

**Girl Scouts of Greater Los Angeles**

**Financial Statements and  
Independent Auditor's Report**

**September 30, 2015**

# Girl Scouts of Greater Los Angeles

## Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

To the Board of Directors  
Girl Scouts of Greater Los Angeles

We have audited the accompanying financial statements of Girl Scouts of Greater Los Angeles, which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses 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.

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of Greater Los Angeles as of September 30, 2015, 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.



Los Angeles, California  
January 28, 2016

**Girl Scouts of Greater Los Angeles**

**Statement of Financial Position  
September 30, 2015**

Assets

Current assets	
Cash and cash equivalents	\$ 7,527,570
Accounts and pledges receivables, net	591,464
Inventory	285,266
Prepaid expenses and other	342,285
	<hr/>
Total current assets	8,746,585
Investments	11,218,923
Property and equipment, net	7,927,733
	<hr/>
Total	<u>\$ 27,893,241</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 317,012
Accrued expenses	1,020,192
Custodial funds, held for others	113,028
Deferred revenue	189,186
Note payable, current portion	24,246
Capital lease obligations, current portion	131,446
	<hr/>
Total current liabilities	1,795,110
Deferred rent	776,063
Note payable, net of current portion	208,316
Capital lease obligations, net of current portion	232,732
	<hr/>
Total liabilities	<u>3,012,221</u>
Commitments and contingencies	
Net assets	
Unrestricted	23,576,546
Temporarily restricted	1,162,865
Permanently restricted	141,609
	<hr/>
Total net assets	<u>24,881,020</u>
Total	<u>\$ 27,893,241</u>

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Activities  
Year Ended September 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and support				
Public support	\$ 711,597	\$ 1,515,963	\$ 43	\$ 2,227,603
Product sales, net of direct costs	14,108,870	-	-	14,108,870
Merchandise sales, net of direct costs	608,988	-	-	608,988
Program fees	1,302,364	-	-	1,302,364
Property and equipment use fees	79,889	-	-	79,889
Interest and dividends, net of fees	216,187	-	-	216,187
Realized and unrealized loss on investments, net	(653,716)	(8,456)	-	(662,172)
Gain on disposal of property and equipment	1,932,087	-	-	1,932,087
Other income	336,427	-	-	336,427
Net assets released from restriction	1,439,103	(1,439,103)	-	-
<b>Total revenues and support</b>	<b>20,081,796</b>	<b>68,404</b>	<b>43</b>	<b>20,150,243</b>
Expenses				
Program expenses	14,072,503	-	-	14,072,503
Management and general expenses	1,869,515	-	-	1,869,515
Fundraising expenses	627,001	-	-	627,001
<b>Total expenses</b>	<b>16,569,019</b>	<b>-</b>	<b>-</b>	<b>16,569,019</b>
Change in net assets	3,512,777	68,404	43	3,581,224
Net assets, beginning of year	20,063,769	1,094,461	141,566	21,299,796
Net assets, end of year	<u>\$ 23,576,546</u>	<u>\$ 1,162,865</u>	<u>\$ 141,609</u>	<u>\$ 24,881,020</u>

See Notes to Financial Statements.

**Girl Scouts of Greater Los Angeles**

**Statement of Functional Expenses  
Year Ended September 30, 2015**

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 8,438,900	\$ 1,133,613	\$ 380,193	\$ 9,952,706
Assistance and grants	155,356	-	-	155,356
Equipment	186,741	25,085	8,413	220,239
Insurance	315,838	42,427	14,229	372,494
Occupancy	1,569,184	210,791	70,696	1,850,671
Other expense	256,324	34,432	11,548	302,304
Printing and promotion	179,410	24,100	8,083	211,593
Professional services and fees	721,666	96,943	32,513	851,122
Supplies and recognitions	1,085,586	145,829	48,908	1,280,323
Telecommunications	198,989	26,731	8,965	234,685
Travel	230,072	30,906	10,365	271,343
Depreciation and amortization	734,437	98,658	33,088	866,183
<b>Total</b>	<b><u>\$ 14,072,503</u></b>	<b><u>\$ 1,869,515</u></b>	<b><u>\$ 627,001</u></b>	<b><u>\$ 16,569,019</u></b>
Percent of total expenses	84.9%	11.3%	3.8%	100.0%

See Notes to Financial Statements.

## Girl Scouts of Greater Los Angeles

### Statement of Cash Flows Year Ended September 30, 2015

Cash flows from operating activities	
Change in net assets	\$ 3,581,224
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	866,183
Bad debt expense	21,237
Net realized and unrealized losses on investments	662,172
Gain on disposal of property and equipment	(1,932,087)
Deferred rent	(99,200)
Changes in operating assets and liabilities	
Accounts and pledges receivable	50,506
Inventory	46,931
Prepaid expenses and other	100,637
Accounts payable	9,719
Accrued expenses	333,795
Custodial funds, held for others	(3,882)
Deferred revenue	62,325
Net cash provided by operating activities	<u>3,699,560</u>
Cash flows from investing activities	
Purchases of investments	(2,880,618)
Proceeds from sale of investments	2,549,420
Acquisition of property and equipment	(351,828)
Proceeds from sale of property and equipment	<u>2,391,017</u>
Net cash provided by investing activities	<u>1,707,991</u>
Cash flows from financing activities	
Principal payments on notes payable	(129,878)
Principal payments on capital lease obligations	<u>(129,017)</u>
Net cash used in financing activities	<u>(258,895)</u>
Net increase in cash and cash equivalents	5,148,656
Cash and cash equivalents, beginning of year	<u>2,378,914</u>
Cash and cash equivalents, end of year	<u>\$ 7,527,570</u>
Supplemental disclosure of cash flow information	
Interest paid during the year	<u>\$ 43,800</u>
Supplemental disclosure of noncash investing and financing activities	
Equipment acquired under capital lease obligations	<u>\$ 6,014</u>

See Notes to Financial Statements.

## **Girl Scouts of Greater Los Angeles**

### **Notes to Financial Statements September 30, 2015**

#### **Note 1 - Business activity and summary of significant accounting policies**

##### **Business activity**

Girl Scouts of Greater Los Angeles ("GSGLA" or the "Council") is a not-for-profit corporation chartered by Girl Scouts of the USA ("GSUSA") to build girls of courage, confidence and character who make the world a better place. GSGLA serves more than 40,000 girls (grades K-12) in partnership with more than 20,000 volunteers from the many diverse communities of Los Angeles County and parts of Kern, San Bernardino, and Ventura Counties. As the largest girl-serving nonprofit agency in Southern California, GSGLA maintains seven service centers, ten program centers, and three campsites. The Council's programs engage girls in the areas of Leadership, Business Smarts & Financial Literacy, Environment & Outdoor Adventure, STEAM (Science, Technology, Engineering, Art & Math), and Wellness & Healthy Living.

Today, more than ever, all girls need positive role models and a safe, inclusive environment to learn and develop, and GSGLA is focused on expanding its efforts to reach more girls. The Council is committed to helping every girl access life-changing Girl Scout experiences, regardless of her economic situation. Annually, GSGLA provides financial assistance and afterschool programs for more than 10,000 girls in low income neighborhoods.

The national ToGetHerThere campaign, dedicated to transforming the leadership landscape and breaking down the barriers that hinder girls from achieving success, is gaining momentum in Greater Los Angeles and across the country. The campaign is also serving as the identity of our Movement-wide fundraising campaign to support the girl-impact goal.

Our annual Gold Award Ceremony celebrated 274 Gold Award Girl Scouts. The Gold Award is the highest honor a girl can earn in Girl Scouting and it takes high school Girl Scouts over 80 hours of community service and leadership application to earn this prestigious award.

About 30,000 girls participated in the product sales program, which includes the iconic Girl Scout Cookie Program and the Fall Product Program, developing and reinforcing the valuable life skills of decision-making, money management, goal setting, business ethics and customer service.

The funds earned from the cookie program are used to support a variety of programs and outreach. Troops use 28% of the cookie sales to support their year-round activities, which may include community service, camping or robotics competitions; or building cultural awareness by visiting museums or traveling; or discovering themselves by making new friends and experiencing new skills, and cookie rewards, activities and ideas. Another 27% of cookie program funds go toward financial assistance and outreach to low-income girls for camp and program activities, as well as to recruit, develop, train and support thousands of volunteers. About 45% is dedicated to providing high quality programs and maintaining camps and program sites.

Girl Scouts across the country has engaged and inspired generations of leaders. Today the Council's tried and proven programs have helped develop the leadership skills in more than 50 million women, and many of them are shaping the course of our nation's history. GSGLA continues in this grand tradition, providing girls and young women with the values, life skills and tools they need to build courage, confidence and character in order to make the world a better place.

##### **Basis of accounting**

The financial statements of GSGLA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2015

#### **Financial statement presentation**

The Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, which are described as follows:

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

*Temporarily restricted* - Net assets whose use by the Council is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Council or that expire by the passage of time.

*Permanently restricted* - Net assets subject to explicit donor-imposed stipulations that must be maintained permanently by the Council and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

#### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions, which limit the use of the donated assets, are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as unrestricted support.

Unconditional promises to give with payments due in future periods are reported as restricted contributions when the promises are received. Gifts of land, buildings and equipment are reported as unrestricted contributions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

#### **Cash and cash equivalents**

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

#### **Accounts and pledges receivable**

Accounts and pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on those pledges receivable due in greater than one year. 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 to meet their obligations. Receivables are considered impaired if full principal payments are not received in

## **Girl Scouts of Greater Los Angeles**

### **Notes to Financial Statements September 30, 2015**

accordance with the contractual terms. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

#### **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.

#### **Investments**

Investments are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Investment income is reported net of investment expense of \$73,415 for the year ended September 30, 2015, which is included in interest and dividends, net of fees.

#### **Property and equipment**

Property and equipment are stated at cost if purchased or fair value on the date of donation less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from three to thirty-nine years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Expenditures for 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.

#### **Long-lived assets**

Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Council periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. No impairments were recorded during the year ended September 30, 2015.

#### **Fair value of financial instruments**

The Council's financial instruments consist of cash and cash equivalents, short-term receivables, investments in securities and short-term and long-term payables. The carrying value for all such instruments, considering the terms, approximates fair value at September 30, 2015.

#### **Custodial funds**

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

#### **Merchandise and product sales**

Merchandise sales consist primarily of sales of Girl Scout-related equipment and supplies. Sales occur primarily at the Council's retail stores. Proceeds from merchandise sales help to defer the cost of maintaining the Council retail stores as a service to members. Revenue is recognized at the time of the sale. Product sales consist of sales of nuts, magazines and cookies by troops. Product revenue is net of proceeds to troops and costs of sales and is recognized at the time of the sale.

#### **Program fees**

Program fees consist of camp fees and other programs for girls that are held throughout the year to develop a sense of accomplishment and increase self-confidence and leadership skills in girls and young women. Revenue from program fees are recorded at the time of the program or when earned.

Deferred revenue consists of revenue collected for events that have not yet occurred and property and equipment rental income for programs collected prior to the actual related rental period.

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2015

#### **Donated goods and services**

Donated goods are historically included in "public support" in the accompanying statement of activities at their estimated fair values at the date of receipt. Support arising from donated services is recognized if the services received require specialized skills, are provided by the individuals possessing those skills and would typically need to be purchased if not provided by donation. No in-kind contributions were recorded for the year ended September 30, 2015.

A substantial number of volunteers have donated significant amounts of their time to GSGLA's program services and fundraising activities; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

#### **Girl Scout troop activity**

Cash held in troops and groups accounts operate under GSGLA's federal identification number but not under its control. The Council has no signature authority over and will not access the funds as long as a troop or group is functioning according to Girl Scout policy and procedure. Individual troops and groups have the responsibility to use funds in their control for the purposes of Girl Scouting as determined by the members and adult volunteers. 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.

#### **Deferred rent**

The Council records rent expense under their operating leases on a straight-line basis over the lease terms. Deferred rent results from the difference between increasing monthly cash rent payments and the straight-line expense. In addition, the Council sometimes receives up-front tenant allowances upon entering certain lease agreements. Such allowances are recorded as a deferred rent liability in the accompanying statement of financial position, and amortized as a reduction to rent expense on a straight-line basis over the lease terms.

#### **Functional allocation of expenses**

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.

#### **Fair value measurements**

The Council values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2015

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

#### **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 provision for income taxes is included in the accompanying financial statements. The Council has no unrecognized tax benefits at September 30, 2015.

#### **Use of estimates**

The preparation of financial statements in conformity with GAAP 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.

#### **Subsequent events**

The Council has evaluated the impact of subsequent events through January 28, 2016, which is the date the financial statements were available to be issued.

#### **Note 2 - Concentrations**

Financial instruments that potentially subject the Council to concentrations of credit risk consist primarily of cash and cash equivalents at financial institutions. The Council maintains its cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Council's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Council's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

At September 30, 2015, approximately 18% of the Council's accounts and pledges receivable is due from one donor.

For the year ended September 30, 2015, approximately 78% of support and revenue was derived from net cookie, nut and magazine sales. For the year ended September 30, 2015, one donor accounted for approximately 10% of the Council's contributions.

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2015**

**Note 3 - Accounts and pledges receivable**

At September 30, 2015, accounts and pledges receivables consist of the following:

	Accounts receivable	Pledges receivable	Total
Gross amount	\$ 109,046	\$ 523,973	\$ 633,019
Present value discount	-	(1,339)	(1,339)
Reserve for uncollectible amounts	(40,216)	-	(40,216)
Totals	<u>\$ 68,830</u>	<u>\$ 522,634</u>	<u>\$ 591,464</u>

At September 30, 2015, gross undiscounted pledges receivable due in less than one year is \$457,613, gross undiscounted pledges receivable due in one to five years is \$66,360 and no amounts are due in more than five years. At September 30, 2015, the Council believes that all pledges receivable are collectible.

**Note 4 - Investments**

At September 30, 2015, investments consist of the following:

Mutual funds - equities	\$ 2,510,141
Corporate bonds	3,240,353
Equities	
Domestic	4,170,718
International	176,565
Mid-Cap	552,244
Small-Cap	547,020
Annuity	21,882
	<u>\$ 11,218,923</u>

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2015**

**Note 5 - Fair value measurements**

Financial assets carried at fair value at September 30, 2015 are classified in the table below in one of the three categories described in Note 1:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - equities	\$ 2,510,141	\$ -	\$ -	\$ 2,510,141
Corporate bonds	3,240,353	-	-	3,240,353
Equities				
Domestic	4,170,718	-	-	4,170,718
International	176,565	-	-	176,565
Mid-Cap	552,244	-	-	552,244
Small-Cap	547,020	-	-	547,020
Annuity	-	21,882	-	21,882
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 11,197,041</u>	<u>\$ 21,882</u>	<u>\$ -</u>	<u>\$ 11,218,923</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets, and are valued on a recurring basis. Financial assets valued using Level 2 inputs are based on the present value of expected cash flows. For the year ended September 30, 2015, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 6 - Property and equipment**

At September 30, 2015, property and equipment consist of the following:

Land and land improvements	\$ 4,504,698
Building and improvements, including leasehold improvements	8,966,211
Furniture, fixtures and equipment	1,421,912
Computer hardware and software	<u>804,501</u>
	15,697,322
Less accumulated depreciation and amortization	<u>(8,032,206)</u>
	7,665,116
Construction in progress	<u>262,617</u>
	<u>\$ 7,927,733</u>

Depreciation and amortization expense for the year ended September 30, 2015 was \$866,183.

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2015**

**Note 7 - Note payable**

At September 30, 2015, note payable consists of the following:

Note payable, bank, payable in monthly installments of \$2,447 including interest at LIBOR plus 2%, secured by investments held at the bank, due July 2019.	<u>\$ 232,562</u>
	232,562
Less current portion	<u>(24,246)</u>
	<u><u>\$ 208,316</u></u>

Future minimum principal payments on the Council's notes payable for each of the years subsequent to September 30, 2015 are as follows:

2016	\$	24,246
2017		24,820
2018		25,393
2019		<u>158,103</u>
	<u>\$</u>	<u>232,562</u>

**Note 8 - Commitments and contingencies**

**Operating leases**

The Council leases five properties under noncancelable operating leases expiring through May 2022. Certain leases contain renewal options and escalation clauses. Total rent expense under the leases was \$885,669 for the year ended September 30, 2015.

The Council's minimum lease requirements under the non-cancelable leases for each of the next five years and thereafter subsequent to September 30, 2015 are as follows:

2016	\$	911,106
2017		855,491
2018		922,815
2019		974,801
2020		540,175
Thereafter		<u>266,003</u>
	<u>\$</u>	<u>4,470,391</u>

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2015**

**Capital leases**

The Council has certain equipment which is accounted for as capital leases. At September 30, 2015, the net balance of equipment under capital lease is as follows:

Equipment	\$	641,330
Less accumulated depreciation		<u>(302,923)</u>
Net balance of equipment under capital lease	\$	<u><u>338,407</u></u>

Minimum future lease payments under the capital lease for each of the next four years subsequent to September 30, 2015 are as follows:

2016	\$	144,841
2017		143,290
2018		71,232
2019		<u>22,053</u>
Net minimum lease payments		381,416
Less amount representing interest		<u>(17,238)</u>
		364,178
Less current portion		<u>131,446</u>
	\$	<u><u>232,732</u></u>

**Contingencies**

The Council is subject to certain claims that arise out of the normal operations of the Council. In the opinion of management, the Council has sufficient liability insurance to cover any such claims, and these matters will not have a material effect on the financial position of the Council if disposed of unfavorably.

**Note 9 - Temporarily restricted net assets**

At September 30, 2015, temporarily restricted net assets consist of the following:

Camperships	\$	117,147
Capital		429,106
Financial Literacy		13,132
Membership Outreach		61,371
Science, Technology, Engineering, Arts & Math (STEAM)		91,944
ToGetHerThere Luncheon		346,075
Other		<u>104,090</u>
	\$	<u><u>1,162,865</u></u>

## Girl Scouts of Greater Los Angeles

### Notes to Financial Statements September 30, 2015

#### Note 10 - Program related sales

The gross revenue and expense of the program related product and merchandise sales for the year ended September 30, 2015 are as follows:

	<u>Product sales</u>	<u>Merchandise sales</u>	<u>Total</u>
Gross revenue	\$ 24,441,420	\$ 1,427,714	\$ 25,869,134
Troop proceeds	(4,818,471)	-	(4,818,471)
Direct costs	<u>(5,514,079)</u>	<u>(818,726)</u>	<u>(6,332,805)</u>
Product and merchandise sales, net	<u>\$ 14,108,870</u>	<u>\$ 608,988</u>	<u>\$ 14,717,858</u>

#### Note 11 - Endowment

The Council's endowment consists of individual funds established for a variety of purposes. The 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 ("UPMIFA") 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, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Council and 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, and (7) the Council's investment policies.

#### **Investment return objectives, risk parameters and strategies**

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 funds 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 policy**

The Council has a policy of appropriating for distribution each year up to 5% of its donor-restricted endowment fund's average fair value of the prior 12 quarters through the preceding fiscal year in which the distribution is planned. In establishing this policy, the Council considered long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Council expects the current spending policy to allow its endowment

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2015**

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.

Endowment net asset composition by type of fund as of September 30, 2015 is as follows:

	Temporarily restricted	Permanently restricted	Total
Camperships	\$ 3,625	\$ 16,414	\$ 20,039
General endowment	11,208	50,752	61,960
Scholarships	16,427	74,443	90,870
<b>Total</b>	<b>\$ 31,260</b>	<b>\$ 141,609</b>	<b>\$ 172,869</b>

Changes in endowment net assets for the year ended September 30, 2015 are as follows:

	Temporarily restricted	Permanently restricted	Total
Balance, beginning of year	\$ 48,470	\$ 141,566	\$ 190,036
Contributions	-	43	43
Investment income	(8,456)	-	(8,456)
Appropriation	(8,754)	-	(8,754)
<b>Balance, end of year</b>	<b>\$ 31,260</b>	<b>\$ 141,609</b>	<b>\$ 172,869</b>

As of September 30, 2015, there were no deficiencies of donor-restricted endowment funds.

**Note 12 - Employee pension plan**

The Council participates in the National Girl Scout Council Retirement Plan (the "Plan"), a 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.

Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2015. Based on the April 18, 2014 conditional approval by the Internal Revenue Service, all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted to the Plan. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006. Aggregate annual contributions made in fiscal year 2015 are \$34,500,000. The Council made contributions of \$611,640 for the year ended September 30, 2015. Aggregate contributions made in fiscal 2016 are expected to be \$34,500,000.

**Girl Scouts of Greater Los Angeles**

**Notes to Financial Statements  
September 30, 2015**

In addition, the Council maintains a 403(b) Thrift Plan (the "Thrift Plan") for eligible employees. Under the provisions of the Thrift Plan, the Council can make discretionary contributions for the benefit of eligible employees. For the years ended December 31, 2015 and 2014, the Council made contributions to the Thrift Plan of \$106,386 and \$210,000, respectively.

**Note 13 - Subsequent event**

In November 2015, the Council sold a property for total consideration of \$1,900,000.