

Girl Scouts of the Chesapeake Bay Council, Inc.

**Financial Statements and
Supplemental Information**

September 30, 2018

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ALBERO, KUPFERMAN & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND PROFESSIONAL SERVICES

Independent Auditor's Report

To the Board of Directors
Girl Scouts of the Chesapeake Bay Council, Inc.
Newark, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts of the Chesapeake Bay Council, Inc. (a not for profit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and changes in net assets and of cash flows for the year 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing in standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature in cursive script that reads "Alberto Kaufman Associates, LLC".

March 4, 2019
Wilmington, Delaware

Girl Scouts of the Chesapeake Bay Council, Inc.

Statements of Financial Position

September 30, 2018

Assets

CURRENT ASSETS

Cash and cash equivalents	\$ 1,150,475
Accounts receivable - net	16,015
Grants receivable	98,609
Pledges receivable - current	105,484
Interest receivable	11,228
Inventories	118,328
Prepaid expenses	12,991
Total current assets	<u>1,513,130</u>

NON - CURRENT ASSETS

Pledges receivable - non-current, net	185,941
Property and equipment - net of accumulated depreciation	11,040,226
Investments	4,217,132
Total non - current assets	<u>15,443,299</u>

TOTAL ASSETS \$ 16,956,429

Liabilities and Net Assets

CURRENT LIABILITIES

Accounts payable	\$ 78,263
Accrued expenses and other liabilities	38,012
Accrued salaries and wages	174,339
Deferred revenue	64,580
Capital lease payable- current portion	73,810
Notes payable - current portion	78,366
Total current liabilities	<u>507,370</u>

LONG - TERM LIABILITIES

Capital lease obligation - net of current portion	53,905
Notes payable - net of current portion	1,688,838
Total long - term liabilities	<u>1,742,743</u>

NET ASSETS

Unrestricted	13,372,822
Temporarily restricted	781,369
Permanently restricted	552,125
Total net assets	<u>14,706,316</u>

TOTAL LIABILITIES AND NET ASSETS \$ 16,956,429

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT				
Product program revenue - net of related costs	\$ 2,306,657	\$ -	\$ -	\$ 2,306,657
Retail shop sales and services - net of related costs	119,689	-	-	119,689
Camping and program fees - net of discounts	319,073	-	-	319,073
Contributions				
Individual donations	105,145	-	50	105,195
Pledges and grants	96,001	190,810	-	286,811
Special events - net of related costs	88,817	-	-	88,817
United Way and other federated funds	-	120,953	-	120,953
Donations - in-kind	56,955	-	-	56,955
Investment income	245,107	22,976	-	268,083
Other income	80,660	-	-	80,660
Net assets released from restrictions	249,568	(249,568)	-	-
	<u>3,667,672</u>	<u>85,171</u>	<u>50</u>	<u>3,752,893</u>
TOTAL REVENUE AND OTHER SUPPORT				
EXPENSES				
Program services				
Membership	1,485,216	-	-	1,485,216
Camping	498,689	-	-	498,689
Girls programs	586,834	-	-	586,834
Product program	1,015,441	-	-	1,015,441
Adult training	304,838	-	-	304,838
Total program services	<u>3,891,018</u>	<u>-</u>	<u>-</u>	<u>3,891,018</u>
Support services				
Fundraising	203,396	-	-	203,396
Public relations	311,994	-	-	311,994
Administration	240,822	-	-	240,822
Total support services	<u>756,212</u>	<u>-</u>	<u>-</u>	<u>756,212</u>
	<u>4,647,230</u>	<u>-</u>	<u>-</u>	<u>4,647,230</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS	(979,558)	85,171	50	(894,337)
NET ASSETS - BEGINNING OF YEAR	<u>14,352,380</u>	<u>696,198</u>	<u>552,075</u>	<u>15,600,653</u>
NET ASSETS - END OF YEAR	<u>\$ 13,372,822</u>	<u>\$ 781,369</u>	<u>\$ 552,125</u>	<u>\$ 14,706,316</u>

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Statement of Cash Flows

For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (894,337)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Bad debt	9,577
Depreciation	490,826
Realized gain on investments	(91,689)
Unrealized gain on investments	(52,515)
Changes in current assets and liabilities	
Decrease in accounts receivable - net	42,180
Decrease in pledges receivable - net	155,806
Decrease in grants receivable	29,868
Decrease in interest receivable	1,245
Increase in inventories	(2,649)
Decrease in prepaid expenses	3,644
Decrease in accounts payable	(17,959)
Decrease in accrued expenses and other liabilities	(15,054)
Decrease in accrued salaries and wages	(2,154)
Decrease in deferred revenue	(3,270)
Net cash used in operating activities	<u>(346,481)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(11,077)
Purchase of investments	(607,767)
Proceeds from sale of investments	824,482
Net cash provided by investing activities	<u>205,638</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on capital lease obligation	(70,578)
Payments on notes payable	(77,962)
Net cash used in financing activities	<u>(148,540)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(289,383)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,439,858</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,150,475</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Interest paid during the year	<u>\$ 87,151</u>
SUPPLEMENTAL DISCLOSURE OF NON - CASH FLOWS INFORMATION	
Donated goods and services	<u>\$ 56,955</u>

See accompanying notes to financial statements.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies

1. Purpose of the 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 supports nearly 6,500 girls in 14 counties between Delaware and the Eastern Shores of Maryland and Virginia. The Council operates from two resource centers one located in Salisbury, MD and the other in Newark, Delaware.

2. Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting. Whereas revenue is recognized when earned and expenditures are recognized when incurred.

3. Financial Statement Presentation

In accordance with accounting principles generally accepted in the United States of America, the Council is required to report information regarding its financial position and activities according to three classes of net assets:

- a. Unrestricted net assets - consist of undesignated net assets, which are funds that are currently available to support operations; and designated net assets, which consist of unrestricted funds earmarked by the Council for a specific purpose.
- b. Temporarily restricted net assets - consist of cash and other assets restricted by donor stipulations that limit the use of such assets. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes.
- c. Permanently restricted net assets - consist of assets subject to donor-imposed stipulations that require them to be maintained permanently by the Council.

4. Cash and Cash Equivalents

Cash equivalents are included in cash. The Council considers all unrestricted highly liquid investments purchased with a 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.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

5. Accounts and Grants Receivable

Accounts and grants receivable consist of short-term receivables that arise in the normal course of business and are stated at unpaid balances, less an allowance for doubtful accounts. The Council provides for losses on receivable using the allowance method. The allowance is based on prior experience and its assessment of the collectability of specific accounts. It is the Council's policy to charge off uncollectible accounts when management determines the receivable will not be collected.

At the end of the year, grants were considered to be fully collectible by management; therefore, no allowance has been provided. The allowance for uncollectible accounts receivable was \$16,875 as of September 30, 2018. Bad debt expense was \$9,577 for the year ended September 30, 2018.

6. 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, 2018.

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. Pledges receivable as of September 30, 2018 are \$291,425, which is net of the discount of \$14,059.

7. Inventories

Inventory consists of Girl Scout merchandise and supplies. It is recorded at the lower of cost or net realizable value, computed on the first-in, first-out method.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

8. Investments

Investments with readily determinable market values and all investments in debt securities are reported at market value in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

9. Property and Equipment

Property and equipment are recorded at cost, if purchased, and at fair market value, if donated. Maintenance, repairs and minor renewals are charged directly to expense as incurred. Additions and betterments to property and equipment are capitalized. When assets are disposed of, the related cost and accumulated depreciation thereon are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Acquisitions of individual items with a cost of less than \$5,000 are expensed when acquired.

Depreciation is computed using the straight-line method based upon the estimated useful lives of the related assets. The useful lives for purposes of computing depreciation of property and equipment are as follows:

Building and improvements	10 - 40 years
Furniture and equipment	3 - 10 years

10. Contributions, Revenue and Other Support

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

11. Contributed Services

Contributed services are not recognized as revenues unless the services received create or enhance the value of a non-financial asset; or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by volunteers. The Council recognizes as in-kind donations the fair market value of goods which are donated to them. During the year ended September 30, 2018, the Council recognized in-kind donations and contributed services of \$56,955 for various programs.

Additionally, approximately 3,463 volunteers donated their time to various programs during the year ended September 30, 2018. No amounts have been reflected in the financial statements for this time inasmuch as no objective basis is available to measure the value of such time.

12. Product Program Revenue

Product program revenue represents the proceeds from the sale of Girl Scout cookies, candy, nuts and magazines net of the cost of the product and various product discounts. Program revenue is recorded at retail sales price, less the portion of the proceeds that belongs to the individual Girl Scout troops when they ship the product to each independent Girl Scout troop. Other cookie sales are recognized at the point of sales.

Product program income	\$ 4,580,934
Less: related cost of sales	<u>2,274,277</u>
Product program revenue - net	<u><u>\$ 2,306,657</u></u>

13. Retail Shop and Services

The Council maintains two retail stores that sell Girl Scout merchandise, such as books, badges, uniforms and other supplies.

Retail store sales and services	\$ 294,568
Less: related cost of sales	<u>174,879</u>
Retail store sales and services- net	<u><u>\$ 119,689</u></u>

14. Advertising Expense

Advertising costs are charged to operations as incurred. Advertising expense for the year ended September 30, 2018 was \$24,720.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

15. Management Estimates

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

16. Income Taxes

The Council has elected to be classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is not subject to state or federal income taxes. Therefore, no provision or liability for income tax is presented in these financial statements.

The Council accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. The Council recognizes accrued interest and penalties associated with uncertain tax positions, if any, as a component of functional expenses. The Council did not have any income tax uncertainties that were considered greater than remote.

17. Fair Value Measurements

The Council adopted the Fair Value Measurements and Disclosures for assets and liabilities measured at fair value on a recurring basis. The standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. The hierarchy consists of three broad levels:

- Level 1 Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Unobservable inputs for which there is little or no market data, which require the use of the reporting entity’s own assumptions.

In evaluating the level at which the Council’s investment have been classified, management has assessed factors included, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note A - Organization and Summary of Significant Accounting Policies (Continued)

18. Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. The allocation is presented in the statements of functional expenses.

19. Recently Issued but Not Yet Effective Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases ("ASU 2016-02"). This update requires all leases with a term greater than twelve months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after September 15, 2019, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures, but has not yet determined the timing of adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statement of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that are useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for annual periods beginning after December 15, 2017. ASU 2016-14 is to be applied retroactively with transition provisions. The Council is in the process of evaluating the impact this standard will have on its financial statements and related disclosures.

Note B - Capital Campaign Pledges Receivable

Pledges receivable for the capital campaign consisted of the following as of September 30, 2018:

Receivable in less than one year	\$	105,484
Receivable in one to five years		<u>200,000</u>
		305,484
Less: discounts at 5% per annum		14,059
Less: allowance for uncollectible		<u>-</u>
Pledges receivable - net	\$	<u><u>291,425</u></u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note C - Property and Equipment

Property and equipment consisted of the following as of September 30, 2018:

Land	\$ 724,489
Buildings and improvements	13,012,354
Furniture and equipment	<u>1,541,803</u>
Total	15,278,646
Less: accumulated depreciation	<u>4,238,420</u>
Property and equipment - net	<u><u>\$ 11,040,226</u></u>

Depreciation expense was \$490,826 for the year ended September 30, 2018. Capital lease assets included as furniture and equipment as of September 30, 2018 were \$184,213. Accumulated depreciation of assets under capital lease as of September 30, 2018 was \$116,668.

Note D - Investments

Investments in Level 1 and Level 3 securities, measured at fair market value on a recurring basis are as follows at September 30, 2018:

	<u>Cost</u>	<u>Market</u>
Level 1		
Short - term investments	\$ 179,459	\$ 179,459
US treasuries	606,276	577,194
Corporate bonds	538,603	523,382
Equities	1,502,842	2,019,827
ETF's and REIT's	<u>97,353</u>	<u>93,401</u>
Total level 1	2,924,533	3,393,263
Level 3		
Pooled investments in community foundations	<u>572,125</u>	<u>823,869</u>
Total	<u><u>\$ 3,496,658</u></u>	<u><u>\$ 4,217,132</u></u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note D - Investments (Continued)

Investment income and its classification in the statements of activities is as follows for the year ended September 30, 2018:

Interest and dividends	\$	144,927
Realized gains		91,689
Unrealized gains		52,515
Investment fees		<u>(21,048)</u>
Total	\$	<u>268,083</u>

Investment income reflects the activity of both the brokerage account, classified as Level 1, and the funds held by the community foundations, classified as Level 3.

Note E - Investment Held at Community Foundations

The Council recognizes its interest in the net assets of the Delaware Community Foundation (DCF), the Eastern Shore Foundation and the Mid Shore Community Foundation as Level 3 investments in accordance with generally accepted accounting principles. The Organization's funds are a component of funds which are held and invested on a comingled, unitized basis. The purpose of the funds is to provide for the long-term stability of organizations in the respective communities. There are no securities independently held in the name of the Council. The fair value of the investment in the community foundations is based on a percentage interest of those assets' fair value as represented by the community foundation's management.

Note F - Net Assets

Temporarily restricted net assets consisted of the following as of September 30, 2018:

Specific program support	\$	550,911
Endowment funds		<u>230,458</u>
Total temporarily restricted net assets	\$	<u>781,369</u>

Permanently restricted net assets consisted of the following as of September 30, 2018:

Endowment funds	\$	<u>552,125</u>
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Temporarily restricted net assets were released for the following purposes during the year ended September 30, 2018:

Specific program support	\$	<u>249,568</u>
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Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note G - Notes Payable

Notes payable consisted of the following as of September 30, 2018:

Note payable - Americredit Financial Services - requires monthly payments of \$331, which include principal and interest at 5.99%, payable through August 2023. The note is secured by a vehicle. \$ 16,604

Note payable - Americredit Financial Services - requires monthly payments of \$331, which include principal and interest at 5.99%, payable through August 2023. The note is secured by a vehicle. 16,604

Mortgage payable to TD bank, requiring monthly interest payments at a fixed rate of 4.5% and a principal payment of \$72,250 are due annually. A balloon payment representing all outstanding principal and accrued interest is due upon maturity in November 2022. 1,733,996

Total notes payable	1,767,204
Less: current portion	<u>78,366</u>
Notes payable - net of current portion	<u>\$ 1,688,838</u>

Future maturities of long term debt are as follows as of September 30,:

2019	\$ 78,366
2020	78,742
2021	79,142
2022	79,566
2023	<u>1,451,388</u>
	<u>\$ 1,767,204</u>

The Council incurred \$74,934 in interest expense on these obligations during the year ended September 30, 2018.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note H - Line of Credit

The Council has available a \$500,000 revolving line of credit with TD Bank, N.A.. The line matures on August 31, 2019. It is collateralized by the assets of the Council. The line is required to be brought to a \$0 balance for 30 consecutive days every 12 months. Interest is payable monthly on any outstanding principal at a rate equal to the Wall Street prime rate. There was no outstanding balance on the line of credit as of September 30, 2018.

Note I - Capital Leases

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 \$12,218 for the year ended September 30, 2018.

Future minimum lease payments required under the capital leases for the years ending September 30, are as follows:

2019	\$	73,810
2020		<u>60,783</u>
		134,593
Less: imputed interest		<u>6,878</u>
Present value of future minimum lease payments	\$	<u><u>127,715</u></u>

Note J - Operating Capital Leases

The council leases vehicles and office equipment under non-cancelable operating leases expiring through 2021. Under these leases, rent expense of \$16,720 was included in occupancy and equipment rental and maintenance expense on the statement of functional expenses for the year ended September 30, 2018.

Future minimum lease payments required under the operating leases for the years ending September 30, are as follows:

2019	\$	29,608
2020		<u>25,379</u>
	\$	<u><u>54,987</u></u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note K - Endowment Assets

The Council's endowment consists of approximately seven 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.

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 as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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 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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Council to retain as a fund of perpetual duration. Deficiencies, 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.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note K - Endowment Assets (Continued)

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 across 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 expected 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, 2018 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 230,458	\$ 552,125	\$ 782,583
Board designated endowment funds	<u>3,434,549</u>	<u>-</u>	<u>-</u>	<u>3,434,549</u>
Total endowment assets	<u>\$ 3,434,549</u>	<u>\$ 230,458</u>	<u>\$ 552,125</u>	<u>\$ 4,217,132</u>

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note K - Endowment Assets (Continued)

Changes in endowment net assets by net asset class for the year ended September 30, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
As of September 30, 2017 -	\$ <u>3,530,085</u>	\$ <u>207,483</u>	\$ <u>552,075</u>	\$ <u>4,289,643</u>
Investment return				
Investment income - net	112,651	-	-	112,651
Unrealized and realized gains - net	<u>121,179</u>	<u>23,025</u>	-	<u>144,204</u>
Total investment return	233,830	23,025	-	256,855
Contributions and transfers in	-	-	50	50
Other changes	<u>(329,366)</u>	<u>-</u>	<u>-</u>	<u>(329,366)</u>
As of September 30, 2018 -	\$ <u><u>3,434,549</u></u>	\$ <u><u>230,508</u></u>	\$ <u><u>552,125</u></u>	\$ <u><u>4,217,182</u></u>

The endowment assets which have been designated for general purposes as of September 30, 2018 are as follows:

Temporarily restricted	\$ <u><u>230,508</u></u>
Permanently restricted	\$ <u><u>552,125</u></u>

Note L - Retirement Plans

1. Pension Plan

The Council participates in the multi-employer defined benefit pension plan (the Plan) sponsored by The Girl Scouts of the USA (GSUSA) (EIN 13-1624016, Plan #002). In April 2011, the Plan was amended by GSUSA to cease accruals as of December 31, 2011. Additionally, the plan would no longer allow new employees to participate in the Plan. Accrued and vested benefits are based on years of service and salary levels. Contributions to the Plan are made based upon payment schedules provided by the actuaries of the Plan.

As of January 1, 2018, the net plan assets available for plan benefits continued to be less than the actuarial present value of accumulated plan benefits. In April 2014, the Plan was given conditional approval by the Internal Revenue Service (IRS), provided they could maintain a \$30,000,000 minimum funding each year beginning with the January 1, 2013 calendar year. Subsequently, in October 2014, the Plan elected to adopt the Cooperative and Small Employer Charity Pension Flexibility Act. This relief package provides minimum funding flexibility to the Plan and provides relief from the provisions of the Pension Protection Act of 2006.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note L - Retirement Plans (Continued)

The Plan implemented a funding improvement plan. Plan assets are maintained and invested in accordance with the investment policies established by the GSUSA. Under this plan, the aggregate amount of annual contributions to the Plan were expected to be \$32,500,000 as of May 1, 2017. Actual aggregate contributions made to the Plan in 2018 were \$35,502,670. For the year ending September 30, 2018, the Council made contributions into the Plan of \$205,410. The Council will be required to pay in approximately \$210,564, for the year ending September 30, 2019.

As of January 1, 2018 (as calculated under ASC 960), the Plan reflected net assets available for Plan benefits of \$441,603,963 and the actuarial net present value of accumulated Plan benefits was estimated to be \$553,558,827.

2. 401(k) Plan

In January 2007, the Council adopted 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 year ended September 30, 2018 was \$20,460.

Note M - Concentration of Credit Risk

Cash, cash equivalents, investments and relationships with major suppliers expose the Council to various risks, such as interest rates, market and credit risks.

1. Cash Balances

The Council, in the ordinary course of business, maintains its cash balance in various financial institutions. During the year, the balances of both interest and non-interest-bearing accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed insured limits, but management does not feel it is exposed to any significant credit risk with respect to uninsured balances maintained at financial institutions.

2. Marketable Securities

The Council maintains marketable securities with investment houses and brokerage firms located in the United States, which are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, which includes a \$250,000 limit for cash. At times, balances may exceed insured limits. Management does not feel it is exposed to any significant credit risk with respect to uninsured balances maintained at the investment houses and brokerage firms for the year ended September 30, 2018.

Girl Scouts of the Chesapeake Bay Council, Inc.

Notes to Financial Statements

Note M - Concentration of Credit Risk (Continued)

3. Major Suppliers

The Council purchases all of the cookies sold through their cookie product program from one supplier. The Council does not feel it is exposed to significant risk.

Note N - Subsequent Events

In December of 2018, the Council entered into new capital leases for copier equipment which calls for monthly payments of \$5,500 for a term of 60 months. The present value of this new lease have not been disclosed in these financial statements.

The Council has evaluated its September 30, 2018 financial statements for subsequent events through March 4, 2019, the date on which the financial statements were available to be issued.

Supplemental Information

Girl Scouts of the Chesapeake Bay Council, Inc.

Statement of Functional Expenses

For the Year Ended September 30, 2018

	Program Expenses					Support Services					Total Expenses
	Membership	Camping	Girl Programs	Product Program	Adult Training	Total Program Expenses	Fundraising	Public Relations	Administrative	Total Support Services	
Salaries and related expenses	\$ 703,034	\$ 138,075	\$ 284,877	\$ 333,044	\$ 155,460	\$ 1,614,490	\$ 127,401	\$ 135,413	\$ 60,960	\$ 323,774	\$ 1,938,264
Salaries and wages	66,329	11,965	26,081	35,067	13,781	153,223	9,811	12,865	8,624	31,300	184,523
Payroll taxes	108,093	33,779	40,295	68,493	20,272	270,932	3,825	22,808	32,814	59,447	330,379
Employee benefits											
Total salaries and related expenses	877,456	183,819	351,253	436,604	189,513	2,038,645	141,037	171,086	102,398	414,521	2,453,166
Professional fees	36,979	22,440	24,222	26,065	15,230	124,936	-	8,150	11,592	19,742	144,678
Supplies	29,776	59,120	20,168	224,008	9,701	342,773	24,106	3,826	3,594	31,526	374,299
Telephone	34,680	13,592	13,656	25,498	7,803	95,229	300	7,744	10,308	18,352	113,581
Postage	3,205	1,081	1,639	2,432	656	9,013	6,533	2,043	993	9,569	18,582
Occupancy	92,700	51,466	64,144	73,357	23,925	305,592	1,000	19,901	29,521	50,422	356,014
Equipment rental and maintenance	15,188	4,863	5,736	10,487	3,119	39,393	-	3,282	4,719	8,001	47,394
Printing	-	1,800	1,814	14,717	986	19,317	13,699	46,841	1,492	62,032	81,349
Travel	19,140	36,695	11,630	27,892	4,025	99,382	7,086	-	3,669	10,755	110,137
Conferences	5,436	12,724	2,959	4,847	2,401	28,367	1,505	1,164	1,575	4,244	32,611
Financial assistance	140,566	-	1,852	-	570	142,988	6,000	-	-	6,000	148,988
Insurance	31,265	9,956	11,824	21,426	6,419	80,890	-	6,548	9,713	16,261	97,151
Fees	12,121	41,202	4,503	10,798	2,144	70,768	936	2,187	3,244	6,367	77,135
Bad debt expense	-	125	-	9,021	-	9,146	431	-	-	431	9,577
Interest expense	28,053	8,933	10,595	19,220	5,760	72,561	-	5,875	8,715	14,590	87,151
Miscellaneous expense	786	251	1,216	874	172	3,299	763	285	244	1,292	4,591
Depreciation expense	157,865	50,622	59,623	108,195	32,414	408,719	-	33,062	49,045	82,107	490,826
Total functional expenses	\$ 1,485,216	\$ 498,689	\$ 586,834	\$ 1,015,441	\$ 304,838	\$ 3,891,018	\$ 203,396	\$ 311,994	\$ 240,822	\$ 756,212	\$ 4,647,230