

**GIRL SCOUTS OF THE CHESAPEAKE BAY
COUNCIL, INC.**

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

**WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**

Great advice. Great people.

Independent Auditor's Report

Board of Directors
Girl Scouts of the Chesapeake Bay
Newark, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts of the Chesapeake Bay Council, Inc. (the "Council"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the nine months 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

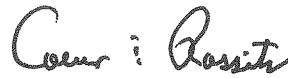
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of the Chesapeake Bay Council, Inc. as of September 30, 2017, and the changes in its net assets and cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants

February 15, 2018

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

Cash and cash equivalents	\$	1,439,858
Accounts receivable, net		67,772
Pledges receivable, net		447,231
Grants receivable		128,477
Interest receivable		12,473
Inventories		115,679
Prepaid expenses		8,960
Deposits		7,675
Investments		4,289,643
Property and equipment, net of accumulated depreciation		11,519,975
Total Assets	\$	18,037,743

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$	81,795
Accrued expenses and other liabilities		243,986
Deferred revenue		67,850
Capital lease obligation		198,293
Notes payable		1,845,166
Total Liabilities		2,437,090

Net Assets:

Unrestricted		14,352,380
Temporarily restricted		696,198
Permanently restricted		552,075
Total Net Assets		15,600,653
Total Liabilities and Net Assets	\$	18,037,743

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

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Product program revenue (net related costs of \$2,090,124)	\$ 2,361,086	\$ -	\$ -	\$ 2,361,086
Contributions:				
Capital campaign	-	47,415	-	47,415
Pledges and grants	134,716	191,607	-	326,323
Special events (net related costs of \$1,378)	26,352	-	-	26,352
United Way, federal and state funds	-	209,869	-	209,869
In-Kind	14,042	-	-	14,042
Camping and program fees (net discounts of \$240)	277,838	-	-	277,838
Sales of supplies and services (net related costs of \$104,401)	93,420	-	-	93,420
Investment income (net fees of \$15,026)	324,840	73,989	-	398,829
Gain on disposal of property and equipment	35	-	-	35
Other	83,889	-	-	83,889
Net assets released from restrictions:				
Satisfaction of program restrictions	348,297	(348,297)	-	-
TOTAL REVENUE AND OTHER SUPPORT	3,664,515	174,583	-	3,839,098
EXPENSES:				
Program Services:				
Membership	771,573	-	-	771,573
Camping	616,074	-	-	616,074
Girl programs	502,792	-	-	502,792
Product program	667,655	-	-	667,655
Adult training	213,593	-	-	213,593
Total Program Services	<u>2,771,687</u>	<u>-</u>	<u>-</u>	<u>2,771,687</u>
Support Services:				
Fundraising	446,631	-	-	446,631
Public relations	220,584	-	-	220,584
Administration	177,497	-	-	177,497
Total Support Services	<u>844,712</u>	<u>-</u>	<u>-</u>	<u>844,712</u>
TOTAL EXPENSES	3,616,399	-	-	3,616,399
CHANGE IN NET ASSETS	48,116	174,583	-	222,699
NET ASSETS, BEGINNING OF PERIOD, as restated	14,304,264	521,615	552,075	15,377,954
NET ASSETS, END OF PERIOD	\$ 14,352,380	\$ 696,198	\$ 552,075	\$ 15,600,653

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

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	Program Services						Support Services				Total	
	Membership	Camping	Girl Programs	Product Program	Adult Training	Total Program Services	Fundraising	Public Relations	Administrative	Total Support Services		
Personnel Costs												
Salaries and wages	\$ 402,786	\$ 202,482	\$ 278,062	\$ 235,887	\$ 108,870	\$ 1,228,087	\$ 220,569	\$ 90,938	\$ 51,225	\$ 362,732	\$ 1,590,819	
Employee benefits	57,442	45,725	37,412	49,725	15,902	206,206	14,616	16,422	26,360	57,398	263,604	
Payroll taxes and insurance	29,824	16,262	21,207	17,641	9,109	94,043	17,481	6,685	4,364	28,530	122,573	
Total personnel costs	490,052	264,469	336,681	303,253	133,881	1,528,336	252,666	114,045	81,949	448,660	1,976,996	
Expenses												
Professional fees	7,414	13,878	11,360	6,807	4,524	43,983	10,660	2,051	3,509	16,220	60,203	
Supplies	10,255	59,061	19,598	164,814	3,988	257,716	26,414	1,684	2,732	30,830	288,546	
Telephone	17,837	19,969	11,490	17,733	5,228	72,257	10,199	6,952	7,733	24,884	97,141	
Postage	1,349	1,094	895	1,283	389	5,010	2,324	2,227	617	5,168	10,178	
Occupancy	33,872	34,646	22,680	35,016	9,877	136,091	76,981	9,643	15,493	102,117	238,208	
Equipment rental and maintenance	19,353	15,986	12,426	17,888	5,279	70,932	7,045	5,451	8,694	21,190	92,122	
Printing	385	306	251	333	106	1,381	10,895	39,767	178	50,840	52,221	
Travel	8,030	46,881	5,122	17,905	2,500	80,438	5,711	4,432	2,861	13,004	93,442	
Conferences	996	2,493	1,316	862	276	5,943	2,474	285	506	3,265	9,208	
Financial assistance	64,602	14,722	4,452	(22)	15,038	98,792	7,267	(7)	(13)	7,247	106,039	
Insurance	19,904	15,849	12,970	17,243	5,510	71,476	5,077	5,690	9,135	19,902	91,378	
Fees	4,119	3,289	2,684	3,584	1,140	14,816	2,182	1,178	1,048	4,408	19,224	
Bad debt expense	639	509	417	553	177	2,295	310	183	310	803	3,098	
Interest expense	10,793	8,591	7,033	9,339	2,988	38,744	2,822	3,085	4,873	10,780	49,524	
Miscellaneous expenses	997	49,873	650	995	276	52,791	5,143	768	950	6,861	59,652	
Depreciation expense	80,976	64,458	52,767	70,069	22,416	290,686	18,461	23,150	36,922	78,533	369,219	
Total expenses	281,521	351,605	166,111	364,402	79,712	1,243,351	193,965	106,539	95,548	396,052	1,639,403	
Total costs and expenses	\$ 771,573	\$ 616,074	\$ 502,792	\$ 667,655	\$ 213,593	\$ 2,771,687	\$ 446,631	\$ 220,584	\$ 177,497	\$ 844,712	\$ 3,616,399	

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

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 222,699
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debt	3,098
Depreciation	369,219
Net realized and unrealized gain on investments	(315,307)
Gain on disposal of property and equipment	(35)
Contributions restricted for property and equipment	(47,415)
(Increase) decrease in assets:	
Accounts receivable, net	(49,005)
Pledges receivable, net	36,630
Grants receivable	(60,312)
Interest receivable	(1,959)
Inventories	(31,483)
Prepaid expenses	83,457
Increase (decrease) in liabilities:	
Accounts payable	(5,788)
Accrued expenses and other liabilities	63,379
Deferred revenue	(31,270)
Net cash provided by operating activities	<u>235,908</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(8,454)
Purchases of investments	(79,880)
Proceeds from sale of investments	31,017
Net cash used by investing activities	<u>(57,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on capital lease obligation	(41,219)
Payments on notes payable	(926)
Contributions restricted for property and equipment	47,415
Net cash provided by financing activities	<u>5,270</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	183,861
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,255,997</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,439,858</u>
INTEREST PAID	<u>\$ 49,524</u>
INCOME TAXES PAID	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES	
Assets purchased with note payable	<u>\$ 39,846</u>

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

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Girl Scouts of the Chesapeake Bay Council, Inc. (the "Council"), is a participating council in the worldwide organization, Girl Scouts of the United States of America (GSUSA), dedicated to the development of girls' character, skills, and qualities that will serve them all of their lives. In an accepting and nurturing environment and in partnership with committed adults, girls build strong values, a social conscience, and conviction about their own potential and self-worth. The Council operates four camps and a headquarters facility in the Delmarva Peninsula.

Significant Accounting Policies

The financial statements of the Council have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

In accordance with FASB ASC 958-605, the Council records unconditional promises to give as contributions receivable and revenues, as well as distinguishing between contributions received for each net asset category according to donor restrictions.

The Council also reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets as stipulated by FASB ASC 958-205. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Council is subject to donor-imposed restrictions that can be fulfilled by actions of the Council pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Council.

Investments

In accordance with FASB ASC 958-320, investments with readily determinable market values and all investments in debt securities are reported at market value in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by the passage of time or by use, in the reporting period in which the income and gains are recognized.

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Temporarily restricted net assets are reclassified to unrestricted net assets upon the expiration of time or satisfaction of a program restriction.

Cash and Cash Equivalents

The Council considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents, except for cash and cash equivalents held by investment managers which are classified as investments.

Fair Value Hierarchy

FASB ASC 820-10 establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) 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 FASB ASC 820-10 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Inventories

Inventory, which consists of Girl Scout merchandise and supplies held for sale, is stated at the lower of cost or market on a first-in, first-out basis.

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Pledges Receivable

The Council recognizes contributions and pledges when the donor makes a promise to give to the Council that is, in substance, unconditional. Conditional promises are recognized as support in the period in which the condition is satisfied. The Council uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and the Council's analysis of specific promises made. The allowance for uncollectible pledges was \$-0- as of September 30, 2017. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows.

Accounts, Grants and Income Receivable

Accounts, grants and income receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Council provides for losses on receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of customers to meet their obligations. It is the Council's policy to charge off uncollectible accounts when management determines the receivable will not be collected. The allowance for uncollectible accounts was \$7,523 as of September 30, 2017. Bad debt expense was \$3,098 for the nine months ended September 30, 2017.

Use of Estimates in the Preparation of Financial Statements

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

Sales

Cookie product revenue is recorded when shipped to independent Girl Scout troops at retail sales prices less the portion of the proceeds that belongs to the individual Girl Scout troops. Other sales are recognized at the point of sale. Cash received in advance of a sale is recorded as deferred revenue.

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contributed Services

The Council recognizes contributed services as support that creates or enhances the value of a nonfinancial asset or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the nine months ended September 30, 2017, the Council recognized contributed services of \$14,042 for providing product storage supporting the cookie program. Approximately 3,953 volunteers donated time to the Council during the nine months ended September 30, 2017.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the fair market value at the date of the donation. Depreciation is computed by the straight-line basis over the estimated useful lives of the related assets, which are 3 to 10 years for equipment and 10 to 50 years for building and improvements. Acquisitions of individual items with a cost of less than \$5,000 are expensed when acquired.

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. Accordingly, certain costs have been allocated among the program and supporting activities.

Income Taxes

The Council is a non-profit organization that is exempt from federal income tax under Code Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - CAPITAL CAMPAIGN PLEDGES RECEIVABLE

Pledges receivable for the capital campaign consisted of the following as of September 30, 2017:

Receivable in less than one year	\$ 201,756
Receivable in one to five years	265,305
	<u>467,061</u>
Less: discounts at 5% per annum	(19,830)
Less: allowance for uncollectible	<u>-</u>
Pledges receivable, net	<u>\$ 447,231</u>

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2017:

Land	\$	724,489
Buildings and improvement		13,014,354
Furniture and equipment		1,528,725
		15,267,568
Less: Accumulated Depreciation		(3,747,593)
		\$ 11,519,975

Depreciation expense during the nine months ended September 30, 2017 was \$369,219. Capital lease assets included as furniture and equipment as of September 30, 2017 were \$184,213. Accumulated depreciation of assets under capital lease as of September 30, 2017 was \$79,826.

NOTE 4 – INVESTMENTS

Investments consisted of the following at September 30, 2017:

	Cost	Market
Short-term investments	\$ 304,954	\$ 304,954
US Treasuries	298,520	288,771
Corporate bonds	686,571	700,042
Equities	1,475,599	1,850,866
ETF's and REIT's	323,342	345,638
Pooled investments	572,075	799,372
	\$ 3,661,061	\$ 4,289,643

Net return on investments consisted of the following for the nine months ended September 30, 2017:

Interest and dividends	\$	98,548
Realized and unrealized gains		315,307
Investment fees		(15,026)
		398,829
Total return on investment		\$ 398,829

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – FAIR VALUE MEASUREMENTS

As required by FASB ASC 820-10, investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Council’s investments have been classified, management has assessed factors including, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions.

The table below sets forth information about the level within the fair value hierarchy at which the Council’s investments were measured as of September 30:

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Short-term investments	\$ 304,954	\$ -	\$ -	\$ 304,954
US Treasuries	288,771	-	-	288,771
Corporate bonds	700,042	-	-	700,042
Equities	1,850,866	-	-	1,850,866
ETF's and REIT's	345,638	-	-	345,638
Pooled investments	-	799,372	-	799,372
Total	\$ 3,490,271	\$ 799,372	\$ -	\$ 4,289,643

Fair values for investments in Level 1 are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for investments in Level 2 are determined by quotations received from third parties.

NOTE 6 – RETIREMENT PLANS

The Council participates in the National Girl Scout Council Retirement Plan (“the Plan”), a noncontributory, defined benefit pension plan sponsored by The Girl Scouts of the USA (EIN 13-1624016, Plan #002). The National Board of Girl Scouts of the USA voted to freeze the plan to new entrants and to freeze future benefit accruals for all current participants under the Plan effective July 31, 2010. The Plan covers substantially all of the employees of various Girl Scout councils who were eligible to participate in the Plan prior to the Plan freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels.

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 – RETIREMENT PLANS (CONTINUED)

Net Plan assets available for Plan benefits continued to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2016. Based on the April 18, 2014 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 the Plan the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. The Plan has elected to adopt this relief and not be subject to PPA. Aggregate contributions made in fiscal year 2017 were \$33,100,000. The aggregate annual contributions decreased due to the reduction in the Plan's total annual aggregate contributions from \$34,300,000 to \$32,500,000 effective May 1, 2017. Aggregate contributions made in fiscal year 2018 are expected to be \$32,500,000.

As of January 1, 2017 (as calculated under *ASC 960*), the Plan reflected net assets available for Plan benefits of \$405,401,386 and the actuarial net present value of accumulated Plan benefits was estimated to be \$526,320,058. The Council made contributions into the Plan of \$160,667 during the nine months ended September 30, 2017.

The Plan has implemented a funding improvement plan. The Council was not required to pay a surcharge into the Plan. For the year ending September 30, 2018, it is estimated that the Council will be required to pay in approximately \$215,268.

In January 2007, the Council opened a 403(b) thrift plan for all eligible employees. Participants are fully vested in employer contributions on the date of participation in the Plan. Each participant who satisfies the age and service requirement of the Plan is entitled to receive an employer contribution equal to \$20 per pay period. Contribution expense under this Plan for the nine months ended September 30, 2017 was \$13,580.

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - NET ASSETS

Temporarily restricted net assets consisted of the following as of September 30, 2017:

Specific program support	\$ 488,715
Endowment funds	207,483
Capital funding	-
	\$ 696,198

Permanently restricted net assets consisted of the following as of September 30, 2017:

Endowment funds	\$ 552,075
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Temporarily restricted net assets were released for the following purposes during the nine months ended September 30, 2017:

Specific program support	\$ 214,763
Endowment funds	31,017
Capital funding	102,517
	\$ 348,297

NOTE 8 - NOTES PAYABLE

Notes payable consisted of the following as of September 30, 2017:

Notes Payable -Bank - The Council obtained two identical notes payable in the total amount of \$39,846 for purchase of two vehicles. Payments of principal and interest began August 2017 and will continue for 72 consecutive months. Monthly payments on the notes are \$662 including interest at 5.99%. Matures August 2023.	\$ 38,920
Note Payable - TD Bank - The Council obtained a mortgage with a maximum principal balance of \$5,525,000 from TD Bank for the construction of a building. Interest only payments began in June 2015 and will continue until the maturity date of November 30, 2017. Monthly interest payments are calculated at 2.0% interest plus LIBOR. At September 30, 2017, the effective interest rate was 3.237%. This note was amended to a term note effective October 31, 2017.	1,806,246
Total notes payable	\$ 1,845,166

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - NOTES PAYABLE (CONTINUED)

Future maturities of long term debt are as follows:

<u>September 30,</u>		
2018	\$	78,017
2019		78,372
2020		78,749
2021		79,150
2022		79,574
Thereafter		<u>1,451,304</u>
	\$	<u><u>1,845,166</u></u>

The Council incurred \$41,583 in interest expense on these obligations during the nine months ended September 30, 2017.

NOTE 9 - OPERATING/CAPITAL LEASES

The Council leases certain office space, vehicles, and office equipment under non-cancelable operating leases expiring through 2021. Total rent expense under these leases for the nine months ended September 30, 2017 amounted to \$53,343, and is included in occupancy and equipment rental and maintenance on the statement of functional expenses.

In June 2015, the Council entered into a capital lease arrangement with a supplier to provide the Council with copier equipment for use in its operations. This lease expires in July 2020 and the liabilities under the capital lease have been recorded at the present value of the minimum lease payments. Interest expense recognized on the capital lease obligations totaled \$7,941 for the nine months ended September 30, 2017.

Future minimum lease payments required under the non-cancelable operating and capital leases are as follows:

<u>Year ending September 30</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2018	\$ 27,745	\$ 79,774
2019	15,462	73,810
2020	15,252	61,508
2021	7,626	-
2022	-	-
Total future minimum lease payments	<u>\$ 66,085</u>	215,092
Less: imputed interest		<u>16,799</u>
Present value of future minimum lease payments		<u><u>\$ 198,293</u></u>

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 - ADVERTISING COSTS

Advertising costs are charged to operations as incurred. Advertising expense for the nine months ended September 30, 2017 was \$23,142.

NOTE 11 – ENDOWMENT ASSETS

The Council's endowment consists of approximately 7 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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.

Permanently restricted net assets consist of one endowment fund to be held indefinitely, the income of which is expendable to support the charitable and educational purpose of the Council.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Council classifies the following as permanently restricted net assets:

1. the original value of gifts donated to the permanent endowment;
2. the original value of subsequent gifts to the permanent endowment;
3. 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 Council in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. the duration and preservation of the fund;
2. the Council's mission and purpose supported by the donor-restricted endowment fund;
3. general economic conditions;
4. the possible effect of inflation and deflation;
5. the expected total return from income and the appreciation of investments;
6. the Council's other resources; and,
7. the investment policies of the Council

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
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NOTE 11 – ENDOWMENT ASSETS (CONTINUED)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Council to retain as a fund of perpetual duration. In accordance with FASB ASC 958-205, deficiencies of this nature that are reported in unrestricted net assets were \$-0- as of September 30, 2017. Deficiencies, if any, are the result of unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

The Council has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Council has a policy of appropriating for distribution each year the interest and dividends earned on the endowment fund investments. In establishing this policy, the Council considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

The Council expects the current spending policy to allow its endowment funds to continue to grow annually. This is consistent with the Council's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of September 30, 2017 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 207,483	\$ 552,075	\$ 759,558
Board-designated endowment funds	3,530,085	-	-	3,530,085
	<u>\$ 3,530,085</u>	<u>\$ 207,483</u>	<u>\$ 552,075</u>	<u>\$ 4,289,643</u>

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
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NOTE 11 – ENDOWMENT ASSETS (CONTINUED)

Changes in endowment net assets by net asset class for the nine months ended September 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2016, as restated	\$ 3,208,887	\$ 164,511	\$ 552,075	\$ 3,925,473
Investment return:				
Investment income, net	83,518	-	-	83,518
Net realized / unrealized gains	241,318	73,989	-	315,307
Total investment return	324,836	73,989	-	398,825
Contributions & other transfers in	-	-	-	-
Appropriation of assets for expenditure	(3,638)	(31,017)	-	(34,655)
Endowment net assets, September 30, 2017	<u>\$ 3,530,085</u>	<u>\$ 207,483</u>	<u>\$ 552,075</u>	<u>\$ 4,289,643</u>

Amounts classified as temporarily restricted (endowment assets only) as of September 30, 2017 are as follows:

General purpose	<u>\$ 207,483</u>
	<u>\$ 207,483</u>

Amounts classified as permanently restricted (endowment assets only) as of September 30, 2017 are as follows:

General purpose	<u>\$ 552,075</u>
	<u>\$ 552,075</u>

NOTE 12 - PRODUCT PROGRAM

Product program activity for the Council consisted of the following for the nine months ended September 30:

	<u>Cookie Program</u>	<u>Fall Product Program</u>	<u>Total</u>
Product program revenue	\$ 4,402,832	\$ -	\$ 4,402,832
Less: cost of product program	(2,041,746)	-	(2,041,746)
	<u>\$ 2,361,086</u>	<u>\$ -</u>	<u>\$ 2,361,086</u>

GIRL SCOUTS OF THE CHESAPEAKE BAY COUNCIL, INC.
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NOTE 13 - CONCENTRATIONS OF CREDIT RISK

The Council maintains its cash and cash equivalents in bank deposit accounts, which at times exceed federally insured limit of \$250,000 per institution. However, the Council believes the risk of loss associated with these funds is remote.

The Council's investments and certain cash equivalents are held in the custody of investment houses and brokerage firms. Investments in securities, including money market funds, held at each of the brokers are insured up to \$500,000, while cash balances are insured up to \$250,000, under the Securities Investor Protection Corporation (SIPC). Substantially all of the Council's investments are in excess of insured amounts.

All of the cookies sold through the Council's cookie product program were produced by one vendor.

NOTE 14 - NET ASSETS RESTATEMENT

During the period ended September 30, 2017, there was a restatement to the prior year's beginning endowment net assets in order to adjust the classifications of permanently, temporarily and unrestricted net assets. Pursuant to management's inquiries and investigation, it was determined that an account previously understood to be unrestricted contained \$502,050 of donor restricted funds to be held in perpetuity. Permanently restricted net assets were increased by \$502,050, temporarily restricted net assets increased \$118,670 for the corresponding growth calculated on the permanently restricted portion, and unrestricted net assets decreased \$620,720. There was no change in total net assets due to this restatement.

NOTE 15 - SUBSEQUENT EVENTS

In October 2017, the Council amended the terms of the mortgage agreement with TD Bank, converting it to a term loan maturing November 30, 2022. Interest rate is fixed at 4.5%. Five annual principal payments of \$72,250 are required beginning in March 2018. The full balance becomes due in full November 30, 2022. The mortgage agreement is subject to certain financial covenants.

In addition, the Council negotiated a revolving line of credit in the aggregate amount of \$500,000, effective November 30, 2017. All amounts outstanding are required to be fully repaid for a period of 30 consecutive days in each year. The principal balance outstanding will bear interest at the Wall Street Journal Prime Rate.

Management has evaluated subsequent events through February 15, 2018, the date the financial statements were available to be issued.

- END OF NOTES TO THE FINANCIAL STATEMENTS -