



FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Contents
September 30, 2017 and 2016

	<u>Pages</u>
Independent Auditor's Report	1
Financial Statements:	
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

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, 2017 and 2016, 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

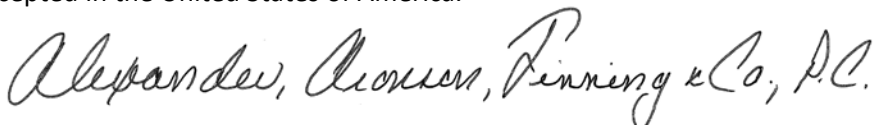
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2017 and 2016, 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 31, 2018

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.Statements of Financial Position
September 30, 2017 and 2016

Assets	2017	2016
Current Assets:		
Cash	\$ 482,062	\$ 553,930
Accounts receivable, net of allowance for doubtful accounts of approximately \$113,000 and \$95,000 as of September 30, 2017 and 2016, respectively	73,065	95,063
Current portion of pledges receivable	138,173	34,771
Inventories	217,624	212,723
Prepaid expenses	211,283	209,058
Total current assets	1,122,207	1,105,545
Board Designated and Restricted Cash	85,224	1,871,013
Pledges Receivable, net	162,855	14,000
Investments	13,966,065	13,065,292
Beneficial Interest in Perpetual Trust	106,509	99,961
Property Held for Sale, net	397,686	99,486
Property and Equipment, net	7,309,019	6,829,562
Total assets	<u>\$ 23,149,565</u>	<u>\$ 23,084,859</u>
Liabilities and Net Assets		
Current Liabilities:		
Note payable to a bank	\$ 500,000	\$ -
Accounts payable	455,793	494,121
Accrued expenses	400,332	347,582
Deferred revenue	398,100	274,531
Total current liabilities	1,754,225	1,116,234
Net Assets:		
Unrestricted	17,177,539	18,023,386
Temporarily restricted	1,938,298	1,672,284
Permanently restricted	2,279,503	2,272,955
Total net assets	21,395,340	21,968,625
Total liabilities and net assets	<u>\$ 23,149,565</u>	<u>\$ 23,084,859</u>

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

Page 2

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues and Other Support:				
Public support:				
Product sales, net	\$ 6,707,959	\$ -	\$ -	\$ 6,707,959
Fundraising:				
Grants, contracts, contributions and bequests	195,420	790,049	-	985,469
United Way allocations	301,555	6,734	-	308,289
Donated goods and services	308,288	-	-	308,288
Special events	173,704	-	-	173,704
Net assets released from purpose restrictions	350,793	(350,793)	-	-
Total fundraising	<u>1,329,760</u>	<u>445,990</u>	<u>-</u>	<u>1,775,750</u>
Total public support	<u>8,037,719</u>	<u>445,990</u>	<u>-</u>	<u>8,483,709</u>
Program service fees:				
Camping	2,477,584	-	-	2,477,584
Other program	737,318	-	-	737,318
Membership	307,280	-	-	307,280
Total program service fees	<u>3,522,182</u>	<u>-</u>	<u>-</u>	<u>3,522,182</u>
Merchandise sales	959,664	-	-	959,664
Merchandise cost of sales	535,372	-	-	535,372
Net merchandise sales	<u>424,292</u>	<u>-</u>	<u>-</u>	<u>424,292</u>
Investment return appropriated for operations	490,000	-	-	490,000
Miscellaneous revenue	50,762	-	-	50,762
Interest and dividends	26,962	-	-	26,962
Total operating revenues and other support	<u>12,551,917</u>	<u>445,990</u>	<u>-</u>	<u>12,997,907</u>
Operating Expenses:				
Program services	11,916,062	-	-	11,916,062
Supporting services:				
Management and general	1,538,557	-	-	1,538,557
Fundraising	1,076,475	-	-	1,076,475
Total supporting services	<u>2,615,032</u>	<u>-</u>	<u>-</u>	<u>2,615,032</u>
Total operating expenses	<u>14,531,094</u>	<u>-</u>	<u>-</u>	<u>14,531,094</u>
Changes in net assets from operations	(1,979,177)	445,990	-	(1,533,187)
Non-Operating Activities:				
Investment return, net	1,128,011	265,120	-	1,393,131
Capital contributions	-	52,962	-	52,962
Change in carrying value of beneficial interest in perpetual trust	-	-	6,548	6,548
Net assets released from capital restrictions	498,058	(498,058)	-	-
Loss on sale of property and equipment	(2,739)	-	-	(2,739)
Investment return appropriated for operations	(490,000)	-	-	(490,000)
Changes in net assets	<u>(845,847)</u>	<u>266,014</u>	<u>6,548</u>	<u>(573,285)</u>
Net Assets:				
Beginning of year	18,023,386	1,672,284	2,272,955	21,968,625
End of year	<u>\$ 17,177,539</u>	<u>\$ 1,938,298</u>	<u>\$ 2,279,503</u>	<u>\$ 21,395,340</u>

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues and Other Support:				
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	<u>1,557,759</u>	<u>(80,951)</u>	<u>-</u>	<u>1,476,808</u>
Total public support	<u>8,227,833</u>	<u>(80,951)</u>	<u>-</u>	<u>8,146,882</u>
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	<u>3,216,655</u>	<u>-</u>	<u>-</u>	<u>3,216,655</u>
Merchandise sales	936,022	-	-	936,022
Merchandise cost of sales	518,718	-	-	518,718
Net merchandise sales	<u>417,304</u>	<u>-</u>	<u>-</u>	<u>417,304</u>
Investment return appropriated for operations	675,000	-	-	675,000
Miscellaneous revenue	36,064	-	-	36,064
Interest and dividends	39,056	-	-	39,056
Total operating revenues and other support	<u>12,611,912</u>	<u>(80,951)</u>	<u>-</u>	<u>12,530,961</u>
Operating Expenses:				
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	<u>2,562,120</u>	<u>-</u>	<u>-</u>	<u>2,562,120</u>
Total operating expenses	<u>14,046,712</u>	<u>-</u>	<u>-</u>	<u>14,046,712</u>
Changes in net assets from operations	(1,434,800)	(80,951)	-	(1,515,751)
Non-Operating Activities:				
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	<u>(381,238)</u>	<u>93,734</u>	<u>4,122</u>	<u>(283,382)</u>
Net Assets:				
Beginning of year	18,404,624	1,578,550	2,268,833	22,252,007
End of year	<u>\$ 18,023,386</u>	<u>\$ 1,672,284</u>	<u>\$ 2,272,955</u>	<u>\$ 21,968,625</u>

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (573,285)	\$ (283,382)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	466,939	402,889
Bad debt	22,889	39,031
Change in carrying value of beneficial interest in perpetual trust	(6,548)	(3,072)
Capital contributions	(52,962)	(390,613)
Endowment contributions	-	(1,050)
Change in discount on pledges receivable	14,145	-
Investment return	(1,393,131)	(806,613)
(Gain) loss on sale or disposal of property and equipment	2,739	(706,021)
Changes in operating assets and liabilities:		
Accounts receivable	(891)	(14,623)
Pledges receivable	(266,402)	(9,981)
Inventories	(4,901)	(25,011)
Prepaid expenses	(2,225)	(137,445)
Accounts payable	(110,481)	(189,248)
Accrued expenses	52,750	13,103
Deferred revenue	123,569	20,505
	<u>(1,727,795)</u>	<u>(2,091,531)</u>
Net cash used in operating activities		
Cash Flows from Investing Activities:		
Sales of investments	3,136,885	4,933,971
Purchases of investments	(2,847,456)	(4,864,156)
Interest and dividend income from investments, net	202,929	222,110
Proceeds from sale of property and equipment	-	1,051,683
Deposits to board designated and restricted cash	(52,962)	(898,616)
Withdrawals from board designated and restricted cash	1,838,751	2,499,044
Acquisition of property and equipment	(1,175,182)	(2,155,726)
	<u>1,102,965</u>	<u>788,310</u>
Net cash provided by investing activities		
Cash Flows from Financing Activities:		
Proceeds from note payable to a bank	500,000	-
Capital contributions received	52,962	483,613
Endowment contributions received	-	1,450
	<u>552,962</u>	<u>485,063</u>
Net cash provided by financing activities		
Net Change in Cash	(71,868)	(818,158)
Cash:		
Beginning of year	<u>553,930</u>	<u>1,372,088</u>
End of year	<u>\$ 482,062</u>	<u>\$ 553,930</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	<u>\$ 18,398</u>	<u>\$ 7,453</u>
Property and equipment acquisitions included in accounts payable	<u>\$ 72,153</u>	<u>\$ -</u>
Non-cash investing transactions:		
Unrealized gains on investments	<u>\$ 1,031,928</u>	<u>\$ 733,107</u>
Property and equipment, net, transferred to property held for sale	<u>\$ 298,200</u>	<u>\$ -</u>

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2017

(With Summarized Comparative Totals for the Year Ended September 30, 2016)

	2017			2016	
	Program Services	Supporting Services		Total	
		Management and General	Fundraising		
Expenses:					
Salaries and related:					
Salaries	\$ 5,524,202	\$ 599,690	\$ 598,787	\$ 6,722,679	\$ 6,452,816
Pension costs	661,078	71,765	71,657	804,500	801,270
Payroll taxes	604,614	69,886	62,553	737,053	562,116
Fringe benefits	483,665	88,936	30,402	603,003	565,499
Total salaries and related	7,273,559	830,277	763,399	8,867,235	8,381,701
Other expenses:					
Program expenses	1,593,671	-	-	1,593,671	1,724,938
Occupancy	606,427	186,126	65,829	858,382	845,847
Professional fees	497,887	152,812	54,047	704,746	671,073
Assistance to members	327,472	-	-	327,472	296,867
Equipment costs	230,741	71,089	25,143	326,973	317,325
Donated goods and services	308,288	-	-	308,288	303,818
Insurance	170,377	52,292	18,495	241,164	237,403
Telephone	145,883	44,775	15,836	206,494	202,405
Bank and credit card charges and other	142,681	43,791	15,488	201,960	198,028
Travel and transportation	108,674	15,341	1,996	126,011	166,014
Printing	101,455	644	6,282	108,381	95,487
Supplies	26,255	19,902	5,656	51,813	50,205
Special events	-	-	51,550	51,550	46,055
Meetings and conferences	19,936	16,569	7,499	44,004	60,509
Postage	25,922	3,203	8,848	37,973	33,436
Membership dues	6,952	488	598	8,038	12,712
Total expenses before depreciation	11,586,180	1,437,309	1,040,666	14,064,155	13,643,823
Depreciation	329,882	101,248	35,809	466,939	402,889
Total expenses	<u>\$ 11,916,062</u>	<u>\$ 1,538,557</u>	<u>\$ 1,076,475</u>	<u>\$ 14,531,094</u>	<u>\$ 14,046,712</u>

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

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2016

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Expenses:				
Salaries and related:				
Salaries	\$ 5,282,468	\$ 576,802	\$ 593,546	\$ 6,452,816
Pension costs	655,944	71,624	73,702	801,270
Payroll taxes	460,508	48,162	53,446	562,116
Fringe benefits	470,538	65,317	29,644	565,499
Total salaries and related	6,869,458	761,905	750,338	8,381,701
Other expenses:				
Program expenses	1,724,938	-	-	1,724,938
Occupancy	642,764	140,943	62,140	845,847
Professional fees	358,830	253,692	58,551	671,073
Assistance to members	296,867	-	-	296,867
Equipment costs	224,183	68,806	24,336	317,325
Donated goods and services	298,439	4,106	1,273	303,818
Insurance	172,006	48,311	17,086	237,403
Telephone	142,995	43,888	15,522	202,405
Bank and credit card charges and other	139,901	42,940	15,187	198,028
Travel and transportation	136,623	23,199	6,192	166,014
Printing	88,499	897	6,091	95,487
Supplies	30,224	11,992	7,989	50,205
Special events	-	-	46,055	46,055
Meetings and conferences	39,609	12,004	8,896	60,509
Postage	25,643	3,385	4,408	33,436
Membership dues	8,981	2,756	975	12,712
Total expenses before depreciation	11,199,960	1,418,824	1,025,039	13,643,823
Depreciation	284,632	87,360	30,897	402,889
Total expenses	<u>\$ 11,484,592</u>	<u>\$ 1,506,184</u>	<u>\$ 1,055,936</u>	<u>\$ 14,046,712</u>

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

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

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 December 7, 2017, the Council received notice of the renewal of its charter with Girl Scouts of the USA (GSUSA) effective January 1, 2018, 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 special events which have been received but not yet earned are reflected in the accompanying financial statements as deferred revenue. Unrestricted grants, contracts, 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, 2017 and 2016, were approximately \$10,000 and \$23,400, 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, 2017 and 2016

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.

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, the Council received a distribution of \$3,370 and \$3,654, respectively, from this trust. The Council has recorded \$106,509 and \$99,961 on its statements of financial position at September 30, 2017 and 2016, 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, 2017 and 2016**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>2017</u>	<u>2016</u>
Land	Not depreciated	\$ 826,739	\$ 1,080,661
Land improvements	10 - 32 years	1,369,923	1,087,846
Buildings and building improvements	10 - 40 years	12,328,687	11,211,654
Equipment	3 - 5 years	2,442,749	2,237,809
Vehicles	5 years	452,785	452,785
Leasehold improvements	Life of lease	<u>11,936</u>	<u>64,222</u>
		17,432,819	16,134,977
Less - accumulated depreciation		<u>10,129,762</u>	<u>9,897,382</u>
Net property and equipment before construction in process		7,303,057	6,237,595
Construction in process		<u>5,962</u>	<u>591,967</u>
Net property and equipment		<u>\$ 7,309,019</u>	<u>\$ 6,829,562</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, 2017, construction in process includes various camp property renovations in process. Construction in process at September 30, 2016, included renovations to several properties that were placed in service during fiscal year 2017.

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>2017</u>	<u>2016</u>
Cookie sales	\$ 10,481,680	\$ 10,253,600
Less - cost of cookies sold	2,129,553	1,974,682
Less - allocation of proceeds to troops	<u>1,852,829</u>	<u>1,848,287</u>
Cookie sales, net	<u>6,499,298</u>	<u>6,430,631</u>
Fall product sales	482,171	623,819
Less - cost of fall products sold	183,314	286,959
Less - allocation of proceeds to troops	<u>90,196</u>	<u>97,417</u>
Fall product sales, net	<u>208,661</u>	<u>239,443</u>
Product sales, net	<u>\$ 6,707,959</u>	<u>\$ 6,670,074</u>

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product Sales, Net (Continued)

Additional expenses for girl awards and incentives of \$281,388 and \$400,314 for the years ended September 30, 2017 and 2016, 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, 2017 and 2016. 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 \$308,288 and \$303,818 of donated goods and services, primarily advertising, during the year ended September 30, 2017 and 2016, respectively. 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 \$26,862 and \$18,967 of advertising costs during the years ended September 30, 2017 and 2016, respectively, which are included in printing in the accompanying statements of functional expenses. The Council also received donated advertising totaling \$302,708 and \$293,193 for the years ended September 30, 2017 and 2016, 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, 2017 and 2016. The Council's information returns are subject to examination by the federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through January 31, 2018, which is the date the financial statements were available to be issued. See Notes 1 and 13 for disclosure of subsequent events.

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

3. PLEDGES RECEIVABLE

Pledges receivable are due as follows as of September 30:

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 138,173	\$ 44,771
Due in one to three years	177,000	4,000
Less: Pledge discount	<u>(14,145)</u>	<u>-</u>
	<u>\$ 301,028</u>	<u>\$ 48,771</u>

Pledges receivable in one to three years as of September 30, 2017, have been discounted using net present value. 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. Approximately 66% of the Council's pledges receivable as of September 30, 2017, was due from one donor.

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 years 2017 and 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. 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.

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 \$490,000 and \$675,000 for the years ended September 30, 2017 and 2016, respectively, which represents 5% and 7%, respectively, of the average fair value each year.

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

5. INVESTMENTS (Continued)

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

	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities:				
U.S. large cap	\$ 4,583,517	\$ -	\$ -	\$ 4,583,517
U.S. small cap	421,228	-	-	421,228
Developed markets:				
Europe	1,908,962	-	-	1,908,962
Japan	730,265	-	-	730,265
Pacific basin	325,622	-	-	325,622
Emerging markets	926,701	-	-	926,701
Fixed income:				
Corporate and government	190,230	2,529,300	-	2,719,530
Emerging markets	659,857	-	-	659,857
International	462,147	-	-	462,147
TIPS	393,946	-	-	393,946
High yield	329,362	-	-	329,362
Commodities mutual fund	116,321	-	-	116,321
Cash and cash equivalents	388,607	-	-	388,607
Total investments	<u>\$ 11,436,765</u>	<u>\$ 2,529,300</u>	<u>\$ -</u>	<u>\$ 13,966,065</u>
	2016			
	<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
Emerging markets	360,890	-	-	360,890
International	459,518	-	-	459,518
TIPS	129,863	-	-	129,863
High yield	700,390	-	-	700,390
Commodities mutual fund	121,400	-	-	121,400
Cash and cash equivalents	897,232	-	-	897,232
Total investments	<u>\$ 10,470,745</u>	<u>\$ 2,594,547</u>	<u>\$ -</u>	<u>\$ 13,065,292</u>

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

5. INVESTMENTS (Continued)

Investment return on the long-term investment portfolio for the years ended September 30, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Net unrealized gains	\$ 1,031,928	\$ 733,107
Interest and dividends	286,270	293,839
Net realized gains (losses)	158,274	(148,604)
Investment fees	<u>(83,341)</u>	<u>(71,729)</u>
	<u>\$ 1,393,131</u>	<u>\$ 806,613</u>

Included in cash and board designated and restricted cash in the accompanying statements of financial position are money market accounts held at banks. The balances in these accounts as of September 30, 2017 and 2016, were \$121,160 and \$2,059,029, respectively, and are valued using Level 1 inputs. Interest and dividends on these money market accounts totaled \$26,962 and \$39,056 for the years ended September 30, 2017 and 2016, 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's intent to hold the assets for long-term purposes.

6. PROPERTY HELD FOR SALE

Property held for sale at September 30, 2017, represents three properties located in Bolton, Norton and Acushnet, Massachusetts. Property held for sale at September 30, 2016, represented the 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. Management expects these properties to sell for an amount greater than the net book value (see Note 13 for disclosure of a subsequent event).

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.

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 \$5,000,000. Interest on outstanding principal accrues at the prime rate (4.25% and 3.50% at September 30, 2017 and 2016, respectively), minus 0.5%. Interest expense for the years ended September 30, 2017 and 2016, was \$18,398 and \$7,453, respectively. There was \$500,000 outstanding under this agreement at September 30, 2017. There was no amount outstanding under this agreement at September 30, 2016.

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

8. NET ASSETS

Unrestricted Net Assets

Unrestricted net assets consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Operating	\$ 2,434,014	\$ 3,261,072
Board designated operating reserve fund	7,004,558	7,023,354
Board designated property improvement fund	32,262	809,912
Property and equipment	<u>7,706,705</u>	<u>6,929,048</u>
	<u>\$ 17,177,539</u>	<u>\$ 18,023,386</u>

Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Program and property projects	\$ 1,185,002	\$ 1,049,914
Girl Scouting in various cities and towns	635,258	576,786
Financial aid	<u>118,038</u>	<u>45,584</u>
	<u>\$ 1,938,298</u>	<u>\$ 1,672,284</u>

Permanently Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Program and property projects	\$ 1,435,297	\$ 1,435,297
Financial aid	638,935	638,935
Girl Scouting in various cities and towns	<u>205,271</u>	<u>198,723</u>
	<u>\$ 2,279,503</u>	<u>\$ 2,272,955</u>

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.

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.Notes to Financial Statements
September 30, 2017 and 2016**8. NET ASSETS (Continued)**

A reconciliation of endowment activity for fiscal years 2017 and 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, September 30, 2015	\$ (7,283)	\$ 852,459	\$ 2,171,944	\$ 3,017,120
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>1,018,544</u>	<u>2,172,994</u>	<u>3,191,538</u>
Net realized gains	-	51,761	-	51,761
Interest and dividends, net of fees	-	51,191	-	51,191
Unrealized gains	-	<u>155,144</u>	-	<u>155,144</u>
Net change in endowment	-	<u>258,096</u>	-	<u>258,096</u>
Endowment net assets, September 30, 2017	<u>\$ -</u>	<u>\$ 1,276,640</u>	<u>\$ 2,172,994</u>	<u>\$ 3,449,634</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.

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.

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

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 2017 and 2016.

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, 2017 and 2016, is outlined in the table on page 20. The FEIN column provides the Plan's Federal Employer Identification Number (FEIN).

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 2017 and 2016 is for the Plan years ended December 31, 2016 and 2015, 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.

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

9. PENSION PLANS (Continued)

National Plan (Continued)

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 2018 is expected to be approximately \$807,000.

<u>Pension Fund</u>	<u>FEIN</u>	<u>Pension Protection Act Zone Status January 1,</u>		<u>FIP/RP Status Pending/ Implemented</u>	<u>Council Contributions for the Years Ended September 30,</u>		<u>Surcharge Imposed</u>
		<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
National Girl Scout Council Retirement Plan (Plan 2)	13-1624016	Green	Green	Yes	\$ 804,500	\$ 801,270	No

10. LEASES

The Council leased office space in Boston under an agreement that was to expire in December 2017. The Council was required to pay its proportionate share of operating costs. In September 2017 the Council relocated to new space and terminated this lease upon payment of an early termination fee of \$49,629. Total rent expense, including the early termination fee, for the years ended September 30, 2017 and 2016, was \$261,194 and \$202,768, respectively. These amounts are included in occupancy in the accompanying statements of functional expenses.

The Council entered into an agreement to lease new office space in Boston commencing September 1, 2017. This agreement expires on December 31, 2027, and includes both an option to extend for an additional five years at the then fair rental value and a provision for the Council to terminate the agreement after seven years with a penalty equal to four month's rent. The annual base rent increases annually throughout the lease term and the Council is occupying the space rent free for the first four months. The Council is required to pay its proportionate share of increases in operating costs and real estate taxes. Rent expense will be recorded evenly over the lease term as required by U.S. GAAP. In lieu of a security deposit, the Council provided a standby letter of credit from a bank for \$65,000 that renews annually at the bank's discretion through February 29, 2028.

During the years ended September 30, 2017 and 2016, the Council leased space at five locations for its program operations. The rent for 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.

GIRL SCOUTS OF EASTERN MASSACHUSETTS, INC.

Notes to Financial Statements
September 30, 2017 and 2016

10. LEASES (Continued)

Non-cancelable rent payments due through the new lease's early termination date of August 31, 2024, are as follows:

<u>Fiscal Year</u>	
2018	\$ 124,980
2019	170,232
2020	173,926
2021	177,620
2022	181,314
Thereafter	<u>357,702</u>
	<u>\$ 1,185,774</u>

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 52% and 51% of total operating revenues and other support for the years ended September 30, 2017 and 2016, 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.

13. SUBSEQUENT EVENT

In December 2017, the Council's property in Acushnet that was held for sale was sold for \$740,000. As described in Note 6, the proceeds, net of sales costs, will be restricted for improvements to the Council's properties.