,818</u>
Total other assets	<u>7,553,591</u>	<u>6,921,593</u>
Property and equipment, less accumulated depreciation	<u>9,425,323</u>	<u>8,873,034</u>
Total assets	<u><u>\$ 19,527,742</u></u>	<u><u>\$ 19,178,321</u></u>

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

LIABILITIES AND NET ASSETS

	2016	2015
Liabilities		
Accounts payable and accrued liabilities	\$ 118,983	\$ 124,928
Accrued wages and vacation	168,282	219,736
Custodian funds	97,381	76,415
Deferred program revenue	77,150	21,810
Total liabilities	461,796	442,889
Net assets		
Unrestricted		
General operations	8,120,295	7,457,894
Board designated	25,000	143,267
Property and equipment	9,425,323	8,873,034
Total unrestricted net assets	17,570,618	16,474,195
Temporarily restricted	641,100	1,369,022
Permanently restricted	854,228	892,215
Total net assets	19,065,946	18,735,432
Total liabilities and net assets	\$ 19,527,742	\$ 19,178,321

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and public support				
Program related revenue				
Program related product sales	\$ 8,330,027	\$ -	\$ -	\$ 8,330,027
Cost of product sales	(2,165,124)	-	-	(2,165,124)
Program service and camp fees	427,551	-	-	427,551
Miscellaneous program revenue	25,298	-	-	25,298
Total program related revenue, net	<u>6,617,752</u>	<u>-</u>	<u>-</u>	<u>6,617,752</u>
Public support				
Contributions and grants	206,518	407,964	-	614,482
Local United Ways - allocations	157,641	231,290	-	388,931
Local United Ways - designations	42,678	-	-	42,678
Special fundraising events, net	8,078	-	-	8,078
Total public support, net	<u>414,915</u>	<u>639,254</u>	<u>-</u>	<u>1,054,169</u>
Net assets released from restrictions	<u>1,430,416</u>	<u>(1,375,014)</u>	<u>(55,402)</u>	<u>-</u>
Total revenue and public support, net	<u>8,463,083</u>	<u>(735,760)</u>	<u>(55,402)</u>	<u>7,671,921</u>
Functional expenses				
Program services				
Regular program	5,982,118	-	-	5,982,118
Outdoor program	1,472,959	-	-	1,472,959
Total program services	<u>7,455,077</u>	<u>-</u>	<u>-</u>	<u>7,455,077</u>
Supporting services				
Management and general	584,874	-	-	584,874
Fundraising	616,749	-	-	616,749
Total supporting services	<u>1,201,623</u>	<u>-</u>	<u>-</u>	<u>1,201,623</u>
Total functional expenses	<u>8,656,700</u>	<u>-</u>	<u>-</u>	<u>8,656,700</u>
Expenses in excess of revenue and public support	<u>(193,617)</u>	<u>(735,760)</u>	<u>(55,402)</u>	<u>(984,779)</u>
Non-operating income and gain				
Rental income	41,928	-	-	41,928
Loss on sale of assets	(116,820)	-	-	(116,820)
Investment gain, net of fees	156,711	1,405	3,122	161,238
Unrealized gain on investments and beneficial interests in perpetual trusts	421,430	6,433	14,293	442,156
Gas lease royalties	780,415	-	-	780,415
Other income	6,376	-	-	6,376
Total non-operating income and gain, net	<u>1,290,040</u>	<u>7,838</u>	<u>17,415</u>	<u>1,315,293</u>
Changes in net assets	1,096,423	(727,922)	(37,987)	330,514
Net assets - beginning	<u>16,474,195</u>	<u>1,369,022</u>	<u>892,215</u>	<u>18,735,432</u>
Net assets - ending	<u>\$ 17,570,618</u>	<u>\$ 641,100</u>	<u>\$ 854,228</u>	<u>\$ 19,065,946</u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and public support				
Program related revenue				
Program related product sales	\$ 7,957,463	\$ -	\$ -	\$ 7,957,463
Cost of product sales	(2,164,149)	-	-	(2,164,149)
Program service and camp fees	377,516	-	-	377,516
Miscellaneous program revenue	18,144	-	-	18,144
Total program related revenue, net	<u>6,188,974</u>	<u>-</u>	<u>-</u>	<u>6,188,974</u>
Public support				
Contributions and grants	235,171	830,000	100	1,065,271
Local United Ways - allocations	201,389	213,571	-	414,960
Local United Ways - designations	47,733	-	-	47,733
Special fundraising events, net	28,218	-	-	28,218
Total public support, net	<u>512,511</u>	<u>1,043,571</u>	<u>100</u>	<u>1,556,182</u>
Net assets released from restrictions	<u>463,556</u>	<u>(463,556)</u>	<u>-</u>	<u>-</u>
Total revenue and public support, net	<u>7,165,041</u>	<u>580,015</u>	<u>100</u>	<u>7,745,156</u>
Functional expenses				
Program services				
Regular program	6,182,996	-	-	6,182,996
Outdoor program	1,477,077	-	-	1,477,077
Total program services	<u>7,660,073</u>	<u>-</u>	<u>-</u>	<u>7,660,073</u>
Supporting services				
Management and general	855,150	-	-	855,150
Fundraising	533,721	-	-	533,721
Total supporting services	<u>1,388,871</u>	<u>-</u>	<u>-</u>	<u>1,388,871</u>
Total functional expenses	<u>9,048,944</u>	<u>-</u>	<u>-</u>	<u>9,048,944</u>
Expenses in (excess) deficit of revenue and public support	<u>(1,883,903)</u>	<u>580,015</u>	<u>100</u>	<u>(1,303,788)</u>
Non-operating income and gain				
Rental income	48,122	-	-	48,122
Gain on sale of assets	605,739	-	-	605,739
Proceeds from easement	346,080	-	-	346,080
Investment gain, net of fees	376,895	-	-	376,895
Unrealized loss on investments and beneficial interests in perpetual trusts	(483,919)	(21,685)	-	(505,604)
Insurance reimbursement, net	1,100	-	-	1,100
Gas lease royalties	1,474,393	-	-	1,474,393
Other income	9,019	-	-	9,019
Total non-operating income and gain, net	<u>2,377,429</u>	<u>(21,685)</u>	<u>-</u>	<u>2,355,744</u>
Changes in net assets	493,526	558,330	100	1,051,956
Net assets - beginning	<u>15,980,669</u>	<u>810,692</u>	<u>892,115</u>	<u>17,683,476</u>
Net assets - ending	<u>\$ 16,474,195</u>	<u>\$ 1,369,022</u>	<u>\$ 892,215</u>	<u>\$ 18,735,432</u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016

	Program Services			Supporting Services			Total Expenses
	Regular Program	Outdoor Program	Total	Management and General	Fundraising	Total	
Functional expenses							
Salaries and related expenses							
Salaries	\$ 1,826,326	\$ 589,863	\$ 2,416,189	\$ 299,102	\$ 273,391	\$ 572,493	\$ 2,988,682
Staff health and retirement benefits	642,642	207,559	850,201	105,247	96,200	201,447	1,051,648
Payroll taxes and related benefits	202,895	65,531	268,426	33,229	30,372	63,601	332,027
Total salaries and related expenses	2,671,863	862,953	3,534,816	437,578	399,963	837,541	4,372,357
Troop proceeds	1,421,207	-	1,421,207	-	-	-	1,421,207
Occupancy	326,889	105,578	432,467	18,036	16,485	34,521	466,988
Supplies	258,955	83,637	342,592	2,321	6,076	8,397	350,989
Professional fees	288,865	93,297	382,162	21,353	19,281	40,634	422,796
Travel	90,745	29,309	120,054	1,818	6,225	8,043	128,097
Insurance	131,229	42,384	173,613	20,815	19,025	39,840	213,453
Printing, promotion, and publications	65,602	21,188	86,790	3,720	33,385	37,105	123,895
Specific assistance to individuals	135,899	43,892	179,791	5	16,711	16,716	196,507
Telephone	63,333	20,455	83,788	6,910	6,516	13,426	97,214
Rental and maintenance of equipment	54,309	24,475	78,784	6,001	6,025	12,026	90,810
Postage and shipping	27,702	1,897	29,599	2,392	6,252	8,644	38,243
Bank and credit card charges	9,687	3,129	12,816	428	824	1,252	14,068
Bad debt	6,213	2,007	8,220	(4,973)	9,491	4,518	12,738
Interest expense	3,372	1,089	4,461	552	505	1,057	5,518
Staff and volunteer development	18,371	5,933	24,304	1,468	3,395	4,863	29,167
Miscellaneous	31,868	10,293	42,161	4,870	10,304	15,174	57,335
Total	5,606,109	1,351,516	6,957,625	523,294	560,463	1,083,757	8,041,382
Depreciation	376,009	121,443	497,452	61,580	56,286	117,866	615,318
Total functional expenses	<u>\$ 5,982,118</u>	<u>\$ 1,472,959</u>	<u>\$ 7,455,077</u>	<u>\$ 584,874</u>	<u>\$ 616,749</u>	<u>\$ 1,201,623</u>	<u>\$ 8,656,700</u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015

	Program Services			Supporting Services			Total Expenses
	Regular Program	Outdoor Program	Total	Management and General	Fundraising	Total	
Functional expenses							
Salaries and related expenses							
Salaries	\$ 1,939,570	\$ 555,702	\$ 2,495,272	\$ 417,037	\$ 236,103	\$ 653,140	\$ 3,148,412
Staff health and retirement benefits	637,039	182,517	819,556	136,966	77,542	214,508	1,034,064
Payroll taxes and related benefits	176,257	50,499	226,756	37,898	21,456	59,354	286,110
Total salaries and related expenses	2,752,866	788,718	3,541,584	591,901	335,101	927,002	4,468,586
Troop proceeds	1,163,317	-	1,163,317	-	-	-	1,163,317
Occupancy	457,544	131,090	588,634	24,424	14,012	38,436	627,070
Supplies	259,882	74,458	334,340	2,975	4,517	7,492	341,832
Professional fees	274,707	78,706	353,413	30,309	16,890	47,199	400,612
Travel	127,158	36,432	163,590	4,040	11,330	15,370	178,960
Insurance	139,210	39,885	179,095	29,182	16,521	45,703	224,798
Printing, promotion, and publications	56,800	16,274	73,074	6,358	28,002	34,360	107,434
Specific assistance to individuals	118,083	33,832	151,915	49	28	77	151,992
Telephone	69,222	19,833	89,055	10,681	6,232	16,913	105,968
Rental and maintenance of equipment	38,237	53,058	91,295	6,356	3,636	9,992	101,287
Postage and shipping	25,109	3,989	29,098	4,314	8,577	12,891	41,989
Bank and credit card charges	10,632	3,046	13,678	579	751	1,330	15,008
Bad debt	321,495	92,111	413,606	67,235	39,932	107,167	520,773
Interest expense	4,736	1,357	6,093	1,018	577	1,595	7,688
Staff and volunteer development	18,830	5,395	24,225	1,954	2,218	4,172	28,397
Miscellaneous	27,950	8,008	35,958	5,568	6,782	12,350	48,308
Total	5,865,778	1,386,192	7,251,970	786,943	495,106	1,282,049	8,534,019
Depreciation	317,218	90,885	408,103	68,207	38,615	106,822	514,925
Total functional expenses	<u>\$ 6,182,996</u>	<u>\$ 1,477,077</u>	<u>\$ 7,660,073</u>	<u>\$ 855,150</u>	<u>\$ 533,721</u>	<u>\$ 1,388,871</u>	<u>\$ 9,048,944</u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Changes in net assets	\$ 330,514	\$ 1,051,956
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	615,318	514,925
(Gain) loss on the sale of assets	116,820	(605,739)
Write-off of bad debt	12,738	30,709
Write-off of mortgage receivable	-	490,064
Realized gain on sale of investments	(10,647)	(259,110)
Unrealized (gain) loss on investments	(430,231)	444,856
Unrealized (gain) loss on beneficial interest in perpetual trusts	(11,925)	60,748
(Increase) decrease in		
Custodian funds	(20,966)	(13,953)
Inventory	(30,116)	(174)
Accounts receivable	8,213	(100,203)
Prepaid expenses	17,691	7,012
Pledges receivable	192,435	(93,005)
Increase (decrease) in		
Accounts payable and accrued liabilities	(5,945)	(23,167)
Accrued wages and vacation	(51,454)	18,720
Custodian funds	20,966	13,953
Deferred program revenue	55,340	(17,150)
	808,751	1,520,442
Net cash provided by operating activities		
Cash flows from investing activities		
Acquisition of property and equipment	(1,284,427)	(786,242)
Proceeds from sales of assets	-	664,166
Purchases of investments	(1,429,572)	(175,159)
Sales of investments	1,278,981	234,654
	(1,435,018)	(62,581)
Net cash used in investing activities		

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from financing activities		
Proceeds from line of credit	1,750,000	1,850,000
Repayments of line of credit	<u>(1,750,000)</u>	<u>(1,850,000)</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(626,267)	1,457,861
Cash and cash equivalents - beginning	<u>2,349,298</u>	<u>891,437</u>
Cash and cash equivalents - ending	<u>\$ 1,723,031</u>	<u>\$ 2,349,298</u>
Supplemental disclosures		
Interest paid	<u>\$ 5,519</u>	<u>\$ 7,688</u>
Supplemental schedule of non-cash investing activities		
Total purchase of property and equipment	\$ 1,284,427	\$ 716,738
Amount in accounts payable in 2014	<u>-</u>	<u>69,504</u>
Cash paid for property and equipment	<u>\$ 1,284,427</u>	<u>\$ 786,242</u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Girl Scouts in the Heart of Pennsylvania (the Council) is a nonprofit organization serving Central Pennsylvania and operates under the charter of the Girl Scouts of the United States of America (GSUSA). The mission of girl scouting is to build girls of courage, confidence, and character, who make the world a better place.

Regular Program

Girl scouting is a leadership development program that creates a framework for girls ages five to seventeen to be active producers of their own experiences and challenges. The girl scouting leadership experience incorporates the discover-connect-take action keys to leadership. Girl scouting experiences are girl-led as much as possible, and encourage learning by doing and cooperative learning processes.

The Council provides opportunities for all girls within its jurisdiction to have consistent girl scouting experiences and outcomes. Girl scouting offers six pathways for girls and adults to participate: events; troops; six to eight week special interest series; regional, national, and international travel; virtual program activities; and camping.

Outdoor Program

A key pathway for participation in girl scouting is through outdoor program activities. These camping experiences are often offered at the Council's camp properties, and include a focus on environmental or outdoor education.

The Council operates seven camp properties located throughout the region. Each year from June through August, resident and day camps take place at various Council camps.

Girl scouting pathways for girls add value in the following areas:

1. Girls experience freedom to choose from various ways to join girl scouting and may participate in multiple pathways within a membership year.
2. Girls can explore their skills and interests while helping to shape a variety of fun and enriching leadership experiences, which inspire them to reach their personal best.
3. Girls, no matter where and how they participate, get the necessary guidance from adult volunteers and staff to develop leadership skills and understand how these skills can be used to make a difference in the world.

The Council offers a wealth of support to over 17,000 girls and almost 10,000 adult volunteers throughout thirty counties in Central and Northeastern Pennsylvania.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this basis, revenue and support are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Council's financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities." Under ASC No. 958, 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. Under the provisions of ASC No. 958, net assets and changes therein are classified and reported, based on the existence or absence of donor-imposed stipulations as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Certain types of these net assets have been designated for specific purposes by the Board of Directors and classified as "Unrestricted – Board Designated."
- *Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Council pursuant to those stipulations or that expire by the passage of time.
- *Permanently Restricted Net Assets* - Net assets subject to permanent donor-imposed stipulations. Generally, the donors of such assets permit the Council to use all or part of the income earned on the assets.

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Cash and money market accounts held as investments are not considered as cash and cash equivalents.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Custodian Funds

The custodian funds consist of money that is temporarily held in the custody of the Council, but due to a third-party. The types of funds included in the custodian accounts are amounts due to GSUSA for membership dues, the Juliette Low World Friendship Fund, and Troop Treasuries, which are defined as treasuries of lapsed troops held in trust by the Council until troops are reorganized.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method of accounting. Inventory consists of items pertaining to scouting that are held-for-resale, including uniforms, handbooks, official insignia, pins, and badges. Management semi-annually conducts an inventory count and valuation during the year.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are written off when they are determined to be uncollectible, based upon management's assessments. The allowance for doubtful accounts is based upon a periodic review of the individual accounts. At September 30, 2016 and 2015, the allowance for doubtful accounts was \$65,501 and \$106,896, respectively.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Pledges are written off when they are determined to be uncollectible, based upon management's assessments. At September 30, 2016 and 2015, the allowance for doubtful accounts was \$10,063 and \$20,200, respectively.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed stipulations, if any, on the contributions. An allowance for uncollectible contributions is based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Mortgage Receivable

The mortgage receivable, which had a balance of \$490,064 at September 30, 2014, was deemed uncollectible during the 2015 fiscal year. As a result, it was written off in full and is recorded as an expense on the statement of activities and changes in net assets – year ended September 30, 2015.

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Investments

In accordance with ASC No. 958-320, "Not-for-Profit Entities Investments - Debt and Equity Securities," investments in debt and equity securities with readily determinable fair values are reported at the fair value. Any unrealized gain (loss) is reported as an increase or decrease in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or by law. Any realized gain on the sale or disposal of investments, if any, is computed on a specific identification basis and included as an increase in unrestricted net assets, unless the use is temporarily or permanently restricted by explicit donor-imposed stipulations or by law.

Beneficial Interests in Perpetual Trusts

Beneficial interests in perpetual trusts consist of the fair value of assets held in trusts established by donors for the benefit of the Council. These beneficial interests are recorded in the accompanying financial statements when the Council has received documentation to substantiate the trusts are irrevocable and the fair value of the Council's interest in the trusts can be readily determined.

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, pledges receivable, other assets, accounts payable, accrued expenses, and other current liabilities approximate fair value because of the short maturity of these items. Other financial instruments, for which the fair value measurement is recurring, are measured in accordance with an established hierarchy of inputs to the valuation techniques under accounting standards generally accepted in the United States of America. The methodology for establishing the fair values for the Council's investments is more fully described in Note 5.

Property and Equipment

Property and equipment are stated at cost or at fair value at the date of donation. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. Capital expenditures are defined by the Council as any item that has a life expectancy of greater than one year and a purchase price of at least \$5,000. Maintenance, repairs, and minor renewals are charged against operations when incurred.

Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, including buildings and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and before interest) of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of future cash flows related to long-lived assets, as well as other fair value determinations. There were no impairments recognized in 2016 and 2015.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Deferred Program Revenue

Certain program fees have been deferred until the following reporting period to match revenue with related program expenses.

Functional Expenses Classification

The cost of providing the various programs and other activities is summarized on the statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Supporting services consist of management and general expenses and fundraising expenses.

Revenue Recognition

Revenue is recognized on the accrual basis of accounting. Product revenue is based upon the sale of cookies, nuts, magazines and other products to individual troops in the Council. Program service and camp fees are recognized once the event has occurred.

Contributions

The Council accounts for contributions in accordance with the recommendations of ASC No. 958-605 "Revenue Recognition." Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Easement Proceeds

During 2015, the Manada Conservancy entered into a conservation easement on 762 acres of land owned by the Council. As a result of the easement, the land can never be developed. The Council received cash of \$346,080 as proceeds for entering the agreement. This transaction is recorded as unrestricted non-operating income on the statement of activities and changes in net assets for the year ended September 30, 2015.

Donated Services

There are no amounts reflected in the financial statements for donated services as such services do not meet the requirements for financial statement presentation. The Council pays for most services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of time to the Council's program services and to its fundraising campaigns.

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Public Support

The Council reports gifts of cash and other assets as restricted support if they are received with donor-imposed stipulations. When a donor-imposed stipulation expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities and changes in net assets as net assets released from restrictions.

Pledges receivable or gifts of cash, which are used to acquire long-lived assets, are reported as temporarily restricted support. If there are no explicit donor-imposed stipulations about how long these assets must be maintained, the Council reports expirations of donor-imposed stipulations when the long-lived assets are acquired.

Revenue from United Way is reported when annual allocation notifications from local United Ways are received.

Income Taxes

The Council is exempt from federal income taxes as an organization described under the Internal Revenue Code (IRC) Section 501(c)(3), except for net income derived from unrelated business activities, if any. In accordance with ASC No. 740-10, "Income Taxes," prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose uncertain tax positions taken on its tax returns, the Council believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. With few exceptions, the Council is no longer subject to U.S. federal income tax examinations for years before 2013.

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, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Advertising

Advertising is expensed as incurred. Advertising costs for the years ended September 30, 2016 and 2015, were \$37,671 and \$13,531, respectively.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation of the 2016 financial statements.

Subsequent Events

Management of the Council has evaluated subsequent events through February 6, 2017, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Recently Issued Accounting Standards

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective after December 15, 2016.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958)*. The amendments in this ASU include two classes of net asset classifications, options for presenting cash flow from operations, and many additional disclosure requirements. This guidance is effective for fiscal years beginning after December 15, 2017.

3. CONCENTRATIONS

Financial instruments that potentially subject the Council to credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. The Council maintains its cash and investments with various financial institutions where the account balances may exceed Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insured limits. Management regularly monitors financial institutions and cash balances, to keep risk to a minimum.

There are two Girl Scout cookie suppliers in the United States. The Council orders and purchases all cookies through one of these two suppliers. If a supplier is unable to meet the demands of the Council, it could result in lost sales and adversely affect operating results. Cookie sales account for approximately 69.6 percent and 64.3 percent of operating revenue earned for the years ended September 30, 2016 and 2015, respectively.

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

Investments, other than investments in perpetual trusts, consist of the following at September 30:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,458,356	\$ 1,458,356	\$ 204,726	\$ 204,726
Common stock	3,385,414	4,007,712	3,363,414	3,659,405
Mutual funds	-	-	1,202,953	1,148,401
Fixed income	1,402,478	1,448,607	1,312,804	1,310,674
Total investments	<u>\$ 6,246,248</u>	<u>\$ 6,914,675</u>	<u>\$ 6,083,897</u>	<u>\$ 6,323,206</u>

At September 30, 2016 and 2015, \$267,812 and \$305,798 of the investments are permanently restricted, respectively.

Investment return is comprised of the following for the years ended September 30:

	2016	2015
Interest and dividend income	\$ 201,884	\$ 175,059
Investment management fees	(51,293)	(57,274)
Realized gain on investments	10,647	259,110
Unrealized gain (loss) on investments	442,156	(444,756)
Total investment return	<u>\$ 603,394</u>	<u>\$ (67,861)</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the amounts reported.

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* are described as follows:

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

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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, 2016 and 2015.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Council are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Council are deemed to be actively traded.

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

Exchange-traded funds (ETFs): Valued at the closing price reported on the active market on which the individual funds are traded.

Corporate bonds: Valued based on quoted market prices or dealer quotes.

Beneficial interest in perpetual trusts: Valued as a percentage of the fair value of the trust assets consistent with its beneficial interest.

Pledges receivable: Valued at the present value of future cash flows expected to be received.

The following table sets forth by level, within the fair value hierarchy, the Council's assets at fair value as of September 30, 2016 and 2015:

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Assets at fair value as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 1,458,356	\$ -	\$ -	\$ 1,458,356
Common stocks				
Industrials	238,754	-	-	238,754
Consumer discretionary	391,525	-	-	391,525
Consumer staples	225,759	-	-	225,759
Energy	227,826	-	-	227,826
Financial	295,881	-	-	295,881
Materials	77,694	-	-	77,694
Information technology	603,657	-	-	603,657
Real estate	41,245	-	-	41,245
Utilities	113,614	-	-	113,614
Health care	532,453	-	-	532,453
Telecommunication services	137,484	-	-	137,484
Unclassified stock	22,164	-	-	22,164
ETFs – equity	444,087	-	-	444,087
Mutual funds – equity	655,569	-	-	655,569
Total common stocks	<u>4,007,712</u>	<u>-</u>	<u>-</u>	<u>4,007,712</u>
Fixed income				
ETFs – fixed income	483,833	-	-	483,833
Mutual funds – fixed income	964,774	-	-	964,774
Total fixed income	<u>1,448,607</u>	<u>-</u>	<u>-</u>	<u>1,448,607</u>
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>537,494</u>	<u>537,494</u>
Pledges receivable	<u>-</u>	<u>-</u>	<u>189,683</u>	<u>189,683</u>
Total assets at fair value	<u>\$ 6,914,675</u>	<u>\$ -</u>	<u>\$ 727,177</u>	<u>\$ 7,641,852</u>

Assets at fair value as of September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Small value	\$ 34,622	\$ -	\$ -	\$ 34,622
Small growth	32,363	-	-	32,363
Mid-cap value	33,529	-	-	33,529
Mid-cap growth	33,737	-	-	33,737

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	Total
Large value	191,648	-	-	191,648
Large growth	192,106	-	-	192,106
Foreign large blend	254,979	-	-	254,979
World bonds	12,332	-	-	12,332
Diversified emerging markets	105,326	-	-	105,326
Inflation-protected bond	49,097	-	-	49,097
Short-term bonds	99,308	-	-	99,308
Intermediate-term bonds	49,654	-	-	49,654
High yield bonds	59,700	-	-	59,700
Total mutual funds	<u>1,148,401</u>	<u>-</u>	<u>-</u>	<u>1,148,401</u>
Money market fund	<u>204,726</u>	<u>-</u>	<u>-</u>	<u>204,726</u>
Common stocks				
Industrials	233,630	-	-	233,630
Consumer discretionary	382,991	-	-	382,991
Consumer staples	206,048	-	-	206,048
Energy	162,329	-	-	162,329
Financial	317,388	-	-	317,388
Materials	62,055	-	-	62,055
Information technology	532,858	-	-	532,858
Utilities	95,810	-	-	95,810
Health care	491,086	-	-	491,086
Telecommunication services	107,089	-	-	107,089
Unclassified stock	25,911	-	-	25,911
ETFs – equity	404,300	-	-	404,300
Mutual funds – equity	637,910	-	-	637,910
Total common stocks	<u>3,659,405</u>	<u>-</u>	<u>-</u>	<u>3,659,405</u>
Fixed income				
Corporate bonds	100,882	-	-	100,882
ETFs – fixed income	463,610	-	-	463,610
Mutual funds – fixed income	746,182	-	-	746,182
Total fixed income	<u>1,310,674</u>	<u>-</u>	<u>-</u>	<u>1,310,674</u>
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>525,569</u>	<u>525,569</u>
Pledges receivable	<u>-</u>	<u>-</u>	<u>382,118</u>	<u>382,118</u>
Total assets at fair value	<u>\$ 6,323,206</u>	<u>\$ -</u>	<u>\$ 907,687</u>	<u>\$ 7,230,893</u>

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Level 3 Financial Assets

The following are the changes in the beneficial interest in perpetual trusts during the years ended September 30:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 525,569	\$ 586,317
Contributions to existing trust	-	100
Unrealized gain (loss) on beneficial interest in perpetual trusts	<u>11,925</u>	<u>(60,848)</u>
Ending balance	<u>\$ 537,494</u>	<u>\$ 525,569</u>

The following are the changes in the pledges receivable during the years ended September 30:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 382,118	\$ 289,113
Establishment of new pledges	295,690	498,492
Change in discount	163	(1,133)
Change in allowance for uncollectable pledges	10,137	(11,967)
Payment of pledges	<u>(498,425)</u>	<u>(392,387)</u>
Ending balance	<u>\$ 189,683</u>	<u>\$ 382,118</u>

6. BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Council has been named as the beneficiary under several perpetual trusts administered by third-party trustees. The Council's interests vary from 1.7 percent to 100.0 percent in various trusts managed at local banks in Pennsylvania and income from the trusts is recorded as a planned giving contribution. In addition, the Council made contributions to the endowment funds held in local community foundations.

Under accounting principles generally accepted in the United States of America, as the Council transferred the assets to the community foundations, but specified itself as the beneficiary of those assets, the Council recognized the fair value of the beneficial interest in these assets held by the community foundations at the date of donation.

Under the terms of the agreements with the community foundations, the Council granted the community foundations authority and control over all property of the funds, including any income derived. In exchange, the Council is the designated beneficiary of the distributions, which will occur in accordance with the spending policy and scholarship guidelines of the community foundations.

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENT

The Council's endowment consists of various funds established primarily for scholarships to support specific projects, as defined by the donor. As disclosed in Note 1, the net asset classification of the endowment is based on the existence or absence of donor-imposed stipulations and whether these stipulations can be fulfilled by the Council or will expire with the passage of time.

Interpretation of Relevant Law

As a Pennsylvania corporation, the Council is governed by the applicable Pennsylvania statutes and has interpreted these statutes as requiring the preservation of the endowment's original contribution as of the date of donation. As a result, contributions to the Council's donor restricted endowment are classified as permanently restricted. The investment return is classified as unrestricted or temporarily restricted, based on the existence or absence of donor-imposed stipulations and considered available for expenditure. The following is the endowment's net asset classification, by type of fund, at September 30:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 171,274	\$ 267,812	\$ 439,086
Board-designated	25,000	-	-	25,000
Total endowment funds	\$ 25,000	\$ 171,274	\$ 267,812	\$ 464,086
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 123,645	\$ 305,798	\$ 429,443
Board-designated	143,267	-	-	143,267
Total endowment funds	\$ 143,267	\$ 123,645	\$ 305,798	\$ 572,710

Endowment Investment Policy

The long-term goals of the Council's investment and spending policy is to preserve principal while ensuring liquidity sufficient to meet the needs and maintain the purchasing power of the investable assets. This is accomplished by an investment policy that emphasizes total return with a goal over time to exceed the rate of inflation by 4.0 percent. Actual returns, in any given year, may vary from this amount. This is accomplished through identifying benchmarks and electing an asset allocation, which includes a heavier concentration in equities, with the remainder of the portfolio in fixed income. In order to control the risk of the endowment's assets, the Council has identified authorized investments and general restrictions.

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Endowment Spending Policy

The Board of Directors for the Council has adopted a spending policy which provides that an aggregate amount of investment income ranging from zero to 5.0 percent, based upon the needs of the Council, will be available for expenditure.

For the current year, the amount of income available was determined to be 4.0 percent which was calculated based on the twelve calendar quarters prior to the beginning of the fiscal year for which the transfer will be made. A transfer in the amount of \$243,610 will be made subsequent to year-end.

The following are the activities in the endowment's net assets for the year ended September 30:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning balance	\$ 143,267	\$ 123,645	\$ 305,798	\$ 572,710
Contributions	25,000	55,402	-	80,402
Investment return				
Interest and dividend income	-	6,675	14,831	21,506
Investment management fees	-	(896)	(1,991)	(2,887)
Unrealized gain on investments	-	6,433	14,293	20,725
Realized loss on investments	-	(4,373)	(9,717)	(14,090)
Total investment return	-	7,839	17,416	25,255
Distributions/transfers	(143,267)	(15,612)	(55,402)	(214,281)
Ending Balance	<u>\$ 25,000</u>	<u>\$ 171,274</u>	<u>\$ 267,812</u>	<u>\$ 464,086</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 230,995	\$ 160,429	\$ 305,798	\$ 697,222
Investment return				
Interest and dividend income	-	2,899	5,672	8,571
Investment management fees	-	(526)	(1,030)	(1,556)
Unrealized loss on investments	-	(14,680)	(28,727)	(43,407)
Realized gain on investments	-	4,974	9,733	14,707

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Total investment return	-	(7,333)	(14,352)	(21,685)
Distributions/transfers	(87,728)	(29,451)	14,352	(102,827)
Ending Balance	\$ 143,267	\$ 123,645	\$ 305,798	\$ 572,710

8. PLEDGES RECEIVABLE

During the year ended September 30, 2010, the Council began fundraising campaigns to raise funds through pledges in celebration of their 100th Anniversary in 2012 and a campaign called the Circle of Friends. Funds raised through both campaigns are to support the Council's mission into the future. Unconditional promises to give, without readily determinable fair values, are stated at the present value of future cash flows, using an average discount rate of 0.81 percent and 1.01 percent for the years ended September 30, 2016 and 2015, respectively.

The determination of fair value, based on the present value of future cash flow, involves assumptions that are not observable, which is a Level 3 valuation input, as described in Note 5 - "*Fair Value Measurements.*" Campaign pledges receivable are as follows and extend through the year ending September 30, 2020:

	2016	2015
Receivable in less than one year	\$ 88,261	\$ 309,300
Receivable in one to five years	113,000	94,696
Total pledges receivable	201,261	403,996
Discount to present value	(1,515)	(1,678)
Allowance for uncollectible accounts	(10,063)	(20,200)
Total pledges receivable	\$ 189,683	\$ 382,118

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>Useful Lives</u>	<u>2016</u>	<u>2015</u>
Construction-in-progress	N/A	\$ 10,901	\$ 347,342
Land improvements	15 years	1,962,213	1,943,567
Buildings and improvements	15 – 39 years	14,776,714	14,456,952
Equipment and furniture	3 – 7 years	1,623,656	1,919,669
Vehicles	5 years	<u>225,590</u>	<u>225,590</u>
Total property and equipment		18,599,074	18,893,120
Less accumulated depreciation		<u>(9,173,751)</u>	<u>(10,020,086)</u>
Net book value		<u>\$ 9,425,323</u>	<u>\$ 8,873,034</u>

Depreciation for the years ended September 30, 2016 and 2015, was \$615,318 and \$514,925, respectively.

10. LINE OF CREDIT

During September 2008, the Council obtained a committed revolving line of credit with PNC Bank for working capital purposes. Effective September 1, 2011, the line of credit limit was established not to exceed \$3,550,000. The line of credit was renewed through August 31, 2017. Interest on the line of credit is calculated monthly, based on the London InterBank Offered Rate (LIBOR), plus 2.25 percent through August 31, 2016. Effective September 1, 2016, interest on the line of credit is calculated monthly, based on the LIBOR plus 2.00 percent. The line of credit is secured by investments held by PNC Bank. There were no outstanding balances at September 30, 2016 and 2015.

11. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Time restrictions - United Way	\$ 223,437	\$ 213,572
Purpose restrictions		
Schuylkill county projects	69,274	68,681
Gold award scholarship fund	64,373	68,946
Scholarships	37,626	(13,983)
Camp development	-	15,625

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

	2016	2015
Specific purpose	56,707	634,063
Time restrictions – gross pledges receivable	189,683	382,118
Total temporarily restricted net assets	\$ 641,100	\$ 1,369,022

12. PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
Beneficial interest in perpetual trusts	\$ 586,418	\$ 586,417
Kelly memorial fund	10,000	31,109
Shover, Shaeffer, and Burnhisel funds	5,000	13,169
Brenner fund	10,000	13,916
Boyle fund	10,000	12,114
Hopple fund	5,000	6,961
Kruger fund	2,500	4,687
Brumm trust	1,585	2,602
Other	223,725	221,240
Total permanently restricted net assets	\$ 854,228	\$ 892,215

13. OPERATING LEASE COMMITMENTS

Five offices are leased under agreements, which expire between 2017 and 2021. Additionally, office equipment is leased under agreements, which expire between 2018 and 2019. The annual rentals payable under these operating lease commitments are as follows for the years ending September 30:

	Amount
2017	\$ 101,788
2018	\$ 70,338
2019	\$ 53,267
2020	\$ 34,997
2021	\$ 8,499

Rental expense for the years ended September 30, 2016 and 2015, was \$101,695 and \$95,728, respectively.

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

14. PENSION PLAN

The Council participates in the National Girl Scout Council Retirement Plan (NGSCR), a noncontributory defined benefit pension plan sponsored by GSUSA. 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.

Contributions made by the Council during both fiscal years ended September 30, 2016 and 2015, were \$577,451. During the fiscal years ended September 30, 2016 and 2015, GSUSA issued Pension Assistance Grants to the Council for \$4,185 and \$31,383, respectively, to help offset the increase in costs.

During August 2010, the Council voted to implement a retirement plan, effective January 1, 2011, under Section 403(b) of the IRC. The plan covers employees, who have met certain age and length of service requirements. Each plan year, the Council will determine the amount of the employer base contribution, if any, up to a maximum of 2.0 percent of total compensation for all eligible participants, who are actively employed with the Council on the last day of the plan year. Council contributions to the plan were \$48,083 and \$49,134 for the years ended September 30, 2016 and 2015, respectively.

15. CONTINGENCIES

During the year ended 2012, the Council was named as a party in a lawsuit regarding an accident occurring on one of their properties. The case was settled in September 2015 and the amount owed by the Council was paid in full by their insurance policy. No contingencies exist at September 30, 2016.

16. GAS LEASE ROYALTIES

During February 2009, the Council, (lessor) entered into an Oil and Gas Lease with Cabot Oil & Gas Corporation (lessee). Under the terms of this agreement, the lessee obtained the rights to explore, drill, and operate for and produce gas from a 288 acre property located in Susquehanna County, Pennsylvania. The lease remains in force for a five-year period and as long, thereafter, as oil or gas is produced in paying quantities from this property. As consideration for executing the agreement, the lessee paid the Council a one-time payment of \$2,500 per acre or \$720,000. Thereafter, the lessee is obligated to pay royalties of 16.0 percent of the amounts realized from the sale of gas from the property during the terms of the agreement. The Council recorded gas lease royalties of \$780,415 and \$1,474,393 for the years ended September 30, 2016 and 2015, respectively.

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