GIRL SCOUTS OF NORTHERN CALIFORNIA

SEPTEMBER 30, 2017 (WITH COMPARATIVE FINANCIAL INFORMATION FOR SEPTEMBER 30, 2016)

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Girl Scouts of Northern California

Independent Auditors' Report and Financial Statements

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HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS

A Century Strong

Independent Auditors' Report

THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
GIRL SCOUTS OF NORTHERN CALIFORNIA
Alameda, California

Report on the Financial Statements

We have audited the accompanying financial statements of **GIRL SCOUTS OF NORTHERN CALIFORNIA (The Council)**, which comprise the statement of financial position as of September 30, 2017, the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited The Council's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
January 25, 2018

Girl Scouts of Northern America

Statement of Financial Position

September 30, 2017 (with comparative totals for 2016)	2017	2016
Assets		
Cash	$ 1,739,120	$ 2,010,374
Investments	19,077,638	14,328,590
Pledges receivable, net	345,606	221,498
Accounts receivable, net	440,112	182,263
Inventory, prepaid expenses and other assets	634,156	664,046
Property and equipment, net	9,092,846	9,177,843
Total assets	31,329,478	26,584,614
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 273,059	$ 200,093
Accrued expenses and other liabilities	1,498,833	1,286,953
Custodial funds	142,959	77,740
Deferred revenue	598,086	534,594
Capital lease obligation	9,854	22,327
Total liabilities	2,522,791	2,121,707
Net assets:		
Unrestricted	25,729,178	21,848,793
Temporarily restricted	1,910,668	1,630,721
Permanently restricted	1,166,841	983,393
Total net assets	28,806,687	24,462,907
Total liabilities and net assets	$ 31,329,478	$ 26,584,614

See accompanying notes to financial statements.

Girl Scouts of Northern California

Statement of Activities

September 30, 2017 (with comparative totals for 2016)

	2017				2016
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Support and Revenue					
Contributions and grants	$ 998,180	$ 1,326,425	$ 183,121	$ 2,507,726	$ 2,038,589
Product sales, net of direct costs (Note 6)	14,706,819			14,706,819	14,923,731
Program event fees (net of financial assistance $127,051 for 2017)	3,020,336			3,020,336	3,317,216
Investment income, net	841,469	132,277	327	974,073	646,958
Miscellaneous income	328,153			328,153	174,230
Rental income	536,722			536,722	512,255
Gain/Loss on sale of assets	1,383,880			1,383,880	(15,262)
Net assets released from restrictions	1,178,755	(1,178,755)		-	-
	22,994,314	279,947	183,448	23,457,709	21,597,717
Operating expenses					
Program services	14,939,396			14,939,396	15,208,433
Management and general	2,740,955			2,740,955	2,158,344
Fundraising	1,433,578			1,433,578	1,261,438
Total operating expenses	19,113,929	-	-	19,113,929	18,628,215
Change in net assets	3,880,385	279,947	183,448	4,343,780	2,969,502
Net assets, beginning of year	21,848,793	1,630,721	983,393	24,462,907	21,493,405
Net assets, end of year	$ 25,729,178	$ 1,910,668	$ 1,166,841	$ 28,806,687	$ 24,462,907

See accompanying notes to financial statements.

Girl Scouts of Northern California

Statement of Functional Expense

September 30, 2017 (with comparative totals for 2016)

	2017				2016
	Program services	Management and general	Fundraising	Total expenses	Total
Operating Expenses:					
Salaries	$ 6,545,898	$ 1,263,802	$ 863,870	$ 8,673,570	$ 8,326,774
Benefits	1,715,928	345,688	237,523	2,299,139	2,378,747
Payroll taxes	454,016	91,513	62,826	608,355	596,997
Total payroll expenses	8,715,842	1,701,003	1,164,219	11,581,064	11,302,518
Workers' compensation insurance	114,004	22,804	15,851	152,659	259,540
Telephone and postage	164,803	24,412	32,527	221,742	237,692
Outside Services	1,005,294	606,589	48,270	1,660,153	1,163,064
Supplies	1,614,961	34,591	6,899	1,656,451	1,609,223
Occupancy	1,046,219	169,652	78,065	1,293,936	1,270,290
Equipment expense	269,193	35,519	20,666	325,378	326,017
Printing and publications	145,220	1,796	20,440	167,456	263,328
Transportation	489,699	11,773	5,810	507,282	558,723
Insurance	374,987	9,089	4,184	388,260	400,810
Other expenses	387,845	101,414	26,373	515,632	454,164
Depreciation and amortization expense	611,329	22,313	10,274	643,916	782,846
Total Operating Expenses	$ 14,939,396	$ 2,740,955	$ 1,433,578	$ 19,113,929	$ 18,628,215

See accompanying notes to financial statements.

Girl Scouts of Northern California

Statement of Cash Flows

September 30, 2017 (with comparative totals for 2016)	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 4,343,780	$ 2,969,502
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-lived assets	(599,725)	(331,449)
Depreciation and amortization	643,916	782,846
Net realized and unrealized gain on investments	(577,644)	(319,173)
(Gain)/loss on disposal of equipment	(1,383,880)	15,262
Change in operating assets and liabilities:		
Accounts and pledges receivable	(381,957)	54,400
Inventory, prepaid expenses and other assets	29,890	263,023
Accounts payable	72,873	(140,214)
Custodial funds	65,219	8,130
Accrued expenses and other liabilities	186,009	(6,166)
Deffered revenue	63,492	44,484
Net cash provided by operating activities	2,461,973	3,340,645
Cash flows from investing activities:		
Acquisition of property and equipment	(651,471)	(370,383)
Proceeds from sale of property and equipment	1,502,396	
Purchases of investments	(7,535,378)	(7,133,336)
Proceeds from sale of investments	3,363,974	4,057,558
Net cash used in investing activities	(3,320,479)	(3,446,161)
Cash flows from financing activities:		
Contributions restricted for long-lived assets	599,725	331,449
Payments on capital lease obligations	(12,473)	(11,986)
Net cash provided by financing activities	587,252	319,463
Change in cash and cash equivalents	(271,254)	213,947
Cash and cash equivalents, beginning of year	2,010,374	1,796,427
Cash and cash equivalents, end of year	$ 1,739,120	$ 2,010,374
Supplemental disclosures:		
Cash paid for interest	$ 666	$ 1,154
Noncash investing activities:		
Noncash adjustment for capital expenditures	$ 67,059	$ 41,095

See accompanying notes to financial statements.

Girl Scouts of Northern California

Notes to Financial Statements

Note 1 - Nature of Organization and Significant Accounting Policies

a. Organization

Girl Scouts of Northern California (The Council) helps girls develop the skills and knowledge to become confident and build bright futures. That means better, stronger communities for everyone around them. The Council is a chartered member of Girls Scouts of the USA (GSUSA).

The Council includes approximately 41,000 girl and 29,000 adult members from Santa Clara County to the Oregon border and from Chico to the Pacific Ocean, covering over 33,000 square miles.

The Council creates opportunities that help girls thrive, while building girls' courage, confidence and character. Girls have fun with friends in volunteer-led troops, after-school programs in underserved communities, and at summer camp.

The Council focuses on building experiences that girls want, developing volunteers, reaching diverse girls and their families, and expanding both partnerships and financial support:

Girl Experience: Girls participate in the national Girl Scout leadership program with opportunities to engage in girl-led, hands-on activities in four core program areas:

- ***Outdoors:*** Girls build skills, become environmental stewards, and pursue adventure in the great outdoors.
- ***STEM (Science, Technology, Engineering and Math):*** Girls explore science, technology, engineering and math through hands-on experiences like robotics teams, in-school and after-school science programs, career exploration days and programs in a box, that include everything from designing toys to building "green" doll houses.
- ***Life Skills:*** The cookie program and fall sale teach business skills like goal-setting, money handling, public speaking, budgeting and sales. Girls also build skills for healthy living and healthy relationships.
- ***Community Service and Take Action:*** Girls give back to their communities and earn Bronze, Silver and Gold Awards for "take action" projects where they identify issues they care about, discover the root causes of the issues, and take action to develop sustainable solutions – all part of the Girl Scout mission to build girls of courage, confidence and character who make the world a better place.

Volunteerism: Adult volunteers are the core of Girl Scouts of Northern California, contributing their time and energy to lead Girl Scout troops, train volunteers and run product sales, camps and programs. With volunteers pulled in more directions than ever, The Council is committed to simplifying their work through technology and training.

***Diversity and Inclusion*:** The Council serves girls in low income and rural communities, through staff and volunteer-led troops, camp financial aid, after-school and weekend programs. The Council has developed and is continuing to expand innovative programs that reach girls and their families in Vietnamese and Hispanic communities.

The Council mainly derives its revenues and support from donors, grants, product sales, and program fees.

The accompanying financial statements do not include financial data for individual Girl Scout troops and other groups such as service units, committees and volunteer-led camps.

b. Basis of Accounting and Description of Net Assets

The Council's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Council is required to report information regarding its financial position and activities according to three classes of net assets, which are described as follows:

Unrestricted – the portion of net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purpose by actions of the Board.

Temporarily Restricted – the portion of net assets of which use by The Council is limited to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of The Council.

Permanently Restricted – the portion of net assets of which use by The Council is limited by donor-imposed stipulations that neither expire by passage of time nor can be otherwise removed by actions of The Council.

c. Revenue Recognition

Product sales, rental income, and program fees are recognized as revenue when earned.

Unconditional promises to give are recognized at their fair value when received. Donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending upon the nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Council provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the customer or donor to meet their obligation. It is The Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

d. Donated Goods and Services

Contributions of donated long-lived assets, goods and services that create or enhance non-financial assets that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

A number of unpaid volunteers have made significant contributions of their time to The Council. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

During the years ended September 30, 2017, in-kind donations of professional services received were immaterial. The Council did not record the value of donated facilities as of September 30, 2017, as sufficient information was not available to value the donations.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and all highly liquid investments with an initial maturity from the date of purchase of three months or less, except those held with investments.

f. Investments

Investments are reported at their fair value in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

g. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Council classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

h. Inventories

Purchased supplies and merchandise inventories are stated at the lower of cost, using the average cost method, or market. No reserve for obsolescence was deemed necessary. Related cost of goods sold includes reward card incentives to girls net of estimated forfeited amounts.

i. Property and Equipment

Property and equipment are stated at cost if purchased or fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from three to fifty years. Leasehold improvements are amortized using the straight line method over the shorter of the estimated useful life of the assets or the lease term. Expenditures from major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

j. Custodial Funds

Custodial funds consist primarily of membership fees collected that will be remitted to GSUSA and other fees collected for the use of members.

k. Functional Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, using estimates determined by The Council's management.

l. Use of Estimates

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

m. Income Taxes

The Council is a not-for-profit organization exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of California. Accordingly, no provisions for income taxes is included in the accompanying financial statements.

n. Comparative Information

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net assets class. Accordingly, such information should be read in conjunction with The Council's financial statements for the year ended September 30, 2016, from which the summarized information is derived.

o. Reclassifications

Certain reclassifications have been made to the prior year financial statements in conformity with the current year presentation.

p. Subsequent Events

The Council has evaluated subsequent events through January 25, 2018, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

q. Recent Accounting Pronouncements

Adopted

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update *(ASU) 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40).* The ASU requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern, which is currently performed by the external auditors. The adoption of this standard did not have any effect on the financial statements.

Pending Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update *(ASU) 2016-04 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Council is currently evaluating the impact the amendments in this ASU will have on its financial statements.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842)*. The new standard will supersede much of the existing authoritative literature for leases. Under the ASU, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The ASU is effective for annual reporting periods beginning after December 15, 2019. Early application will be permitted for all organizations. The Council is currently assessing the impact the adoption of this ASU will have on its financial statements.

Note 2 - Investments:

The following table summarizes The Council's investments at fair value as of September 30, 2017 by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 9,656	$		$ 9,656
Bond Mutual Funds	14,032,077		$ 6,908	14,038,985
Equity Mutual Funds	3,776,418			3,776,418
Balanced Mutual Funds	1,252,579			1,252,579
Total	$ 19,070,730	$ -	$ 6,908	$ 19,077,638

The following table summarizes The Council's investments at fair value as of September 30, 2016 by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 8,800			$ 8,800
Bond Mutual Funds	9,919,094		$ 6,449	9,925,543
Equity Mutual Funds	3,291,252			3,291,252
Balanced Mutual Funds	1,102,995			1,102,995
Total	$ 14,322,141	$ -	$ 6,449	$ 14,328,590

Investment income for the years ended September 30,

	2017	2016
Realized gain/(loss)	$ (25,262)	$ (28,557)
Unrealized gain/(loss)	602,906	347,075
Interest and dividends	396,429	328,440
Total	$ 974,073	$ 646,958

The Council considers $11,241,041 of its investments as available for short term purposes.

Note 3 - Pledges Receivable

Pledges receivable at September 30 are expected to be collected in:

	2017	2016
Less than one year	$ 296,806	$ 161,961
One to five years	54,800	66,761
Total pledge receivables	351,606	228,722
Less unamortized discount and allowance for uncollectible pledges	(6,000)	(7,224)
Total pledge receivables, net	$ 345,606	$ 221,498

Note 4 - Property and equipment:

Property and equipment consist of the following at September 30:

	2017	2016
Land	$ 1,685,885	$ 1,751,811
Building and improvements	18,417,261	19,049,267
Leasehold improvements	222,870	219,492
Equipment	883,993	1,099,644
Furniture and fixtures	480,872	511,693
Vehicles	460,464	440,526
Software	57,571	94,358
Construction in progress	306,298	119,161
	22,515,214	23,285,952
Less accumulated depreciation and amortization	(13,422,368)	(14,108,109)
Total property and equipment, net	$ 9,092,846	$ 9,177,843

In 2016, the estimated useful lives of certain road improvements included in Building and improvements was changed from 20 and 25 years to 5 years, resulting in additional depreciation expense of approximately $32,000 and $94,000 in 2017 and 2016, respectively.

In September and November 2016, the Board of Directors authorized The Council to pursue the sale of three properties with a combined carrying value of approximately $315,000. In July 2017, one of the properties was sold for approximately $1.5 million, resulting in a gain on sale of approximately $1,393,000. In December 2017, another of the properties was sold for approximately $700,000.

Note 5 - Commitments:

Line of Credit

The Council has a $4,000,000 line of credit with Wells Fargo Bank. Advances on the line of credit bear interest at the prime rate plus 0%, but not less than 4%. The line of credit expires March 10, 2018. The line is secured by The Council's accounts receivable, inventory, and property and equipment. At September 30, 2017 and 2016 there was no outstanding balance on the line of credit. The line of credit agreement contains various covenants, which require The Council to maintain certain financial ratios and investment balances. At September 30, 2017 and 2016, The Council was in compliance with these requirements.

Leases

The Council leases office space under several operating lease commitments. Rent expense for the year ending September 30, 2017 and 2016, was approximately $652,000 and $630,000, respectively. Monthly rental payments increase annually on the anniversary of the rent commencement date. The rent is expensed on a straight-line basis over the life of the lease.

Total operating lease payments for the years ending September 30, are as follows:

2018	$ 447,900
2019	433,100
2020	445,800
2021	459,100
2022	472,900
Thereafter	445,400
Total	$ 2,704,200

The Council has a capital lease for equipment of $9,854 and $22,327 at September 30, 2017 and 2016, respectively.

Note 6 - Program Related Sales

Program related sales are detailed as follows for the years ended September 30, 2017 and 2016. The gross revenue and expenses of the program related products sales and merchandise are as follows:

	2017			
	Merchandise	Cookie Sales	Fall Sale	Total
Gross revenue	$ 1,349,479	$ 20,917,753	$ 2,239,708	$ 24,506,940
Cost of goods sold	(706,116)	(7,686,774)	(1,407,231)	(9,800,121)
Product sales, net	$ 643,363	$ 13,230,979	$ 832,477	$ 14,706,819

	2016			
	Merchandise	Cookie Sales	Fall Sale	Total
Gross revenue	$ 1,306,765	$ 20,898,561	$ 2,341,684	$ 24,547,010
Cost of goods sold	(675,279)	(7,484,095)	(1,463,905)	(9,623,279)
Product sales, net	$ 631,486	$ 13,414,466	$ 877,779	$ 14,923,731

Note 7 - Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes at September 30:

	2017	2016
Property improvements	$ 796,006	$ 559,874
Restricted programs	843,070	860,826
Time restrictions	36,581	83,615
Endowment earnings	235,011	126,406
	$ 1,910,668	$ 1,630,721

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by the donor as follows during the years ending September 30:

	2017	2016
Property improvements	$ 420,829	$ 157,017
Restricted programs	692,898	1,076,400
Time restrictions	48,143	125,103
Endowment earnings	16,885	24,490
	$ 1,178,755	$ 1,383,010

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

	2017	2016
Endowment investments	$ 889,871	$ 706,423
Land-Camp Bothin/Arequipa	276,970	276,970
Total permanently restricted assets	$ 1,166,841	$ 983,393

Note 8 - Endowments:

The Council's endowment consists of individual funds established for a variety of purposes. Its endowment consists of donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of The Council has interpreted the State of California Uniform Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, The Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Council in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, The Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund; (2) The purposes of The Council and the donor-restricted endowment funds; (3) General economic conditions; (4) The possible effect of inflation and deflation; (5) The expected total return from income and the appreciation of investments; (6) Other resources of The Council.

Investment return objectives, risks parameters and strategies

The Council has adopted investment and spending policies, approved by the Board of Directors, for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost rate of return which exceeds the annual distribution with acceptable levels of risk.

Spending policies

The Council has a policy of appropriating for distribution each year up to 4% of its donor restricted endowment funds average fair value of the prior 12 quarters throughout the preceding fiscal year in which the distribution is planned. In establishing this policy, The Council has considered long-term expected return on its investment assets, the nature and deviation of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions and the possible effects on inflation.

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

Changes in donor-restricted endowment net assets for the fiscal years ended September 30, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at October 1, 2016	$ 126,406	$ 706,423	$ 832,829
Contributions		183,121	183,121
Interest and dividends	32,646	327	32,973
Net appreciation of investments	99,631		99,631
Appropriation of endowment assets for expenditure	(23,672)		(23,672)
Endowment net assets at September 30, 2017	$ 235,011	$ 889,871	$ 1,124,882

Changes in donor-restricted endowment net assets for the fiscal years ended September 30, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at October 1, 2015	$ 91,557	$ 705,971	$ 797,528
Interest and dividends	29,641	452	30,093
Net appreciation of investments	39,545		39,545
Appropriation of endowment assets for expenditure	(34,337)		(34,337)
Endowment net assets at September 30, 2016	$ 126,406	$ 706,423	$ 832,829

Note 9 - Related Party Transactions

The Council is a chartered member of Girls Scouts of the USA (GSUSA). As part of being a chartered member, The Council collects and passes through membership fees on behalf of GSUSA. The Council also purchases a majority of its merchandise inventory from GSUSA. The total merchandise inventory purchased from GSUSA in fiscal years 2017 and 2016 was $551,304 and $388,854, or 77% and 71% of total purchases, respectively.

GSUSA made contributions to The Council in fiscal years 2017 and 2016 in the amounts of $67,782 and $21,419, respectively.

Note 10 Employee Retirement Plans

Defined benefit pension plan

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

The Council made contributions into the Plan of $988,945 and $997,539 during the fiscal years ended September 30, 2017 and 2016, respectively. These contributions approximated 2.81% for the years ended September 2017 and 2016, of total plan contributions.

As of December 31, 2016 the NGSCRP fulfilled the required funding as prescribed by an agreement with the IRS to contribute at minimum $30,000,000 per year.

Defined contribution plan

The Council has a contributory 403(b) defined contribution plan that is available to all regular employees who are expected to work 1,000 hours or more each year. For the years ended September 30, 2017 and 2016, The Council matched salary deferrals by employees up to 2.5% of salary.

Total payments to the plan for the years ended September 30, 2017 and 2016 totaled $180,636 and $179,973, respectively.

Note 11 - Concentration of Credit Risk

The Council has defined its financial instruments which are potentially subject to risk as cash equivalents, accounts and pledges receivable and investments.

The Council maintains cash equivalents and investments with commercial banks and other major financial institutions in excess of federally insured limits. The majority of investments are diversified into various mutual funds in order to limit the concentration of market risk. Accounts and pledges receivable are unsecured and concentrated primarily in the San Francisco Bay Area. However, concentrations of credit risk with respect to these receivables are limited due to the number of participants and donors.

The majority of contributions consist of donations from individuals and foundations. Approximately 10% and 12% of the contribution revenue is comprised of funds from one donor for the years ended September 30, 2017 and 2016, respectively.