



**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Contents  
September 30, 2016 and 2015

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	<b><u>Pages</u></b>
<b>Independent Auditor's Report</b> .....	1
<b>Financial Statements:</b>	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3 - 4
Statements of Cash Flows .....	5
Statements of Functional Expenses .....	6 - 7
Notes to Financial Statements .....	8 - 21



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## Independent Auditor's Report

To the Board of Directors of  
Girl Scouts of Eastern Massachusetts, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Girl Scouts of Eastern Massachusetts, Inc. (a Massachusetts corporation, not for profit) 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, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Eastern Massachusetts, Inc. 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.

Boston, Massachusetts  
January 25, 2017

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**Statements of Financial Position  
September 30, 2016 and 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Current Assets:		
Cash	\$ 553,930	\$ 1,372,088
Accounts receivable, net of allowance for doubtful accounts of approximately \$95,000 and \$68,000 as of September 30, 2016 and 2015, respectively	95,063	119,471
Current portion of pledges receivable	34,771	28,790
Inventories	212,723	187,712
Prepaid expenses	209,058	71,613
Total current assets	1,105,545	1,779,674
Board Designated and Restricted Cash	1,871,013	3,471,441
Pledges Receivable, net of current portion	14,000	103,400
Investments	13,065,292	12,550,604
Beneficial Interest in Perpetual Trust	99,961	96,889
Property Held for Sale, net	99,486	114,164
Property and Equipment, net	6,829,562	5,407,709
Total assets	<u>\$ 23,084,859</u>	<u>\$ 23,523,881</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 494,121	\$ 683,369
Accrued expenses	347,582	334,479
Deferred revenue	274,531	254,026
Total current liabilities	1,116,234	1,271,874
Net Assets:		
Unrestricted	18,023,386	18,404,624
Temporarily restricted	1,672,284	1,578,550
Permanently restricted	2,272,955	2,268,833
Total net assets	21,968,625	22,252,007
Total liabilities and net assets	<u>\$ 23,084,859</u>	<u>\$ 23,523,881</u>

The accompanying notes are an integral part of these statements.

Page 2

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

 Statement of Activities and Changes in Net Assets  
 For the Year Ended September 30, 2016

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Operating Revenues and Other Support:</b>				
Public support:				
Product sales, net	\$ 6,670,074	\$ -	\$ -	\$ 6,670,074
Fundraising:				
Grants, contracts, contributions and bequests	206,526	472,589	-	679,115
United Way allocations	332,558	5,168	-	337,726
Donated goods and services	303,818	-	-	303,818
Special events	155,549	600	-	156,149
Net assets released from purpose restrictions	559,308	(559,308)	-	-
Total fundraising	1,557,759	(80,951)	-	1,476,808
Total public support	8,227,833	(80,951)	-	8,146,882
Program service fees:				
Camping	2,201,245	-	-	2,201,245
Other program	687,375	-	-	687,375
Membership	328,035	-	-	328,035
Total program service fees	3,216,655	-	-	3,216,655
Merchandise sales	936,022	-	-	936,022
Merchandise cost of sales	518,718	-	-	518,718
Net merchandise sales	417,304	-	-	417,304
Investment return appropriated for operations	675,000	-	-	675,000
Interest and dividends	39,056	-	-	39,056
Miscellaneous revenue	36,064	-	-	36,064
Total operating revenues and other support	12,611,912	(80,951)	-	12,530,961
<b>Operating Expenses:</b>				
Program services	11,484,592	-	-	11,484,592
Supporting services:				
Management and general	1,506,184	-	-	1,506,184
Fundraising	1,055,936	-	-	1,055,936
Total supporting services	2,562,120	-	-	2,562,120
Total operating expenses	14,046,712	-	-	14,046,712
Changes in net assets from operations	(1,434,800)	(80,951)	-	(1,515,751)
<b>Non-Operating Activities:</b>				
Investment return, net	644,182	162,431	-	806,613
Gain on sale of property and equipment	706,021	-	-	706,021
Capital contributions	-	390,613	-	390,613
Change in carrying value of beneficial interest in perpetual trust	-	-	3,072	3,072
Endowment contributions	-	-	1,050	1,050
Net asset released from capital restriction	378,359	(378,359)	-	-
Investment return appropriated for operations	(675,000)	-	-	(675,000)
Changes in net assets	(381,238)	93,734	4,122	(283,382)
<b>Net Assets:</b>				
Beginning of year	18,404,624	1,578,550	2,268,833	22,252,007
End of year	\$ 18,023,386	\$ 1,672,284	\$ 2,272,955	\$ 21,968,625

The accompanying notes are an integral part of these statements.

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

 Statement of Activities and Changes in Net Assets  
 For the Year Ended September 30, 2015

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Operating Revenues and Other Support:</b>				
Public support:				
Product sales, net	\$ 5,790,900	\$ -	\$ -	\$ 5,790,900
Fundraising:				
Grants, contracts, contributions and bequests	319,855	561,214	-	881,069
United Way allocations	350,638	9,633	-	360,271
Donated goods and services	238,263	-	-	238,263
Special events	131,680	-	-	131,680
Net assets released from purpose restrictions	534,212	(534,212)	-	-
Total fundraising	1,574,648	36,635	-	1,611,283
Total public support	7,365,548	36,635	-	7,402,183
Program service fees:				
Camping	2,198,415	-	-	2,198,415
Other program	714,698	-	-	714,698
Membership	327,700	-	-	327,700
Total program service fees	3,240,813	-	-	3,240,813
Merchandise sales	812,848	-	-	812,848
Merchandise cost of sales	450,995	-	-	450,995
Net merchandise sales	361,853	-	-	361,853
Investment return appropriated for operations	650,000	-	-	650,000
Interest and dividends	29,252	-	-	29,252
Miscellaneous revenue	56,284	-	-	56,284
Total operating revenues and other support	11,703,750	36,635	-	11,740,385
<b>Operating Expenses:</b>				
Program services	10,781,468	-	-	10,781,468
Supporting services:				
Management and general	1,372,519	-	-	1,372,519
Fundraising	1,101,056	-	-	1,101,056
Total supporting services	2,473,575	-	-	2,473,575
Total operating expenses	13,255,043	-	-	13,255,043
Changes in net assets from operations	(1,551,293)	36,635	-	(1,514,658)
<b>Non-Operating Activities:</b>				
Investment return, net	(173,126)	(39,894)	-	(213,020)
Gain on sale of property and equipment	4,623,223	-	-	4,623,223
Capital contributions	-	478,135	-	478,135
Change in carrying value of beneficial interest in perpetual trust	-	-	(10,912)	(10,912)
Endowment contributions	-	-	19,433	19,433
Investment return appropriated for operations	(650,000)	-	-	(650,000)
Donated goods	52,162	-	-	52,162
Changes in net assets	2,300,966	474,876	8,521	2,784,363
<b>Net Assets:</b>				
Beginning of year	16,103,658	1,103,674	2,260,312	19,467,644
End of year	\$ 18,404,624	\$ 1,578,550	\$ 2,268,833	\$ 22,252,007

The accompanying notes are an integral part of these statements.

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Statements of Cash Flows  
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (283,382)	\$ 2,784,363
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	402,889	361,319
Bad debt	39,031	17,907
Change in carrying value of beneficial interest in perpetual trust	(3,072)	10,912
Capital contributions	(390,613)	(478,135)
Endowment contributions	(1,050)	(19,433)
Donated goods	-	(52,162)
Investment return	(806,613)	213,020
Gain on sale of property and equipment	(706,021)	(4,623,223)
Changes in operating assets and liabilities:		
Accounts receivable	(14,623)	4,053
Pledges receivable	(9,981)	39,602
Inventories	(25,011)	18,186
Prepaid expenses	(137,445)	180,940
Accounts payable	(189,248)	221,246
Accrued expenses	13,103	(115,524)
Deferred revenue	20,505	(30,539)
	<u>(2,091,531)</u>	<u>(1,467,468)</u>
Net cash used in operating activities		
<b>Cash Flows from Investing Activities:</b>		
Sales of investments	4,933,971	4,735,328
Purchases of investments	(4,864,156)	(4,809,337)
Interest and dividend income from investments, net	222,110	366,415
Proceeds from sale of property and equipment	1,051,683	5,067,323
Deposits to board designated and restricted cash	(898,616)	(5,216,898)
Withdrawal from board designated and restricted cash	2,499,044	1,745,457
Acquisition of property and equipment	(2,155,726)	(1,001,381)
	<u>788,310</u>	<u>886,907</u>
Net cash provided by investing activities		
<b>Cash Flows from Financing Activities:</b>		
Capital contributions received	483,613	375,135
Endowment contributions received	1,450	19,033
	<u>485,063</u>	<u>394,168</u>
Net cash provided by financing activities		
<b>Net Change in Cash</b>	(818,158)	(186,393)
<b>Cash:</b>		
Beginning of year	<u>1,372,088</u>	<u>1,558,481</u>
End of year	<u>\$ 553,930</u>	<u>\$ 1,372,088</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 7,453</u>	<u>\$ 2,876</u>
<b>Supplemental Disclosure of Non-cash Investing Transactions:</b>		
Unrealized gains (losses) on investments	<u>\$ 733,107</u>	<u>\$ (883,731)</u>
Property and equipment, net, transferred to property held for sale	<u>\$ -</u>	<u>\$ 114,164</u>

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Statement of Functional Expenses  
 For the Year Ended September 30, 2016  
 (With Summarized Comparative Totals for the Year Ended September 30, 2015)

	2016			2015	
	Program Services	Supporting Services		Total	Total
		Management and General	Fundraising		
<b>Expenses:</b>					
Salaries and related:					
Salaries	\$ 5,282,468	\$ 576,802	\$ 593,546	\$ 6,452,816	\$ 6,005,494
Pension costs	655,944	71,624	73,702	801,270	812,965
Fringe benefits	470,538	65,317	29,644	565,499	505,070
Payroll taxes	460,508	48,162	53,446	562,116	553,119
Total salaries and related	6,869,458	761,905	750,338	8,381,701	7,876,648
Other expenses:					
Program expenses	1,686,918	-	-	1,686,918	1,550,051
Occupancy	642,764	140,943	62,140	845,847	741,544
Professional fees	358,830	253,692	58,551	671,073	866,598
Equipment costs	224,183	68,806	24,336	317,325	214,384
Donated goods and services	298,439	4,106	1,273	303,818	238,263
Assistance to members	296,867	-	-	296,867	279,824
Insurance	172,006	48,311	17,086	237,403	239,949
Telephone	142,995	43,888	15,522	202,405	172,916
Bank and credit card charges and other	139,901	42,940	15,187	198,028	152,633
Travel and transportation	136,623	23,199	6,192	166,014	162,604
Printing	88,499	897	6,091	95,487	124,177
Supplies	68,244	11,992	7,989	88,225	69,184
Meetings and conferences	39,609	12,004	8,896	60,509	98,645
Special events	-	-	46,055	46,055	56,918
Postage	25,643	3,385	4,408	33,436	40,333
Membership dues	8,981	2,756	975	12,712	9,053
Total expenses before depreciation	11,199,960	1,418,824	1,025,039	13,643,823	12,893,724
Depreciation	284,632	87,360	30,897	402,889	361,319
Total expenses	<u>\$ 11,484,592</u>	<u>\$ 1,506,184</u>	<u>\$ 1,055,936</u>	<u>\$ 14,046,712</u>	<u>\$ 13,255,043</u>

The accompanying notes are an integral part of these statements.



**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Statement of Functional Expenses  
For the Year Ended September 30, 2015

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b>Expenses:</b>				
Salaries and related:				
Salaries	\$ 4,839,964	\$ 562,246	\$ 603,284	\$ 6,005,494
Pension costs	655,187	76,111	81,667	812,965
Fringe benefits	423,339	47,778	33,953	505,070
Payroll taxes	446,122	50,434	56,563	553,119
Total salaries and related	6,364,612	736,569	775,467	7,876,648
Other expenses:				
Program expenses	1,550,051	-	-	1,550,051
Occupancy	562,459	126,275	52,810	741,544
Professional fees	574,244	229,641	62,713	866,598
Equipment costs	157,165	43,458	13,761	214,384
Donated goods and services	216,244	500	21,519	238,263
Assistance to members	279,824	-	-	279,824
Insurance	179,804	45,680	14,465	239,949
Telephone	126,765	35,052	11,099	172,916
Bank and credit card charges and other	111,895	30,941	9,797	152,633
Travel and transportation	140,831	16,395	5,378	162,604
Printing	100,470	1,253	22,454	124,177
Supplies	53,331	10,049	5,804	69,184
Meetings and conferences	66,328	18,169	14,148	98,645
Special events	-	-	56,918	56,918
Postage	25,926	3,458	10,949	40,333
Membership dues	6,637	1,835	581	9,053
Total expenses before depreciation	10,516,586	1,299,275	1,077,863	12,893,724
Depreciation	264,882	73,244	23,193	361,319
Total expenses	<u>\$ 10,781,468</u>	<u>\$ 1,372,519</u>	<u>\$ 1,101,056</u>	<u>\$ 13,255,043</u>

The accompanying notes are an integral part of these statements.

## **GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Notes to Financial Statements  
September 30, 2016 and 2015

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### **1. OPERATIONS AND NONPROFIT STATUS**

Girl Scouts of Eastern Massachusetts, Inc. (the Council) is a Massachusetts not-for-profit organization. The Council provides programs and services to girls and adults across Eastern Massachusetts, with a mission to build girls of courage, confidence and character, who make the world a better place. Funding for the Council's programs is provided primarily through an annual cookie sale, program service fees, camping fees, and private and public contributions.

On November 4, 2014, the Council received the renewal of its charter with Girl Scouts of the USA (GSUSA) effective January 1, 2015, for a period of three years.

The Council is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Council is also exempt from state income taxes. Donors may deduct contributions made to the Council within the IRC regulations.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The Council prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. generally accepted accounting principles (U.S. GAAP) in these notes are to the FASB Accounting Standards Codification (ASC).

#### **Revenue Recognition and Expense Allocations**

Merchandise and product sales are recorded at the point of sale. Program service fees are recognized as the services are performed. Membership fees are recognized at the beginning of the membership year. Program service fees, membership fees and event sponsorships which have been received but not yet earned are reflected in the accompanying financial statements as deferred revenue. Unrestricted grants, contributions, bequests, and United Way allocations are recorded when unconditionally pledged or received. All other revenue is recorded when earned.

Included in unrestricted grants, contracts, contributions, and bequests is income received from two trusts where the Council is one of the residual beneficiaries. The total amounts received by the Council from the trusts during the years ended September 30, 2016 and 2015, were approximately \$23,400 and \$19,800, respectively.

The Council reports grants, contributions and bequests as restricted support if they are pledged or received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from purpose restrictions. Contract revenues are recognized as earned.

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

#### **Statements of Activities and Changes in Net Assets**

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenues and other support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating activities include endowment, capital and investment activity.

## GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements  
September 30, 2016 and 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets

##### *Unrestricted Net Assets*

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Council. The Council has grouped its unrestricted net assets into the following categories (see Note 8):

- *Operating* - represent funds available to carry on the operations of the Council.
- *Board designated operating reserve fund* - represent six months of average operating costs sufficient to maintain ongoing operations and programs for a six month period. Use of these funds requires approval of the Finance Committee of the Board of Directors. GSUSA recommends councils hold at least six months of operating reserves.
- *Board designated property improvement fund* - represent net proceeds derived from the sale of the Council's camp properties, which are restricted for use in maintenance projects and capital improvements to the Council's properties, rental of facilities for the Council's programs, or other facilities projects as the Board may approve from time to time.
- *Property and equipment* - represent resources designated for and expended on property and equipment purchases and related expenses.
- *Deficiency in donor-restricted endowment funds* - represent the cumulative unrealized losses on certain permanently restricted net assets.

##### *Temporarily Restricted Net Assets*

Temporarily restricted net assets include donor-restricted funds designated for specific activities or time periods. The Council has not yet incurred the expenses satisfying the designated purpose of these funds or the designated time period has not lapsed. Income earned on these funds can be used for designated program expenses as specified by the donor.

##### *Permanently Restricted Net Assets*

Permanently restricted net assets include donor-restricted contributions for which the principal must be held as a permanent source of income. The investment return on certain permanently restricted net assets is restricted as to purpose. Investment return on the remaining permanently restricted investments, net of amounts transferred in accordance with the Council's spending policy, is reflected as temporarily restricted net assets.

#### Cash

Management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Such amounts included in investment portfolios and restricted cash are not considered to be cash for the purpose of the statements of cash flows.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance is based on specific identification of probable losses and an estimate of additional losses based on historical write-off experience. Management reviews the allowance for doubtful accounts monthly. Past due balances over 120 days old and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

**Inventories**

Inventories consist of store merchandise and are recorded at the lower of cost (first-in, first-out) or market.

**Fair Value Measurements**

The Council follows the accounting and disclosure standards pertaining to ASC Topic 820, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Council would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Council uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Council. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

## GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements  
September 30, 2016 and 2015

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

##### *Investments*

A summary of fair value inputs used in valuing the Council's investments as of September 30, 2016 and 2015, is included in Note 5.

##### *Beneficial Interest in Perpetual Trust*

The fair value of the beneficial interest in a perpetual trust is measured as the fair value of the underlying trust assets. The inputs used in measuring the fair value are considered Level 3 in the fair value hierarchy due to the Council's inability to liquidate the trust.

##### *All Other Assets and Liabilities*

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value. These qualifying assets and liabilities are considered Level 1 in the fair value hierarchy.

##### *Investments*

The Council recognizes interest and dividends when earned. Gains and losses are recognized as incurred upon sale or maturity of investments or based on fair value changes during the period.

The Council's investment policy sets forth guidelines for prudent investment of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of the Council's holdings.

##### *Beneficial Interest in Perpetual Trust*

The Council has a beneficial interest in a perpetual trust held by a third party trustee on its behalf. The principal is restricted in perpetuity. The interest and dividend income generated by the trust's investments is distributed each year to the Council and is reported as temporarily restricted investment return as it is restricted for specific program use. For the years ended September 30, 2016 and 2015, the Council received a distribution of \$3,654 and \$3,734, respectively, from this trust. The Council has recorded \$99,961 and \$96,889 on its statements of financial position at September 30, 2016 and 2015, respectively, as permanently restricted net assets. Gains and losses on the trust's investments are considered changes in the present value of expected cash flows and are recognized as changes in the carrying value of beneficial interest in perpetual trust.

##### *Estimates*

The preparation of financial statements in accordance with U.S. GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**Notes to Financial Statements  
September 30, 2016 and 2015**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Property and Equipment and Depreciation**

Property and equipment consist of the following and are depreciated using the straight-line method over the following estimated useful lives as of September 30:

	<u>Estimated Useful Lives</u>	<u>2016</u>	<u>2015</u>
Land	Not depreciated	\$ 1,080,661	\$ 1,218,837
Land improvements	10 - 32 years	1,087,846	998,130
Buildings and building improvements	10 - 40 years	11,211,654	10,525,098
Equipment	3 - 5 years	2,237,809	2,538,461
Vehicles	5 years	452,785	400,243
Leasehold improvements	Life of lease	<u>64,222</u>	<u>64,222</u>
		16,134,977	15,744,991
Less - accumulated depreciation		<u>9,897,382</u>	<u>10,824,504</u>
Net property and equipment before construction in process		6,237,595	4,920,487
Construction in process		<u>591,967</u>	<u>487,222</u>
Net property and equipment		<u>\$ 6,829,562</u>	<u>\$ 5,407,709</u>

Property and equipment with a cost of \$5,000 or greater are recorded at cost, if purchased, or at estimated fair value at the date of gift, if donated. Repairs and maintenance are expensed as incurred.

At September 30, 2016, construction in process includes renovations to several properties that are expected to be completed during fiscal year 2017 at an estimated additional cost of \$495,000. Construction in process at September 30, 2015, consisted of building and road improvements at various properties, which were placed in service during fiscal year 2016.

**Product Sales, Net**

Annually, the Council conducts a Cookie Sale and a Fall Product Sale that develop financial literacy in girls, provide troops with funds to finance their activities, and underwrite Council programs. Results are reported as Product sales, net in the accompanying statements of activities and changes in net assets and consist of the following for the years ended September 30:

	<u>2016</u>	<u>2015</u>
Cookie sales	\$ 10,253,600	\$ 9,308,293
Less - cost of cookies sold	1,974,682	2,263,371
Less - allocation of proceeds to troops	<u>1,848,287</u>	<u>1,444,476</u>
Cookie sales, net	<u>6,430,631</u>	<u>5,600,446</u>
Fall product sales	623,819	519,825
Less - cost of fall products sold	286,959	250,715
Less - allocation of proceeds to troops	<u>97,417</u>	<u>78,656</u>
Fall product sales, net	<u>239,443</u>	<u>190,454</u>
Product sales, net	<u>\$ 6,670,074</u>	<u>\$ 5,790,900</u>

## **GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Notes to Financial Statements  
September 30, 2016 and 2015

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Product Sales, Net (Continued)**

Additional expenses for girl awards and incentives of \$400,314 and \$297,166 for the years ended September 30, 2016 and 2015, respectively, are included in program expenses in the accompanying statements of functional expenses.

#### **Donated Goods and Services**

The Council received volunteer services from individuals in various aspects of its programs for the years ended September 30, 2016 and 2015. The value of these services is not reflected in the accompanying financial statements since the value assigned to these services by the donating volunteers does not meet the recognition criteria under U.S. GAAP.

The Council receives various goods and services in many aspects of its programs that are recorded in accordance with U.S. GAAP. The Council received \$303,818 of donated goods and services during the year ended September 30, 2016. The Council received \$290,425 of donated goods and services during the year ended September 30, 2015, which includes \$52,162 of donated materials and services related to construction in process (see page 12). These amounts are included in the accompanying financial statements at values assigned by the donor, if provided, or estimates made by management.

#### **Advertising**

Advertising costs to promote branding and recruit girls and volunteers are expensed as incurred. The Council incurred \$18,967 and \$32,509 of advertising costs during the years ended September 30, 2016 and 2015, respectively, which are included in printing in the accompanying statements of functional expenses. The Council also received donated advertising totaling \$293,193 and \$208,236 for the years ended September 30, 2016 and 2015, respectively, which is included in donated goods and services in the accompanying statements of functional expenses.

#### **Income Taxes**

The Council accounts for uncertainty in income taxes in accordance with ASC Topic 740, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Council has determined that there are no uncertain tax positions that qualify for either recognition or disclosure in the financial statements at September 30, 2016 and 2015. The Council's information returns are subject to examination by the federal and state jurisdictions.

#### **Subsequent Events**

Subsequent events have been evaluated through January 25, 2017, which is the date the financial statements were available to be issued. See Note 7 for disclosure of a subsequent event.

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Notes to Financial Statements  
September 30, 2016 and 2015

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**3. PLEDGES RECEIVABLE**

Pledges receivable are due as follows as of September 30:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 44,771	\$ 132,190
Due in one to three years	<u>4,000</u>	<u>-</u>
	<u>\$ 48,771</u>	<u>\$ 132,190</u>

Pledges receivable have not been discounted as the amount would be immaterial to the overall financial statements. Pledges restricted for endowment or other long-term purposes are reflected as non-current pledges in the accompanying statements of financial position regardless of the due date.

**4. BOARD DESIGNATED AND RESTRICTED CASH**

Board designated and restricted cash consists of proceeds derived from the sale of the Council's camp properties that are designated by the Board of Directors for use in maintenance projects and capital improvements to the Council's properties, rental of facilities for the Council's programs, or other facilities projects as the Board may approve from time to time. During fiscal year 2016, a portion of the proceeds were approved by the Board of Directors for use in maintenance projects of the Council's properties. Also included in restricted cash are amounts received with donor restrictions for use in capital improvements to the Council's properties.

**5. INVESTMENTS**

It is the intention of the Council to set forth prudent limits for both asset allocation and asset quality for the Council's invested financial assets as outlined in the Council's investment policy statements. The investment assets will be managed in accordance with the *Uniform Prudent Management of Institutional Funds Act* adopted in Massachusetts as Chapter 29 of the Acts of 2009 as amended (UPMIFA). Assets should be invested to maximize the long-term return on assets while avoiding undue risk and loss of principal and while maintaining consistency with the Council's mission and asset covenants.



**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**Notes to Financial Statements  
September 30, 2016 and 2015**5. INVESTMENTS (Continued)**

The following is a summary of the Council's long-term investment portfolio as of September 30:

	<b>2016</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities:				
U.S. large cap	\$ 4,063,029	\$ -	\$ -	\$ 4,063,029
U.S. small cap	362,808	-	-	362,808
Developed markets:				
Europe	1,560,299	-	-	1,560,299
Japan	757,312	-	-	757,312
Pacific basin	297,736	-	-	297,736
Emerging markets	586,352	-	-	586,352
Fixed income:				
Corporate and government	173,916	2,594,547	-	2,768,463
High yield	700,390	-	-	700,390
International	459,518	-	-	459,518
Emerging markets	360,890	-	-	360,890
TIPS	129,863	-	-	129,863
Commodities mutual fund	121,400	-	-	121,400
Cash and cash equivalents	<u>897,232</u>	<u>-</u>	<u>-</u>	<u>897,232</u>
Total investments	<u>\$ 10,470,745</u>	<u>\$ 2,594,547</u>	<u>\$ -</u>	<u>\$ 13,065,292</u>
	<b>2015</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities:				
U.S. large cap	\$ 3,642,496	\$ -	\$ -	\$ 3,642,496
U.S. small cap	334,356	-	-	334,356
Developed markets:				
Europe	2,014,495	-	-	2,014,495
Japan	813,058	-	-	813,058
Pacific basin	236,164	-	-	236,164
Emerging markets	659,827	-	-	659,827
Fixed income:				
Corporate and government	169,044	2,580,741	-	2,749,785
High yield	678,477	-	-	678,477
International	452,951	-	-	452,951
Emerging markets	348,596	-	-	348,596
TIPS	123,635	-	-	123,635
Cash and cash equivalents	<u>496,764</u>	<u>-</u>	<u>-</u>	<u>496,764</u>
Total investments	<u>\$ 9,969,863</u>	<u>\$ 2,580,741</u>	<u>\$ -</u>	<u>\$ 12,550,604</u>

## GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements  
September 30, 2016 and 2015

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### 5. INVESTMENTS (Continued)

Investment return on the long-term investment portfolio for the years ended September 30, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Net realized gains (losses)	\$ (148,604)	\$ 304,296
Interest and dividends	293,839	435,940
Net unrealized gains (losses)	733,107	(883,731)
Investment fees	<u>(71,729)</u>	<u>(69,525)</u>
	<u>\$ 806,613</u>	<u>\$ (213,020)</u>

Included in cash in the accompanying statements of financial position are money market accounts held at banks. The balances in these accounts as of September 30, 2016 and 2015, were \$159,567 and \$281,943, respectively, and are valued using Level 1 inputs. Interest and dividends on these money market accounts totaled \$39,056 and \$29,252 for the years ended September 30, 2016 and 2015, respectively, and are reflected as operating revenues and other support in the accompanying statements of activities and changes in net assets.

The Level 2 valuation methodology is provided by a third party. Municipal bonds are priced weekly and corporate bonds are priced daily based on observable market data.

Investments are not insured and are subject to ongoing market fluctuations. Unrestricted investments are classified as long-term in the accompanying statements of financial position based on management intent to hold the assets for long-term purposes.

The Council follows an investment spending policy related to its unrestricted long-term investments. Under this policy, up to 7% of the most recent three fiscal years' average of the fair value of the investments may be approved by the Board of Directors to be used in support of the Council's operations. Management has appropriated \$675,000 and \$650,000 for the years ended September 30, 2016 and 2015, respectively, which represents 7% of the average fair value each year.

### 6. PROPERTY HELD FOR SALE

Property held for sale at September 30, 2016, represents property located in Bolton, Massachusetts. As a result of a Board of Directors' vote, any net proceeds (gross sale less any costs related to the sale including, but not limited to, broker fees, appraisal fees, and legal fees) derived from the sale of the Council's camp properties will be restricted for use in maintenance projects and capital improvements to the Council's properties, rental of facilities for the Council's programs, or other facilities projects as the Board may approve from time to time.

The town of Westwood negotiated with the Council a land swap for the Scout House parcel of land in Westwood with a like parcel. The town awarded a grant to the Council to construct a new Scout House on the alternate site. A currently pending agreement would require the Council to repay to the town a prorated amount of the grant if a sale of the Scout House occurs prior to the year 2036. The Council does not have any plans to sell the property.

Property held for sale at September 30, 2015, represents properties located in Bolton and Ashland, Massachusetts. This Ashland property was sold in fiscal year 2016, along with one other property and a service center located in North Andover, Massachusetts, resulting in a gain on sale of \$706,021. Except for the sale of the North Andover service center, the proceeds from these sales are restricted by the Board of Directors (see Note 4).

## GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements  
September 30, 2016 and 2015

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### 7. LINE OF CREDIT

The Council has a line of credit agreement with a bank that is secured by the Council's unrestricted investments and has a borrowing limit of \$2,000,000. Interest on outstanding principal accrues at the prime rate (3.50% and 3.25% at September 30, 2016 and 2015, respectively), minus 0.5%. There were no amounts outstanding under this agreement at September 30, 2016 and 2015. In January 2017, the Council increased its borrowing limit under this agreement to \$5,000,000 at the same interest rate.

### 8. NET ASSETS

#### Unrestricted Net Assets

Unrestricted net assets consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Operating	\$ 3,261,072	\$ 2,611,325
Board designated operating reserve fund	7,023,354	7,182,403
Board designated property improvement fund	809,912	3,096,306
Property and equipment	6,929,048	5,521,873
Deficiency in donor-restricted endowment funds	<u>-</u>	<u>(7,283)</u>
	<u>\$ 18,023,386</u>	<u>\$ 18,404,624</u>

#### Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Program and property projects	\$ 1,049,914	\$ 816,044
Girl Scouting in various cities and towns	576,786	739,014
Financial aid	<u>45,584</u>	<u>23,492</u>
	<u>\$ 1,672,284</u>	<u>\$ 1,578,550</u>

#### Permanently Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Program and property projects	\$ 1,435,297	\$ 1,435,146
Financial aid	638,935	638,935
Girl Scouting in various cities and towns	<u>198,723</u>	<u>194,752</u>
	<u>\$ 2,272,955</u>	<u>\$ 2,268,833</u>

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Notes to Financial Statements  
September 30, 2016 and 2015

**8. NET ASSETS (Continued)**

**Endowment**

The Council's endowment consists of donor-restricted funds. The Council has adopted an investment policy to support the Council's long-term growth.

The Council follows the provisions of UPMIFA. Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution.

A reconciliation of endowment activity for fiscal years 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, September 30, 2014	\$ -	\$ 904,724	\$ 2,152,511	\$ 3,057,235
Net realized gains	10,404	56,988	-	67,392
Interest and dividends, net of fees	12,527	68,622	-	81,149
Unrealized losses	(30,214)	(165,504)	-	(195,718)
Expenditures	-	(12,371)	-	(12,371)
Contributions	-	-	19,433	19,433
Net change in endowment	<u>(7,283)</u>	<u>(52,265)</u>	<u>19,433</u>	<u>(40,115)</u>
Endowment net assets, September 30, 2015	<u>(7,283)</u>	<u>852,459</u>	<u>2,171,944</u>	<u>3,017,120</u>
Net realized losses	(1,342)	(31,942)	-	(33,284)
Interest and dividends, net of fees	2,005	47,742	-	49,747
Unrealized gains	6,620	157,579	-	164,199
Expenditures	-	(7,294)	-	(7,294)
Contributions	-	-	1,050	1,050
Net change in endowment	<u>7,283</u>	<u>166,085</u>	<u>1,050</u>	<u>174,418</u>
Endowment net assets, September 30, 2016	<u>\$ -</u>	<u>\$ 1,018,544</u>	<u>\$ 2,172,994</u>	<u>\$ 3,191,538</u>

From time-to-time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donors require the Council to retain as a fund of perpetual duration. In accordance with U.S. GAAP, losses on investments of a donor-restricted endowment reduce temporarily restricted net assets to the extent of net accumulated appreciation on these funds. Any remaining losses reduce unrestricted net assets. Future gains, if any, that restore the assets of the endowment fund to the original level will increase unrestricted net assets.

## GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements  
September 30, 2016 and 2015

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### 8. NET ASSETS (Continued)

#### Endowment (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 these endowment assets over the long-term. The Council's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 5%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

### 9. PENSION PLANS

#### 403(b) Plan

The Council has a defined contribution pension plan (the 403(b) Plan) pursuant to IRC Section 403(b), which covers all qualifying employees. A qualifying employee must be classified as normally working 20 hours per week and 1,000 hours or more in the year. Qualifying employees may begin participating in the 403(b) Plan on the first day of the month succeeding their hire date. Employees must contribute a minimum of 2% of eligible wages to participate in the 403(b) Plan. The Council can elect to match 100% of the first 3% of an employee's eligible wages contributed to the 403(b) Plan. Employees' contributions to the 403(b) Plan vest immediately. Employer matching contributions vest after three years. The Council made no matching contributions to the 403(b) Plan during fiscal years 2016 and 2015.

#### National Plan

The Council participates in the National Girl Scout Council Retirement Plan (the Plan), a noncontributory defined benefit pension plan sponsored by GSUSA and covering various Girl Scout councils. 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 the Council who were eligible to participate in the Plan prior to the Plan freeze.

The risk to the Council of participating in this Plan is different from a single employer plan in the following aspects:

- Assets contributed to the Plan by one council may be used to provide benefits to employees of other participating councils.
- If a participating council stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating councils.
- A council may request withdrawal from the Plan. However, approval of the withdrawal must be approved by the Plan Sponsor. If approved, the council will be required to pay an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

The Council's participation in the Plan for the years ended September 30, 2016 and 2015, is outlined in the table on page 20. The FEIN column provides the Plan's Federal Employer Identification Number (FEIN).

**GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Notes to Financial Statements  
September 30, 2016 and 2015

**9. PENSION PLANS (Continued)**

**National Plan (Continued)**

In October 2014, GSUSA elected to adopt the Cooperative and Small Employer Charity Pension Flexibility Act (CSEC), and therefore is not subject to the Pension Protection Act (PPA). However, the zone status of the Plan calculated under the PPA is disclosed below. The most recent PPA zone status available in fiscal years 2016 and 2015 is for the Plan years ended December 31, 2015 and 2014, respectively. The zone status is based on the actuarial accrued liability funded ratio that the Council received from the Plan and was certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded.

The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. During the Plan year ended December 31, 2014, the Plan implemented a funding improvement strategy in which the Council was not required to pay a surcharge.

The Plan is not subject to a collective bargaining agreement and the Council does not provide more than 5% of the total contributions for the Plan. Finally, there have been no significant changes to the Council's participation that affect the comparability of fiscal year 2016 and 2015 contributions. The Council's required contribution obligation in fiscal year 2017 is expected to be approximately \$807,000.

<b>Pension Fund</b>	<b>FEIN</b>	<b>Pension Protection Act Zone Status</b>		<b>FIP/RP Status Pending/Implemented</b>	<b>Council Contributions for the years ended</b>		<b>Surcharge Imposed</b>
		<b>January 1, 2016</b>	<b>2015</b>		<b>September 30, 2016</b>	<b>2015</b>	
National Girl Scout Council Retirement Plan (Plan 2)	13-1624016	Green	Green	Yes	\$ 801,270	\$ 812,965	No

**10. LEASES**

During the years ended September 30, 2016 and 2015, the Council leased space at six locations for its program operations. The rent for five of these locations was donated. The amount of donated rent for these facilities cannot be measured due to their restricted use and is therefore not included in the accompanying financial statements.

The non-donated lease expires in December 2017. The Council is required to pay its proportionate share of operating costs. Total rent expense for the years ended September 30, 2016 and 2015, was \$202,768 and \$213,929, respectively. These amounts are included in occupancy costs in the accompanying statements of functional expenses.

Remaining future minimum lease payments under the lease agreement are as follows:

2017	\$ 198,516
2018	<u>49,629</u>
Total minimum lease payments	<u>\$ 248,145</u>

## **GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.**

Notes to Financial Statements  
September 30, 2016 and 2015

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### **11. CONCENTRATIONS**

#### **Credit Risk**

The Council maintains a portion of its cash in a Massachusetts bank, which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, these cash balances exceeded the insured amounts. The Council has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on this cash. The remaining cash and restricted cash balances are fully insured.

#### **Revenues**

The Girl Scout Cookie Sale, which is included in product sales, net, was approximately 51% and 47% of total operating revenues and other support for the years ended September 30, 2016 and 2015, respectively. The supplier of the cookie inventory is one of two bakers that have been licensed to provide Girl Scout Cookies to councils by GSUSA. The Council has done a risk analysis of the baker's redundancy provisions and is comfortable with its contingency plan.

### **12. CONTINGENCIES**

In the normal course of operations, the Council is, from time-to-time, the respondent in legal actions brought against it. Current pending litigation relates to the future disposition rights of a property. Management believes that such actions will not have a material adverse effect on the Council or its financial condition.