

**Girl Scouts of San Jacinto Council**

Financial Statements  
and Independent Auditors' Report  
for the years ended August 31, 2017 and 2016

# Girl Scouts of San Jacinto Council

## Table of Contents

---

	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of August 31, 2017 and 2016	2
Statement of Activities for the year ended August 31, 2017	3
Statement of Activities for the year ended August 31, 2016	4
Statement of Functional Expenses for the year ended August 31, 2017	5
Statement of Functional Expenses for the year ended August 31, 2016	6
Statements of Cash Flows for the years ended August 31, 2017 and 2016	7
Notes to Financial Statements for the years ended August 31, 2017 and 2016	8
<b>Supplementary Information:</b>	
Supplemental Statement of Revenue for the year ended August 31, 2017	15
Supplemental Statement of Revenue for the year ended August 31, 2016	16

---

## Independent Auditors' Report

To the Board of Directors of  
Girl Scouts of San Jacinto Council:

We have audited the accompanying financial statements of Girl Scouts of San Jacinto Council, which comprise the statements of financial position as of August 31, 2017 and 2016 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

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

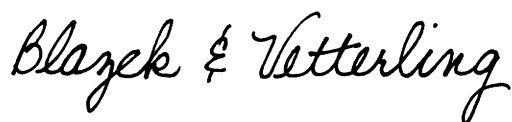
**Auditors' Responsibility** – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 San Jacinto Council as of August 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Supplementary Information** – Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the supplemental statements of revenue for the years ended August 31, 2017 and 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



January 5, 2018

## Girl Scouts of San Jacinto Council

Statements of Financial Position as of August 31, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents ( <i>Notes 2 and 3</i> )	\$ 1,718,268	\$ 2,842,120
United Way allocation receivable	555,611	576,383
Prepaid expenses and other receivables	199,101	235,844
Short-term investments ( <i>Note 3</i> )	13,155,875	11,526,236
Inventory	622,651	643,191
Pledges receivable, net ( <i>Note 4</i> )	55,263	352,766
Short-term investments restricted for facility improvements ( <i>Note 3</i> )		823,707
Investments held for endowment ( <i>Note 3</i> )	6,648,770	5,666,338
Property and equipment, net ( <i>Note 5</i> )	<u>18,606,896</u>	<u>18,760,925</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 41,562,435</u></b>	<b><u>\$ 41,427,510</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 582,790	\$ 717,724
Accrued payroll liabilities	340,262	200,212
Construction payable	181,757	189,836
Deferred revenue	<u>210,711</u>	<u>104,515</u>
Total liabilities	<u>1,315,520</u>	<u>1,212,287</u>
Net assets:		
Unrestricted	32,421,347	31,171,112
Temporarily restricted ( <i>Notes 6 and 7</i> )	3,185,077	5,005,169
Permanently restricted ( <i>Note 7</i> )	<u>4,640,491</u>	<u>4,038,942</u>
Total net assets	<u>40,246,915</u>	<u>40,215,223</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 41,562,435</u></b>	<b><u>\$ 41,427,510</u></b>

*See accompanying notes to financial statements.*

---

## Girl Scouts of San Jacinto Council

Statement of Activities for the year ended August 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE:</b>				
Contributions	\$ 482,065	\$ 696,425	\$ 18,599	\$ 1,197,089
United Way allocation	6,221	1,353,408		1,359,629
Special events	158,282			158,282
Direct donor benefits – special events	(38,398)			(38,398)
Cookie and fall product sales	21,649,920			21,649,920
Cost of cookie and fall product sales	(6,464,654)			(6,464,654)
Troop bonuses for cookie and fall product sales	(3,495,565)			(3,495,565)
Shop and trading post sales	1,266,365			1,266,365
Cost of shop and trading post sales	(755,629)			(755,629)
Program service fees	1,335,677			1,335,677
Investment return ( <i>Note 3</i> )	89,511	415,421		504,932
Other revenue	<u>43,745</u>			<u>43,745</u>
Net revenue	14,277,540	2,465,254	18,599	16,761,393
Net assets released from restrictions:				
Transfer to camp endowment		(582,950)	582,950	
Expenditures for programs	2,096,957	(2,096,957)		
Expenditures for facility improvements	<u>1,605,439</u>	<u>(1,605,439)</u>		
Total revenue	<u>17,979,936</u>	<u>(1,820,092)</u>	<u>601,549</u>	<u>16,761,393</u>
<b>EXPENSES:</b>				
Program services:				
Girl Scout Leadership Experience	<u>14,236,114</u>			<u>14,236,114</u>
Supporting services:				
Management and general	1,484,156			1,484,156
Fundraising	<u>1,009,431</u>			<u>1,009,431</u>
Total supporting services	<u>2,493,587</u>			<u>2,493,587</u>
Total expenses	<u>16,729,701</u>			<u>16,729,701</u>
CHANGES IN NET ASSETS	1,250,235	(1,820,092)	601,549	31,692
Net assets, beginning of year	<u>31,171,112</u>	<u>5,005,169</u>	<u>4,038,942</u>	<u>40,215,223</u>
Net assets, end of year	<u>\$ 32,421,347</u>	<u>\$ 3,185,077</u>	<u>\$ 4,640,491</u>	<u>\$ 40,246,915</u>

*See accompanying notes to financial statements.*

## Girl Scouts of San Jacinto Council

Statement of Activities for the year ended August 31, 2016

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE:</b>				
Contributions	\$ 580,111	\$ 1,414,684	\$ 37,540	\$ 2,032,335
United Way allocation	10,126	1,397,793		1,407,919
Special events	223,111			223,111
Direct donor benefits – special events	(43,308)			(43,308)
Cookie and fall product sales	19,153,742			19,153,742
Cost of cookie and fall product sales	(5,534,709)			(5,534,709)
Troop bonuses for cookie and fall product sales	(3,124,491)			(3,124,491)
Shop and trading post sales	1,281,778			1,281,778
Cost of shop and trading post sales	(767,238)			(767,238)
Program service fees	1,355,747			1,355,747
Investment return ( <i>Note 3</i> )	52,773	244,942		297,715
Other revenue	<u>550,026</u>			<u>550,026</u>
Net revenue	13,737,668	3,057,419	37,540	16,832,627
Net assets released from restrictions:				
Expenditures for programs	2,170,382	(2,170,382)		
Expenditures for facility improvements	<u>58,406</u>	<u>(58,406)</u>		
Total revenue	<u>15,966,456</u>	<u>828,631</u>	<u>37,540</u>	<u>16,832,627</u>
<b>EXPENSES:</b>				
Program services:				
Girl Scout Leadership Experience	<u>14,445,207</u>			<u>14,445,207</u>
Supporting services:				
Management and general	1,462,546			1,462,546
Fundraising	<u>1,019,569</u>			<u>1,019,569</u>
Total supporting services	<u>2,482,115</u>			<u>2,482,115</u>
Total expenses	<u>16,927,322</u>			<u>16,927,322</u>
CHANGES IN NET ASSETS	(960,866)	828,631	37,540	(94,695)
Net assets, beginning of year	<u>32,131,978</u>	<u>4,176,538</u>	<u>4,001,402</u>	<u>40,309,918</u>
Net assets, end of year	<u>\$ 31,171,112</u>	<u>\$ 5,005,169</u>	<u>\$ 4,038,942</u>	<u>\$ 40,215,223</u>

*See accompanying notes to financial statements.*

## Girl Scouts of San Jacinto Council

Statement of Functional Expenses for the year ended August 31, 2017

---

	GIRL SCOUT LEADERSHIP EXPERIENCE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 6,067,778	\$ 968,048	\$ 613,283	\$ 7,649,109
Health and retirement benefits	633,156	101,013	63,994	798,163
Payroll taxes	567,126	90,479	57,321	714,926
Professional and contractual fees	685,438	88,197	55,522	829,157
Supplies	679,435	6,590	9,298	695,323
Telephone	239,784	18,556	16,051	274,391
Postage and shipping	74,512	483	15,431	90,426
Occupancy	1,609,448	42,990	30,574	1,683,012
Printing and publications	284,558	2,367	33,780	320,705
Transportation and travel	278,741	18,330	19,264	316,335
Conference and conventions	162,485	1,314	15,292	179,091
Specific assistance to individuals	650,061			650,061
Equipment rental and maintenance	530,245	49,918	31,572	611,735
Depreciation	1,687,545	56,999	31,777	1,776,321
Other	<u>85,802</u>	<u>38,872</u>	<u>16,272</u>	<u>140,946</u>
Total expenses	<u>\$ 14,236,114</u>	<u>\$ 1,484,156</u>	<u>\$ 1,009,431</u>	16,729,701
Cost of cookie and fall product sales				6,464,654
Cost of shop and trading post sales				755,629
Direct donor benefits – special events				<u>38,398</u>
Total				<u>\$ 23,988,382</u>

*See accompanying notes to financial statements.*

---

## Girl Scouts of San Jacinto Council

### Statement of Functional Expenses for the year ended August 31, 2016

---

	GIRL SCOUT LEADERSHIP EXPERIENCE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 6,022,293	\$ 955,668	\$ 597,356	\$ 7,575,317
Health and retirement benefits	586,634	93,092	58,189	737,915
Payroll taxes	564,580	89,592	56,001	710,173
Professional and contractual fees	974,719	101,954	81,774	1,158,447
Supplies	856,975	18,665	15,869	891,509
Telephone	177,738	9,800	6,332	193,870
Postage and shipping	70,200	682	10,808	81,690
Occupancy	1,442,458	39,063	28,845	1,510,366
Printing and publications	228,926	9,549	28,688	267,163
Transportation and travel	381,683	7,802	4,996	394,481
Conference and conventions	133,200	530	9,625	143,355
Specific assistance to individuals	609,569			609,569
Equipment rental and maintenance	493,791	50,490	48,402	592,683
Depreciation	1,719,824	62,870	33,905	1,816,599
Other	<u>182,617</u>	<u>22,789</u>	<u>38,779</u>	<u>244,185</u>
Total expenses	<u>\$ 14,445,207</u>	<u>\$ 1,462,546</u>	<u>\$ 1,019,569</u>	16,927,322
Cost of cookie and fall product sales				5,534,709
Cost of shop and trading post sales				767,238
Direct donor benefits – special events				<u>43,308</u>
Total				<u>\$ 23,272,577</u>

*See accompanying notes to financial statements.*

---



## Girl Scouts of San Jacinto Council

### Statements of Cash Flows for the years ended August 31, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 31,692	\$ (94,695)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,776,321	1,816,598
Contributions restricted for facility improvements	(82,230)	(671,738)
Contributions restricted for endowment	(18,599)	(37,540)
Net realized and unrealized (gain) loss on investments	(105,121)	36,442
Changes in operating assets and liabilities:		
United Way allocation receivable	20,772	34,067
Prepaid expenses and other receivables	36,743	109,341
Inventory	20,540	204,411
Pledges receivable (operating only)	120,943	(102,514)
Accounts payable	(134,934)	(15,845)
Accrued payroll liabilities	140,050	23,074
Deferred revenue	<u>106,196</u>	<u>(19,041)</u>
Net cash provided by operating activities	<u>1,912,373</u>	<u>1,282,560</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(11,815,857)	(3,389,053)
Proceeds from sale and maturities of investments	6,104,483	208,287
Net change in money market mutual funds held as investments	4,028,131	(546,782)
Purchases of property and equipment	<u>(1,630,371)</u>	<u>(2,190,488)</u>
Net cash used by investing activities	<u>(3,313,614)</u>	<u>(5,918,036)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for facility improvements	195,059	773,148
Proceeds from contributions restricted for endowment	<u>82,330</u>	<u>88,214</u>
Net cash provided by financing activities	<u>277,389</u>	<u>861,362</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,123,852)</b>	<b>(3,774,114)</b>
Cash and cash equivalents, beginning of year	<u>2,842,120</u>	<u>6,616,234</u>
Cash and cash equivalents, end of year	<u>\$ 1,718,268</u>	<u>\$ 2,842,120</u>

*See accompanying notes to financial statements.*

---

## Girl Scouts of San Jacinto Council

Notes to Financial Statements for the years ended August 31, 2017 and 2016

---

### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Girl Scouts of San Jacinto Council (GSSJC) was chartered by Girl Scouts of the USA in 1922 and is one of the largest Girl Scout councils in the nation with over 56,000 girls served across 26 counties in southeast Texas and over 17,000 adult volunteers who gave their time and talents in 2017. Girl Scouting builds girls of courage, confidence and character, who make the world a better place. Girl Scouts also unleashes the G.I.R.L. (G-getter, Innovator, Risk-taker, Leader)<sup>TM</sup> in every girl, preparing her for a lifetime of leadership. Locally, GSSJC offers outdoor experiences at its 10 camp properties and gives girls the opportunity to develop life, STEM (science, technology, engineering and math) and entrepreneurial skills through engaging, challenging and fun activities. Girls learn to care about, inspire and team with others locally and globally. Through the Girl Scout Leadership Experience, girls in kindergarten through 12<sup>th</sup> grade learn to understand themselves and their values and use their knowledge and skills to explore the world.

Federal income tax status – GSSJC is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash equivalents are highly liquid financial instruments with original maturities of three months or less which are not restricted for long-term purposes. Cash equivalents that are not needed to meet immediate operating cash requirements or are restricted for long-term purposes are grouped with investments.

Investments are reported at fair value. Short-term investments primarily include securities that are not needed to meet immediate cash operating requirements. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Inventory is reported at the lower of cost or market, with cost being determined on a periodic weighted-average basis. Inventory primarily consists of uniforms, badges, handbooks and supplies used by members in their Girl Scout activities. A significant portion of inventory is purchased from Girl Scouts of the USA.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Amortization of discounts is included in contribution revenue. An allowance for uncollectible pledges is estimated based on management's periodic evaluation of past loss experience, known adverse situations that may affect the donor's ability to pay, and current economic conditions.

Property and equipment is reported at cost if purchased and at fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 3 to 40 years. GSSJC capitalizes property and equipment that have a useful life greater than one year and a cost of more than \$1,000.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. The investment return (classified as temporarily restricted) is for camp maintenance and Emerald Circle Gold Award scholarships.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met. 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 classified as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, GSSJC reports expirations of donor restrictions when the assets are placed in service.

Donated materials, use of facilities, and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed their time to fill approximately 47 Board of Directors and Board Committee positions, more than 300 community and 50 region positions, and more than 28,000 troop positions. These volunteers, who may fill multiple roles, provide assistance with programs, administration and fundraising. No amount has been recognized in the financial statements for these services because they did not meet the criteria for recognition under generally accepted accounting principles.

Revenue from product sales and program service fees is recognized when the related services or products are provided. Amounts received but unearned are included in the statement of financial position as deferred revenue.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in the ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

## NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2017</u>	<u>2016</u>
Bank deposits	\$ 634,499	\$ 698,075
Repurchase agreements (overnight)	<u>1,083,769</u>	<u>2,144,045</u>
Total cash and cash equivalents	<u>\$ 1,718,268</u>	<u>\$ 2,842,120</u>

Bank deposits exceed the federally insured limit per depositor per institution.

## NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

### *Fair Value Measurements*

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is 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 three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at August 31, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Short-term investments:				
Short-term fixed-income mutual fund	\$ 6,985,396			\$ 6,985,396
U. S. Treasury bills maturing in less than 90 days		\$ 3,996,435		3,996,435
Money market mutual funds	<u>2,174,044</u>	<u>                    </u>		<u>2,174,044</u>
Subtotal	<u>9,159,440</u>	<u>3,996,435</u>		<u>13,155,875</u>
Investments held for endowment:				
Fixed-income mutual funds:				
Intermediate-term	1,944,863			1,944,863
Short-term	1,320,157			1,320,157
Other	249,236			249,236
Equity mutual funds:				
Domestic growth securities	2,123,123			2,123,123
International growth securities	91,199			91,199
Money market mutual funds	<u>920,192</u>			<u>920,192</u>
Subtotal	<u>6,648,770</u>			<u>6,648,770</u>
Total investments	15,808,210	3,996,435		19,804,645
Repurchase agreements held as cash and cash equivalents		<u>1,083,769</u>		<u>1,083,769</u>
Total assets measured at fair value	<u>\$ 15,808,210</u>	<u>\$ 5,080,204</u>	<u>\$ 0</u>	<u>\$ 20,888,414</u>

Assets measured at fair value at August 31, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Short-term investments:				
Short-term fixed-income mutual fund	\$ 2,899,104			\$ 2,899,104
U. S. Treasury bills maturing in less than 90 days		\$ 2,996,040		2,996,040
Money market mutual funds	<u>6,454,799</u>	<u>                    </u>		<u>6,454,799</u>
Subtotal	<u>9,353,903</u>	<u>2,996,040</u>		<u>12,349,943</u>
Investments held for endowment:				
Fixed-income mutual funds:				
Intermediate-term	1,845,406			1,845,406
Short-term	1,260,521			1,260,521
Other	163,182			163,182
Equity mutual funds:				
Domestic growth securities	1,693,136			1,693,136
International growth securities	36,525			36,525
Money market mutual funds	<u>667,568</u>			<u>667,568</u>
Subtotal	<u>5,666,338</u>			<u>5,666,338</u>
Total investments	15,020,241	2,996,040		18,016,281
Repurchase agreements held as cash and cash equivalents		<u>2,144,045</u>		<u>2,144,045</u>
Total assets measured at fair value	<u>\$ 15,020,241</u>	<u>\$ 5,140,085</u>	<u>\$ 0</u>	<u>\$ 20,160,326</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held.
- *U. S. Treasury bills* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values, or active market makers and inter-dealer brokers.
- *Repurchase agreements* are overnight investments valued at the net present value of future cash flows.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while GSSJC believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

#### *Investments and Investment Return*

Investments are held for the following purposes:

	<u>2017</u>	<u>2016</u>
Undesignated	\$ 12,544,826	\$ 10,536,436
Endowments	6,648,770	5,666,338
Donor-restricted for programs and facility improvements	<u>611,049</u>	<u>1,813,507</u>
Total	<u>\$ 19,804,645</u>	<u>\$ 18,016,281</u>

Investment return includes earnings on cash and cash equivalents and consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 399,811	\$ 334,157
Net realized and unrealized gain (loss) on investments	<u>105,121</u>	<u>(36,442)</u>
Total investment return	<u>\$ 504,932</u>	<u>\$ 297,715</u>

#### **NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable are as follows:

	<u>2017</u>	<u>2016</u>
Total pledges receivable	\$ 58,866	\$ 356,964
Allowance for uncollectible pledges and discount to net present value	<u>(3,603)</u>	<u>(4,198)</u>
Pledges receivable, net	<u>\$ 55,263</u>	<u>\$ 352,766</u>

Pledges receivable at August 31, 2017 are expected to be substantively collected in the next year.

At August 31, 2017 and 2016, pledges receivable totaling approximately \$38,000 and \$229,000, respectively, are for facility improvements.

## NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 19,157,773	\$ 18,221,371
Land and building improvements	23,491,467	21,805,425
Equipment	<u>6,713,943</u>	<u>6,497,650</u>
Total depreciable property and equipment, at cost	49,363,183	46,524,446
Accumulated depreciation	<u>(35,469,459)</u>	<u>(33,679,943)</u>
Net depreciable property	13,893,724	12,844,503
Land	4,467,756	4,467,756
Construction in progress	<u>245,416</u>	<u>1,448,666</u>
Property and equipment, net	<u>\$ 18,606,896</u>	<u>\$ 18,760,925</u>

Two properties utilized as camps and a service center have reversionary clauses placed on the deeds of the property, which would restrict GSSJC's ability to sell these properties or use them for purposes other than Girl Scout programs. The properties have a net book value of \$455,000 and \$479,000 at August 31, 2017 and 2016, respectively.

During the year ended August 31, 2017, GSSJC sustained property damage related to Hurricane Harvey. GSSJC maintains property and casualty insurance coverage, which includes flood coverage and a wind deductible buy-back policy. Management has assessed impairment of assets and determined that no material adjustment to property and equipment is required and expects to repair or replace substantially all damaged property with minimal financial impact to GSSJC.

## NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Undistributed earnings on endowment funds	\$ 2,008,299	\$ 1,627,396
Use in future periods	565,729	585,300
Facility improvements	205,856	2,311,945
Science, technology, engineering, and math programs	102,610	97,062
Community outreach programs	58,204	160,468
Camperships	26,915	25,815
History programs	23,196	22,719
Other	<u>194,268</u>	<u>174,464</u>
Total temporarily restricted net assets	<u>\$ 3,185,077</u>	<u>\$ 5,005,169</u>

## NOTE 7 – ENDOWMENT FUNDS

The donor-restricted permanent endowments of GSSJC include two individual funds that were established for camp maintenance and Emerald Circle Gold Award scholarships. The Board of Directors of GSSJC has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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, GSSJC classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GSSJC in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, GSSJC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of GSSJC and the donor-restricted endowment funds

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of GSSJC
- The investment policies of GSSJC

Endowment net asset composition as of August 31, 2017 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds:				
Camp maintenance		\$ 1,888,593	\$ 4,273,718	\$ 6,162,311
Scholarships		<u>119,706</u>	<u>366,773</u>	<u>486,479</u>
Endowment net assets	<u>\$ 0</u>	<u>\$ 2,008,299</u>	<u>\$ 4,640,491</u>	<u>\$ 6,648,790</u>

Endowment net asset composition as of August 31, 2016 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds:				
Camp maintenance		\$ 1,539,647	\$ 3,674,719	\$ 5,214,366
Scholarships		<u>87,749</u>	<u>364,223</u>	<u>451,972</u>
Endowment net assets	<u>\$ 0</u>	<u>\$ 1,627,396</u>	<u>\$ 4,038,942</u>	<u>\$ 5,666,338</u>

Changes in net assets of the donor-restricted endowment funds are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, August 31, 2015	<u>\$ 0</u>	<u>\$ 1,404,310</u>	<u>\$ 4,001,402</u>	<u>\$ 5,405,712</u>
Contributions and transfers			<u>37,540</u>	<u>37,540</u>
Investment return:				
Interest and dividends		293,216		293,216
Net realized and unrealized loss		(48,274)		(48,274)
Investment management fees		<u>(21,856)</u>		<u>(21,856)</u>
Net investment return		<u>223,086</u>		<u>223,086</u>
Endowment net assets, August 31, 2016	<u>0</u>	<u>1,627,396</u>	<u>4,038,942</u>	<u>5,666,338</u>
Contributions and transfers			<u>601,549</u>	<u>601,549</u>
Investment return:				
Interest and dividends		370,434		370,434
Net realized and unrealized gain		44,986		44,986
Investment management fees		<u>(23,446)</u>		<u>(23,446)</u>
Net investment return		<u>391,974</u>		<u>391,974</u>
Appropriations		<u>(11,071)</u>		<u>(11,071)</u>
Endowment net assets, August 31, 2017	<u>\$ 0</u>	<u>\$ 2,008,299</u>	<u>\$ 4,640,491</u>	<u>\$ 6,648,790</u>

## **Investment Objectives and Risk Parameters**

GSSJC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and entities supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a portfolio that is invested approximately 40% in equity-based securities and 60% in fixed-income securities while assuming a moderate level of investment risk. GSSJC expects its endowment funds, over time, to provide an average rate-of-return of approximately 5% annually, net of fees and inflation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, GSSJC relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GSSJC targets a diversified asset allocation that places a greater emphasis on fixed-income security investments to achieve its long-term return objectives within prudent risk constraints.

## **Spending Policy**

GSSJC has a policy of not appropriating more than 95% of the annual real total return, net of investment management fees, of the immediately preceding four quarters. Appropriations are considered annually by the Finance Committee. In establishing this policy, GSSJC considered the long-term expected return and the effects of inflation on its endowments. This is consistent with GSSJC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

## **NOTE 8 – EMPLOYEE BENEFIT PLAN**

Eligible employees of GSSJC may participate in a §401(k) defined contribution retirement plan. GSSJC matched each employee's after tax contribution up to 2% of their salary in 2017 and 2016, and may also make discretionary contributions annually to all employees. GSSJC contributed approximately \$69,000 and \$67,000 to the plan in 2017 and 2016, respectively.

## **NOTE 9 – LINE OF CREDIT**

GSSJC entered into a \$2,000,000 line of credit agreement with a bank, which bears interest at the bank's prime rate minus 1%. The line of credit expires on March 30, 2019. There are no amounts outstanding on the line of credit at August 31, 2017 or 2016.

## **NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 5, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.



## Girl Scouts of San Jacinto Council

Supplemental Statement of Revenue for the year ended August 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>CONTRIBUTIONS:</b>				
General contributions and special event revenue, net	\$ 601,949	\$ 614,125	\$ 18,599	\$ 1,234,673
United Way allocation	6,221	1,353,408		1,359,629
Capital contributions		82,300		82,300
Total contributions	<u>608,170</u>	<u>2,049,833</u>	<u>18,599</u>	<u>2,676,602</u>
<b>PROGRAM SERVICE FEES:</b>				
Resident camp	740,681			740,681
Troop camp, day camp, and other outdoor activities	376,768			376,768
Travel group	20,098			20,098
Adult training fees and other events	44,158			44,158
Visual and performing arts	43,563			43,563
Math, science, and technology events	64,364			64,364
Older Girl Scout events	19,335			19,335
All other events	26,710			26,710
Total program service fees	<u>1,335,677</u>			<u>1,335,677</u>
<b>TROOP SALES:</b>				
Cookie sales	19,476,050			19,476,050
Cost of cookie sales	(5,642,082)			(5,642,082)
Troop bonuses for cookie sales	(2,963,619)			(2,963,619)
Fall product sales	2,173,870			2,173,870
Cost of fall product sales	(822,572)			(822,572)
Troop bonuses for fall product sales	(531,946)			(531,946)
Total troop sales	<u>11,689,701</u>			<u>11,689,701</u>
<b>SHOP AND TRADING POST SALES AND OTHER REVENUE:</b>				
Shop and trading post sales	1,266,365			1,266,365
Cost of shop and trading post sales	(755,629)			(755,629)
Interest and dividend income, net	29,376	370,435		399,811
Net realized and unrealized gain on investments	60,135	44,986		105,121
Other	43,745			43,745
Total shop and trading post sales and other revenue	<u>643,992</u>	<u>415,421</u>		<u>1,059,413</u>
Net assets released from restrictions	<u>3,702,396</u>	<u>(4,285,346)</u>	<u>582,950</u>	
<b>Total</b>	<u>\$ 17,979,936</u>	<u>\$ (1,820,092)</u>	<u>\$ 601,549</u>	<u>\$ 16,761,393</u>

## Girl Scouts of San Jacinto Council

Supplemental Statement of Revenue for the year ended August 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>CONTRIBUTIONS:</b>				
General contributions and special event revenue, net	\$ 759,914	\$ 742,946	\$ 37,540	\$ 1,540,400
United Way allocation	10,126	1,397,793		1,407,919
Capital contributions		671,738		671,738
Total contributions	<u>770,040</u>	<u>2,812,477</u>	<u>37,540</u>	<u>3,620,057</u>
<b>PROGRAM SERVICE FEES:</b>				
Resident camp	751,127			751,127
Troop camp, day camp, and other outdoor activities	352,050			352,050
Travel group	74,649			74,649
Adult training fees and other events	44,781			44,781
Visual and performing arts	51,971			51,971
Math, science, and technology events	21,364			21,364
Older Girl Scout events	56,977			56,977
All other events	2,828			2,828
Total program service fees	<u>1,355,747</u>			<u>1,355,747</u>
<b>TROOP SALES:</b>				
Cookie sales	17,309,527			17,309,527
Cost of cookie sales	(4,827,054)			(4,827,054)
Troop bonuses for cookie sales	(2,673,071)			(2,673,071)
Fall product sales	1,844,215			1,844,215
Cost of fall product sales	(707,655)			(707,655)
Troop bonuses for fall product sales	(451,420)			(451,420)
Total troop sales	<u>10,494,542</u>			<u>10,494,542</u>
<b>SHOP AND TRADING POST SALES AND OTHER REVENUE:</b>				
Shop and trading post sales	1,281,778			1,281,778
Cost of shop and trading post sales	(767,238)			(767,238)
Interest and dividend income, net	40,941	293,216		334,157
Net realized and unrealized gain (loss) on investments	11,832	(48,274)		(36,442)
Other	550,026			550,026
Total shop and trading post sales and other revenue	<u>1,117,339</u>	<u>244,942</u>		<u>1,362,281</u>
Net assets released from restrictions	<u>2,228,788</u>	<u>(2,228,788)</u>		
<b>Total</b>	<u>\$ 15,966,456</u>	<u>\$ 828,631</u>	<u>\$ 37,540</u>	<u>\$ 16,832,627</u>