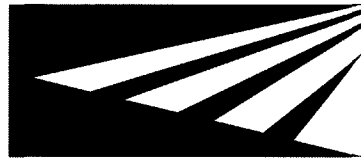


**GIRL SCOUTS OF NASSAU COUNTY, INC.**  
**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2018 AND 2017**  
**TOGETHER WITH AUDITOR'S REPORT**

**GIRL SCOUTS OF NASSAU COUNTY, INC.**  
**FINANCIAL STATEMENTS AND AUDITOR'S REPORT**  
**AS OF AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2018 AND 2017**

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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Girl Scouts of Nassau County, Inc.:

***Report on Financial Statements***

We have audited the accompanying financial statements of the Girl Scouts of Nassau County, Inc. (the "Girl Scouts", a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, 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 of 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.

# NawrockiSmith

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Girl Scouts of Nassau County, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 3 to the financial statements, in 2018 the Girl Scouts adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The effect of ASU 2016-14 requires the Girl Scouts to apply the changes discussed in Note 3 to the financial statements retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

## ***Report on Summarized Comparative Information***

We have previously audited the Girl Scouts' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Melville, New York  
March 26, 2019



**GIRL SCOUTS OF NASSAU COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018 AND 2017**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,604,179	\$ 1,133,081
Investments	20,327,671	22,748,766
Accounts receivable	37,029	22,208
Materials for sale or use	196,537	158,345
Prepaid expenses	50,364	17,240
Total current assets	22,215,780	24,079,640
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation of \$6,476,944 and \$6,137,933 in 2018 and 2017	5,318,413	5,828,052
Total assets	\$ 27,534,193	\$ 29,907,692
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Loan payable to financial institution	\$ 5,112,100	\$ 5,112,100
Accounts payable and accrued expenses	307,935	301,302
Other liabilities	163,370	71,225
Accrued interest payable	349,896	152,604
Total current liabilities	5,933,301	5,637,231
<b>NET ASSETS:</b>		
Net assets without donor restrictions -		
General Fund	(4,855,784)	(4,785,415)
Property and Equipment Fund	5,318,413	5,966,635
Board Endowment Fund	3,069,778	4,045,134
Capital Fund	478,392	502,241
New Directions Fund	17,529,822	18,480,521
Total net assets without donor restrictions	21,540,621	24,209,116
Net assets with donor restrictions	60,271	61,345
Total net assets	21,600,892	24,270,461
Total liabilities and net assets	\$ 27,534,193	\$ 29,907,692

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

**GIRL SCOUTS OF NASSAU COUNTY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(With Comparative Totals for 2017)**

	Net Assets Without Donor Restrictions					Net Assets With Donor Restrictions	Total All Funds	
	General	Property and	Board	Capital	New		2018	2017
	Fund	Equipment Fund	Endowment Fund	Fund	Directions Fund			
<b>PUBLIC SUPPORT AND REVENUES:</b>								
Public support:								
Foundations, trusts and other grants	\$ 186,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,893	\$ 118,599
Annual giving	74,498	-	-	-	-	-	74,498	89,996
United Way and community chests	23,519	-	-	-	-	-	23,519	28,609
Special fundraising events, net of direct costs of \$17,448 and \$10,097 in 2018 and 2017	25,702	-	-	-	-	-	25,702	24,299
<b>Total public support</b>	<b>310,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>310,612</b>	<b>261,503</b>
Revenues:								
Cookie and fall product sales, net of direct costs of \$2,523,009 and \$2,474,501 in 2018 and 2017	2,994,626	-	-	-	-	-	2,994,626	2,925,414
Program service fees	736,137	-	-	-	-	-	736,137	765,492
Sale of supplies and services, net of direct costs of \$341,610 and \$352,842 in 2018 and 2017	259,116	-	-	-	-	-	259,116	223,270
Site use fees	25,510	-	-	-	-	-	25,510	25,017
Other	22,733	-	-	-	-	-	22,733	4,849
<b>Total revenues</b>	<b>4,038,122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,038,122</b>	<b>3,944,042</b>
<b>Total public support and revenues</b>	<b>4,348,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,348,734</b>	<b>4,205,545</b>
<b>EXPENSES:</b>								
Program services	4,334,948	575,768	-	-	-	-	4,910,716	4,616,084
Supporting services	1,293,274	72,454	-	-	-	-	1,365,728	1,360,732
<b>Total expenses</b>	<b>5,628,222</b>	<b>648,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,276,444</b>	<b>5,976,816</b>
Excess (deficiency) of public support and revenues over (under) expenses	(1,279,488)	(648,222)	-	-	-	-	(1,927,710)	(1,771,271)
<b>OTHER CHANGES IN NET ASSETS:</b>								
Investment income, net	1,618	-	112,320	31,519	1,054,076	11	1,199,544	972,379
Unrealized gain (loss) on investments held, net	(39,076)	-	(187,676)	(40,368)	(1,671,775)	-	(1,938,895)	994,495
Loss on disposal of fixed assets	(2,508)	-	-	-	-	-	(2,508)	(42,861)
Net assets released from restrictions	1,085	-	-	-	-	(1,085)	-	-
Net transfers among net assets	1,248,000	-	(900,000)	(15,000)	(333,000)	-	-	-
<b>Change in net assets</b>	<b>(70,369)</b>	<b>(648,222)</b>	<b>(975,356)</b>	<b>(23,849)</b>	<b>(950,699)</b>	<b>(1,074)</b>	<b>(2,669,569)</b>	<b>152,742</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(4,785,415)</b>	<b>5,966,635</b>	<b>4,045,134</b>	<b>502,241</b>	<b>18,480,521</b>	<b>61,345</b>	<b>24,270,461</b>	<b>24,117,719</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ (4,855,784)</b>	<b>\$ 5,318,413</b>	<b>\$ 3,069,778</b>	<b>\$ 478,392</b>	<b>\$ 17,529,822</b>	<b>\$ 60,271</b>	<b>\$ 21,600,892</b>	<b>\$ 24,270,461</b>

The accompanying notes to financial statements are an  
integral part of this statement.

**GIRL SCOUTS OF NASSAU COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(With Comparative Totals for 2017)**

	Program Service Expenses				Total Program Services	Supporting Service Expenses			Total Supporting Services	Total Expenses	
	Membership	Volunteerism	Programs	Camp		Management and General		Fund Raising		2018	2017
					Management	Public Relations					
Salaries and related expenses:											
Salaries	\$ 814,332	\$ 553,158	\$ 1,036,062	\$ 91,305	\$ 2,494,857	\$ 279,469	\$ 292,758	\$ 164,778	\$ 737,005	\$ 3,231,862	\$ 3,215,352
Benefits	85,949	50,708	120,626	411	257,694	25,456	9,657	12,731	47,844	305,538	282,247
Payroll taxes	51,814	43,178	86,115	6,558	187,665	23,674	20,061	12,512	56,247	243,912	247,845
<b>Total</b>	<b>952,095</b>	<b>647,044</b>	<b>1,242,803</b>	<b>98,274</b>	<b>2,940,216</b>	<b>328,599</b>	<b>322,476</b>	<b>190,021</b>	<b>841,096</b>	<b>3,781,312</b>	<b>3,745,444</b>
Underfunded pension expense	123,661	81,902	81,649	5,100	292,312	28,118	33,200	18,778	80,096	372,408	380,684
Occupancy	25,375	39,177	16,984	143,063	224,599	17,268	9,799	6,883	33,950	258,549	247,485
Supplies	20,661	7,846	31,679	148,055	208,241	9,408	1,063	1,131	11,602	219,843	203,732
Printing and publications	4,446	646	110,910	3,337	119,339	4,353	36,796	6,983	48,132	167,471	124,124
Professional fees	3,697	4,466	11,574	19,843	39,580	49,685	50,908	286	100,879	140,459	104,963
Insurance	11,635	7,949	14,881	54,171	88,636	19,107	4,207	2,368	25,682	114,318	112,289
Equipment and maintenance	11,965	8,174	15,467	22,342	57,948	4,039	7,314	2,435	13,788	71,736	104,995
Other	25,635	623	4,633	2,404	33,295	29,671	4,654	2,824	37,149	70,444	90,375
Financial assistance	62,841	-	1,085	6,315	70,241	-	-	-	-	70,241	60,919
Conferences and conventions	1,536	275	29,693	530	32,034	22,962	1,351	3,079	27,392	59,426	60,263
Transportation	5,250	960	7,682	32,491	46,383	9,774	2,593	111	12,478	58,861	96,406
Telephone	4,155	2,582	5,782	6,341	18,860	3,058	1,938	910	5,906	24,766	26,425
Postage	1,237	108	10,628	423	12,396	6,192	474	1,834	8,500	20,896	25,025
Renovation and relocation	50	34	64	6	154	18	18	10	46	200	86,681
<b>Total operating expenses</b>	<b>1,254,239</b>	<b>801,786</b>	<b>1,585,514</b>	<b>542,695</b>	<b>4,184,234</b>	<b>532,252</b>	<b>476,791</b>	<b>237,653</b>	<b>1,246,696</b>	<b>5,430,930</b>	<b>5,469,810</b>
Depreciation	79,063	54,013	101,117	341,575	575,768	27,777	28,587	16,090	72,454	648,222	507,006
Loan interest	50,985	34,724	65,005	-	150,714	17,857	18,377	10,344	46,578	197,292	-
<b>Total non-operating expenses</b>	<b>130,048</b>	<b>88,737</b>	<b>166,122</b>	<b>341,575</b>	<b>726,482</b>	<b>45,634</b>	<b>46,964</b>	<b>26,434</b>	<b>119,032</b>	<b>845,514</b>	<b>507,006</b>
<b>Total expenses</b>	<b>\$ 1,384,287</b>	<b>\$ 890,523</b>	<b>\$ 1,751,636</b>	<b>\$ 884,270</b>	<b>\$ 4,910,716</b>	<b>\$ 577,886</b>	<b>\$ 523,755</b>	<b>\$ 264,087</b>	<b>\$ 1,365,728</b>	<b>\$ 6,276,444</b>	<b>\$ 5,976,816</b>

The accompanying notes to financial statements are an integral part of this statement.

**GIRL SCOUTS OF NASSAU COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS (INDIRECT METHOD)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,669,569)	\$ 152,742
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	648,222	507,006
Unrealized (gain) loss on investments	1,938,895	(994,495)
Loss on disposal of fixed assets	2,508	42,861
Net (increase) decrease in accounts receivable	(14,821)	101,586
Net (increase) decrease in materials for sale or use	(38,192)	2,193
Net (increase) decrease in prepaid expenses	(33,124)	24,685
Net increase in accounts payable and accrued expenses	6,633	110,937
Net increase (decrease) in other liabilities	92,145	(15,681)
Net increase in accrued interest payable	197,292	152,604
	<u>129,989</u>	<u>84,438</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(141,091)	(2,424,931)
Purchase of investments	(8,287,874)	(8,108,490)
Sale of investments	8,770,074	8,284,822
	<u>341,109</u>	<u>(2,248,599)</u>
Net cash provided (used) by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable to financial institution	-	2,525,000
	<u>-</u>	<u>2,525,000</u>
Net cash provided by financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	471,098	360,839
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,133,081</u>	<u>772,242</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,604,179</u>	<u>\$ 1,133,081</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Retirement of fully depreciated fixed assets	<u>\$ 309,211</u>	<u>\$ 2,818,727</u>

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



**GIRL SCOUTS OF NASSAU COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**(1) Organization and purpose**

The Girl Scouts of Nassau County, Inc. (the "Girl Scouts") is a not-for-profit organization which was founded and incorporated under the laws of the State of New York in 1965. Girl Scouting builds girls of courage, confidence and character, who make the world a better place.

**(2) Summary of significant accounting policies**

The accompanying financial statements include the assets, liabilities, revenues and expenses of all the funds of the Girl Scouts of Nassau County, Inc. The following is a summary of significant accounting policies followed by the Girl Scouts:

**Financial statement presentation -**

The accompanying financial statements include the accounts of the Girl Scouts' programs, administration and fundraising. The Girl Scouts presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Girl Scouts' financial statements distinguish between those with and without donor restricted net assets and changes in net assets. The Girl Scouts' net assets consist of the following:

Without donor restrictions - net assets of the Girl Scouts which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Girl Scouts.

With donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As required by U.S. generally accepted accounting principles, the Girl Scouts have also presented Statements of Cash Flows for the years ended December 31, 2018 and 2017.

The accompanying financial statements are prepared on a functional basis whereby expenses are allocated to program and supporting services as follows:

- Direct purpose, or
- Based on estimates of the percentages of expenses related to each program or service.

**Cash and cash equivalents -**

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents for financial statement purposes.

## **Investments -**

Investments are recorded at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Girl Scouts follow U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Investment income is recorded when earned and considered available for unrestricted use unless otherwise restricted by the donor. Realized and unrealized gains and losses are determined on the basis of specific identification.

## **Liquidity considerations -**

### **Quantitative**

As of December 31, 2018 and 2017, the Girl Scouts has \$22,215,780 and \$24,079,640, respectively, of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Statements of Financial Position date, which consists of the current assets per the Statements of Financial Position.

### **Qualitative**

As of December 31, 2018 and 2017, the Girl Scouts has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,000,000.

## **Property and equipment -**

Property and equipment consist of land, buildings and equipment which include the main administrative facilities and campsite. Property and equipment are included in the accompanying financial statements at cost, or if acquired by gift, at the approximate market value at the date of gift. Such gifts are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose.

The Girl Scouts follow the practice of capitalizing all expenditures over \$1,500. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets (generally periods of five to forty-five years).

## **Impairment of long-lived assets and long-lived assets to be disposed of -**

The Girl Scouts follows the provision of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on accounting for the impairment and disposal of long-lived assets. It requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These principles did not have any impact on the Girl Scouts' financial position, results of activities or liquidity during the years ended December 31, 2018 and 2017.

### **Revenue and expense recognition -**

Contributions are generally recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Expenses are recognized as incurred.

Expenses are allocated into functional categories depending upon the ultimate purpose of the expenditure.

### **Donated services -**

A number of volunteers have donated significant amounts of their time in the Girl Scouts' program services, supporting services and in fundraising campaigns. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

### **Functional expenses -**

The Statement of Functional Expenses reports certain categories of expenses that are attributable to one or more program or supporting functions of the Girl Scouts. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The significant expenses that are allocated include: salaries, fringe benefits and payroll taxes which are allocated on the basis of estimates of time and effort.

### **Income taxes -**

The Girl Scouts qualify as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

### **Summarized comparative information -**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Girl Scouts' financial statements for the year ended December 31, 2017, from which the summarized information was derived.

### **The use of estimates in the preparation of financial statements -**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

### **Reclassifications -**

Certain amounts have been reclassified for the year ended December 31, 2017 to conform to the presentation for the year ended December 31, 2018. These reclassifications had no impact on previously reported net assets.

(3) **New accounting standards**

For the fiscal year ended December 31, 2018, the Girl Scouts implemented FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The Girl Scouts has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources; and
- Investment expenses are included in net investment return and are presented on the face of the Statements of Activities and Changes in Net Assets.

(4) **Cash and cash equivalents**

Cash and cash equivalents as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Cash in banks and on hand	\$ 1,590,992	\$ 1,120,040
Time deposits and money market funds	<u>13,187</u>	<u>13,041</u>
	<u>\$ 1,604,179</u>	<u>\$ 1,133,081</u>

(5) **Investments**

Investments as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
U.S. equities	\$ 10,243,427	\$ 10,443,847
Fixed income	9,594,613	11,837,756
Alternative investments	316,962	255,418
Common stock	172,599	211,675
Preferred stock	<u>70</u>	<u>70</u>
	<u>\$ 20,327,671</u>	<u>\$ 22,748,766</u>

(6) **Fair value measurements**

The FASB *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Girl Scouts have adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

*Fair Value Measurement* defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used by the Girl Scouts in addressing the fair value of financial instruments:

**U.S. equities** -

U.S. equities are invested primarily in stocks, which can be actively or passively (index funds) managed. U.S. equities are principally categorized according to company size, the investment style of the holdings in the portfolio and geography. Size is determined by a company's market capitalization, while the investment style, reflected in the fund's stock holdings, is also used to categorize equity mutual funds.

**Fixed income** -

A type of investing for which real return rates or periodic income are received at regular intervals at reasonably predictable levels.

**Alternative investments** -

Mainly consist of investments in hedge funds that are aggressively managed portfolios of investments using advanced investment strategies such as leveraged, long, short, and derivative positions in both domestic and international markets with the goal of generating high returns.

**Common stock** -

Common stock are securities that represent equity ownership that also comes with voting rights in a company or organization.

**Preferred stock** -

Preferred stock are securities that represent equity ownership. Preferred stockholders have precedence when dividends are paid out.

The following table represents the Girl Scouts' fair value hierarchy for investments as of December 31, 2018:

	Fair Value	Level 1	Level 2	Level 3
U.S. equities	\$ 10,243,427	\$ 10,243,427	\$ -	\$ -
Fixed income	9,594,613	9,594,613	-	-
Alternative investments	316,962	-	316,962	-
Common stock	172,599	172,599	-	-
Preferred stock	70	70	-	-
	<u>\$ 20,327,671</u>	<u>\$ 20,010,709</u>	<u>\$ 316,962</u>	<u>\$ -</u>

The following table represents the Girl Scouts' fair value hierarchy for investments as of December 31, 2017:

	Fair Value	Level 1	Level 2	Level 3
U.S. equities	\$ 10,443,847	\$ 10,443,847	\$ -	\$ -
Fixed income	11,837,756	11,837,756	-	-
Alternative investments	255,418	-	255,418	-
Common stock	211,675	211,675	-	-
Preferred stock	70	70	-	-
	<u>\$ 22,748,766</u>	<u>\$ 22,493,348</u>	<u>\$ 255,418</u>	<u>\$ -</u>

As of December 31, 2018 and 2017, the Girl Scouts do not possess any Level 3 type investments.

Investment income, which is included in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2018 and 2017, consists of the following:

	2018	2017
Realized gain	\$ 703,663	\$ 491,356
Interest and dividends	637,609	614,535
Investment fees	(141,728)	(133,512)
Unrealized gain/(loss)	<u>(1,938,895)</u>	<u>994,495</u>
	<u>\$ (739,351)</u>	<u>\$ 1,966,874</u>

**(7) Property and equipment**

During the year ended December 31, 2017, the Girl Scouts completed the renovation of their administrative offices. Included within the additions was accrued interest payable of \$152,604 on the loan related to the construction, which was capitalized as part of the building cost. Property and equipment balances as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 10,116,438	\$ 10,102,556
Furniture, vehicles and equipment	996,007	1,194,116
Land and land improvements	<u>682,912</u>	<u>669,313</u>
	11,795,357	11,965,985
Less: accumulated depreciation	<u>6,476,944</u>	<u>6,137,933</u>
	<u>\$ 5,318,413</u>	<u>\$ 5,828,052</u>

**(8) Loan payable to financial institution**

The Girl Scouts have a portfolio loan agreement with a financial institution in the amount of \$6,732,000, which is being used for the reconstruction of their administrative building. The loan bears interest at the rate of the corresponding portfolio loan account plus 2.5%, and is payable in the upcoming year. The loan is collateralized by the Girl Scouts' investments. The balance outstanding is \$5,461,996 and \$5,264,704 (which includes \$349,896 and \$152,604 of accrued interest) as of December 31, 2018 and 2017, respectively.

**(9) Board endowment funds**

The Board of Directors has established three separate endowment funds to meet the objectives of the Girl Scouts. The investment policies adopted by the Board serve to protect the endowment investment principal, while obtaining a reasonable and competitive return on assets. All dividends and interest on endowment funds are currently appropriated for expenditure. A description of each fund is as follows:

Board Endowment Fund -

In 1995, the Board of Directors of the Girl Scouts authorized the Endowment Fund and the Facilities Development Fund to be combined into one fund, the "Board Endowment Fund". Although this fund is not legally restricted, it may only be used at the discretion of the Board of Directors by specific resolution of such governing body. The purpose of this Fund is to enable the Girl Scouts to have another income source to fund operations on a planned, annual basis; and to preserve adequate, long-term cash reserves.

Capital Fund -

In 1996, the Board of Directors established the "Capital Fund". This fund was initially funded through the net proceeds provided from the sale of the Girl Scouts' Bethpage building on August 20, 1996 and the Westdale property on January 3, 1997. It is to be used to fund capital and related capital expenditures on a planned, annual basis, and to preserve adequate, long-term cash reserves.

New Directions Fund -

In 2007, the Board of Directors established the "New Directions Fund", which was funded through certain proceeds provided from the sale of the Girl Scouts' Camp Tekakwitha. Initial transfers of \$5,000,000 were made to each of the Board Endowment Fund and the Capital Fund, with the balance to be used to fund new program initiatives and enhance current programs.

**(10) Net assets with donor restrictions**

Certain details with respect to net assets with donor restrictions at December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Financial assistance	\$ 50,271	\$ 51,345
Adult recognition	<u>10,000</u>	<u>10,000</u>
 Total net assets with donor restrictions	 <u>\$ 60,271</u>	 <u>\$ 61,345</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law require the Girl Scouts to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

The Girl Scouts have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift.

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) requires 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, the Girl Scouts classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**(11) Employee benefits**

Retirement plan:

The Girl Scouts participate in the National Girl Scout Council Retirement Plan (NGSCR), 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, 2018. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (IRS), 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. 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 (PPA). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives NGSCR the flexibility to adopt the Pension Protection Act (PPA) funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal years 2017 and 2018 were \$33.1 million and \$32.4 million, respectively. The aggregate annual contributions decreased from 2017 to 2018 due to both the reduction in the Plan's total annual contributions from \$34.3 million to \$32.5 million effective May 1, 2017 and the spin-off of Girl Scouts of Louisiana East effective May 1, 2018. Aggregate contributions to be made in fiscal 2019 are expected to be \$32.2 million.

403(B) plan:

The Girl Scouts have a 403(B) plan whereby an employee can contribute up to 4% of their compensation, and the Girl Scouts will match half of such contributions. In addition, in lieu of the frozen defined benefit pension plan, the Girl Scouts contribute 3% of total compensation for all eligible employees.

The Girl Scouts made total contributions to this plan of \$113,683 and \$126,684 for the years ended December 31, 2018 and 2017, respectively.

**(12) Special events**

A source of revenue for the Girl Scouts is derived from several special fundraising events which are conducted during the year. An analysis of the results of these events by activity is as follows:

<u>2018</u>	<u>Gross Revenues</u>	<u>Direct Costs</u>	<u>Net Proceeds</u>
Girls Go The Distance	\$ 36,380	\$ 11,604	\$ 24,776
Sip and Savor	6,770	5,844	926
Total	<u>\$ 43,150</u>	<u>\$ 17,448</u>	<u>\$ 25,702</u>
<u>2017</u>			
Walkathon	<u>\$ 34,396</u>	<u>\$ 10,097</u>	<u>\$ 24,299</u>

**(13) Commitments and contingencies**

Future minimum lease commitments -

The Girl Scouts is obligated under various operating leases for equipment expiring through March 2024. Future minimum lease payments due under these leases are as follows:

For the year ending:

2019	\$	28,755
2020		28,755
2021		28,755
2022		28,755
2023		17,971
2024		<u>3,594</u>
	\$	<u>136,585</u>

Concentrations of credit risk -

The Girl Scouts maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Girl Scouts have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

**(14) Subsequent events**

The Girl Scouts have evaluated subsequent events through March 26, 2019, which is the date these financial statements were available to be issued, noting no matters requiring further consideration.