

**GIRL SCOUTS OF
CALIFORNIA'S CENTRAL COAST
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

September 30, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 15
Supplementary Information:	
Schedules of Functional Expenses	16



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, www.mcgowan.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Girl Scouts of California's Central Coast
Ventura, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Girl Scouts of California's Central Coast (a non-profit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, and 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Girl Scouts of California's Central Coast as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 16 are presented for purposes of additional analysis and are 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 the 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 accounting principles 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.

McGowan Guntermann

January 25, 2018

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,107,323	\$ 2,842,412
Accounts receivable (Note 2)	27,519	29,359
Inventory	-	59,649
Investments (Note 3)	1,192,876	1,046,356
Beneficial interest in assets held at Community Foundation (Note 4)	88,783	83,506
Prepaid expenses	<u>73,263</u>	<u>68,025</u>
Total Current Assets	4,489,764	4,129,307
 PROPERTY AND EQUIPMENT - NET (Note 5)	 1,638,623	 1,598,255
 DEPOSITS	 <u>18,617</u>	 <u>10,570</u>
 TOTAL ASSETS	 <u>\$ 6,147,004</u>	 <u>\$ 5,738,132</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	60,057	111,731
Accrued compensation	236,356	238,067
Deferred revenue	22,753	82,648
Current portion of capital lease obligation	9,317	-
Custodial funds	<u>664</u>	<u>(1,005)</u>
Total Current Liabilities	<u>329,147</u>	<u>431,441</u>
 LONG-TERM LIABILITIES		
Deposits	7,648	7,648
Capital lease obligation	<u>17,708</u>	<u>-</u>
Total Long-Term Liabilities	<u>25,356</u>	<u>7,648</u>
TOTAL LIABILITIES	<u>354,503</u>	<u>439,089</u>
 NET ASSETS		
Unrestricted	5,196,808	4,877,272
Temporarily restricted (Note 8)	506,910	338,265
Permanently restricted (Notes 4 and 9)	<u>88,783</u>	<u>83,506</u>
TOTAL NET ASSETS	<u>5,792,501</u>	<u>5,299,043</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,147,004</u>	 <u>\$ 5,738,132</u>

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

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended September 30, 2017 and 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	(Restated) Total
REVENUE, GAINS AND OTHER SUPPORT								
Cookie sales, net of \$1,485,663 and \$1,548,929 in expenses for 2017 and 2016, respectively	\$ 3,528,597	\$ -	\$ -	\$ 3,528,597	\$ 3,525,022	\$ -	\$ -	\$ 3,525,022
Contributions and grants	127,136	606,202	-	733,338	105,876	423,068	-	528,944
Girl Scout program revenue	206,990	-	-	206,990	139,040	-	-	139,040
Nut sales, net of \$251,669 and \$276,847 in expenses for 2017 and 2016, respectively	270,418	-	-	270,418	253,937	-	-	253,937
Rental income	181,007	-	-	181,007	214,493	-	-	214,493
United Way	3,982	-	-	3,982	13,500	-	-	13,500
Special events, net of \$26,842 in expenses for 2017 and \$20,042 in 2016	5,104	-	-	5,104	44,530	-	-	44,530
Investment income, net (Note 3)	166,519	-	-	166,519	111,498	-	-	111,498
In-kind contributions (Note 2)	5,717	-	-	5,717	8,522	-	-	8,522
Merchandise sales, net of \$94,414 and \$133,939 in expenses for 2017 and 2016, respectively	48,045	-	-	48,045	104,989	-	-	104,989
Change in value of beneficial interest in assets held at Community Foundation	-	-	7,772	7,772	-	-	6,266	6,266
Gain on sale of assets	-	-	-	-	3,500	-	-	3,500
Other income	-	-	-	-	152,752	-	-	152,752
Net assets released from restrictions	440,052	(437,557)	(2,495)	-	369,663	(365,840)	(3,823)	-
Total Revenue, Gains and Other Support	4,983,567	168,645	5,277	5,157,489	5,047,322	57,228	2,443	5,106,993
EXPENSES								
Program services	3,947,055	-	-	3,947,055	3,699,813	-	-	3,699,813
Support services								
Management and general	328,596	-	-	328,596	314,981	-	-	314,981
Fundraising	388,380	-	-	388,380	583,856	-	-	583,856
Total Support Services	716,976	-	-	716,976	898,837	-	-	898,837
Total Expenses	4,664,031	-	-	4,664,031	4,598,650	-	-	4,598,650
CHANGES IN NET ASSETS	319,536	168,645	5,277	493,458	448,672	57,228	2,443	508,343
NET ASSETS, BEGINNING OF YEAR	4,877,272	338,265	83,506	5,299,043	4,428,600	281,037	81,063	4,790,700
NET ASSETS, END OF YEAR	\$ 5,196,808	\$ 506,910	\$ 88,783	\$ 5,792,501	\$ 4,877,272	\$ 338,265	\$ 83,506	\$ 5,299,043

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

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 493,458	\$ 508,343
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of beneficial interest in assets held at Community Foundation	(5,277)	(2,443)
Depreciation and amortization	127,251	173,440
Loss (gain) on investments	(139,051)	(78,019)
Loss (gain) on disposition of assets	-	(3,500)
Allowance for bad debts	(1,516)	(3,200)
Changes in:		
Accounts receivable	3,356	(15,838)
Contributions receivable	-	1,000,000
Inventory	59,649	20,973
Prepaid expenses	(5,238)	(12,300)
Deposits	(8,047)	3,157
Accounts payable and accrued expenses	(51,673)	33,045
Accrued compensation	(1,711)	95,762
Deferred revenue	(59,895)	4,977
Custodial funds	<u>1,669</u>	<u>(4,960)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>412,975</u>	<u>1,719,437</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(132,714)	(182,533)
Proceeds from disposal of property and equipment	-	4,775
Purchases of investments	(34,312)	(365,489)
Proceeds from sale of investments	<u>26,842</u>	<u>351,035</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(140,184)</u>	<u>(192,212)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligation	<u>(7,880)</u>	<u>-</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(7,880)</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	264,911	1,527,225
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,842,412</u>	<u>1,315,187</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,107,323</u>	<u>\$ 2,842,412</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Capital lease obtained for equipment	\$ 34,905	\$ -
Interest paid on capital lease	\$ 980	\$ -

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

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

NOTES TO FINANCIAL STATEMENTS

Note 1 - ORGANIZATION

Effective October 1, 2007, Girl Scouts of Monterey Bay and Tres Condados Girl Scouts Council, Inc. merged and formed a combined entity, Girl Scouts of California's Central Coast (the Council). The pooling of interests method was used to account for the merger. Girl Scouts of Monterey Bay was the surviving entity and filed for a name change with the State of California. The Council operates in the Monterey, Santa Cruz, San Benito, Santa Barbara, San Luis Obispo and Ventura counties of California. The purpose of Girl Scouting is to build girls of courage, confidence, and character, who make the world a better place. The Council is supported by donations from the general public, funds raised by various events and activities, including the annual Girl Scout cookie program, and designations received through United Way.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation – The financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the related liabilities are incurred. The Council reports information regarding its financial position and activities according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless uses of the related assets are limited by donor-imposed restrictions or the passage of time. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Use of estimates – Preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses and to disclose any material contingent amounts. Accordingly, actual results could differ from such estimates.

Significant estimates used in the preparation of these financial statements include allocation of certain expenses by function, fair market value of certain investments, and depreciable lives of property and equipment.

Cash and cash equivalents – Cash and cash equivalents include demand deposit accounts, money market accounts and cash on hand. Cash and cash equivalents does not include bank accounts held by Girl Scout troops and other groups such as service units, committees and volunteer-led camps under the federal identification number of the Council.

Cash held in troops and groups operate under the Council's federal identification number but not under the control of the Council. The Council 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. Annually, troops and groups are required to report to the Council the balance in their accounts and the sources and uses of funds since the last reporting date.

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST
NOTES TO FINANCIAL STATEMENTS

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable – Accounts receivable are expected to be collected within one year. Allowance for uncollectible accounts is based on management's judgment and prior collection experience. The allowance for uncollectible accounts was \$2,984 and \$4,500 as of September 30, 2017 and 2016, respectively.

Contributions receivable – Contributions receivable consists primarily of pledges to give and grants receivable. No allowance has been recorded since the Council expects all amounts to be fully collectible. All contributions are expected to be collected within one year.

Inventory – Merchandise held for sale consists of retail goods, primarily Girl Scout program components, which are carried at the lower of cost or market. Cost is determined on the first-in, first-out method. Subsequent to the year ended September 30, 2016, the Council approved the closure of the two retail locations, effective January 1, 2017. No merchandise will be held for sale subsequent to the effective date.

Investments – Investments are measured at fair value in the statements of financial position. The fair values are based on quoted market prices. Gains and losses on disposition of investments are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statements of activities and changes in net assets.

Property and equipment – Property and equipment are recorded at cost if purchased and at estimated fair market value if donated. All property and equipment greater than \$5,000 are capitalized. Major improvements are capitalized; maintenance and repairs which do not extend the useful life of the respective assets are expensed. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years.

Custodial funds – Custodial funds represent deposits received by the Council from various Girl Scout troops for membership registration fees that are forwarded to Girl Scouts of the U.S.A. (GSUSA).

Financial instruments – Financial instruments included in the Council's statements of financial position include cash and cash equivalents, accounts receivable, contributions receivable, investments, beneficial interest in assets held at Community Foundation, accounts payable and accrued expenses, accrued compensation, and custodial funds. The carrying amounts represent a reasonable estimate of the corresponding fair values. Investments and beneficial interest in assets held at Community Foundation are reflected in the accompanying statements of financial position at their estimated fair values using methodologies described below.

Fair value measurements – Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Council considers the principal or most advantageous market in which it would transact, and considers assumptions that market participants would use when pricing the asset or liability.

The three-level hierarchy for fair value measurements is defined as follows.

Level 1 – Valuation is based on observable inputs using quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST
NOTES TO FINANCIAL STATEMENTS

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 2 – Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not active or valuation methods using models, interest rates and yield curves as observable inputs.

Level 3 – Valuation is based on unobservable inputs for the assets, reflecting the Council's consideration about the assumptions that a market participant would use in pricing the asset or liability, to the extent that observable inputs (Levels 1 and 2) are not available. Level 3 assets and liabilities include situations where there is little or no market activity for the asset or liabilities, and significant management judgment or estimates are required.

Investments are classified as Level 1 because they are valued using quoted prices in active markets. Beneficial interest in assets held at Community Foundation are classified as Level 2 because the Council records the values based on the statements received from the Community Foundation, and the assets invested by the Community Foundation are held in active markets.

While the Council believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets and liabilities existed, or had such assets and liabilities been liquidated, and these differences could be material to the financial statements.

Donated services – The Council records various types of donated services. Donated services are recognized at fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated supplies are recorded if they would typically need to be purchased if not provided by donation. In-kind donations that meet the above criteria are recorded as contributions at the approximate fair market value at the time of donation. The value of these donated services and supplies that are included in the financial statements as in-kind contributions and expenses for the years ended September 30, 2017 and 2016, are \$3,500 and \$8,522, respectively.

Functional expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the schedules of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

Revenue recognition

Program fees – Program fees consist of camp and event fees and other related programs for girls that are held throughout the year to develop a sense of accomplishment and increase self-confidence and leadership skills. Revenue from program fees is recorded when earned.

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST
NOTES TO FINANCIAL STATEMENTS

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Product sales – Girl Scout product sale activities help girls learn invaluable skills such as goal-setting, decision-making, money management and delivering on a promise. Each troop or group that sells products earns money for its treasury and plans how to spend that money to achieve its goals. The Council's share of proceeds from the product sale activities helps to provide the financial assistance needed to make Girl Scouting available for all girls, to fund camp and program activities, to keep event/camp fees for all members to a minimum, to improve and maintain camp and other activity sites, to recruit and train volunteer leaders, and to pay Council operating expenses. Revenue is recognized once delivery of products has occurred, the price is fixed or determinable, and collectability is reasonably assured.

Merchandise sales – Merchandise sales consisted primarily of sales of Girl Scouts-related equipment and supplies. Sales occurred primarily at the Council's retail stores and via an on-line store. Proceeds from merchandise sales helped to cover the cost of maintaining the Council retail stores as a service to members. Revenue was recognized at the time of the sale. Subsequent to the year ended September 30, 2016, the Council approved the closure of the two retail stores, effective January 1, 2017. Subsequent to the effective date, all merchandise sales were processed through the on-line store.

Rental income – Rental income consists primarily of rental fees earned from renting out camp facilities to troops and nonprofit organizations when not in use and rental of one office building on an annual basis. Revenue is recognized as the rental period occurs.

Shipping and handling costs – Freight billed to customers is considered sales revenue and the related freight costs are included as a cost of sales.

Advertising costs – Advertising costs are expensed as incurred.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at September 30,

	<u>2017</u> <u>(Level 1)</u>	<u>2016</u> <u>(Level 1)</u>
Mutual fund securities	\$1,192,876	\$1,046,356

Investment income consisted of the following at September 30,

	<u>2017</u>	<u>2016</u>
Unrealized gains	\$ 174,145	\$ 134,384
Interest and dividends	49,658	45,837
Net realized losses	(42,763)	(56,365)
Net investment fees	<u>(14,521)</u>	<u>(12,358)</u>
	<u>\$ 166,519</u>	<u>\$ 111,498</u>

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

NOTES TO FINANCIAL STATEMENTS

Note 4 - BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FOUNDATION AND FAIR VALUE DISCLOSURES

The Council has established an agency endowment fund with the Community Foundation in Monterey County, for the benefit of the Council. The Council granted variance power to the Community Foundation, thus the Community Foundation has full authority and discretion as to the investment and reinvestment of the assets.

The following tables present the fair value of a beneficial interest in assets held at Community Foundation in Monterey County on the accompanying statements of financial position, as of September 30, by fair value hierarchy.

	<u>2017</u> <u>(Level 2)</u>	<u>2016</u> <u>(Level 2)</u>
Beneficial interest in assets held at the Community Foundation in Monterey County	\$ 88,783	\$ 83,506

In addition, the Council is designated as the beneficiary agency of the Frank F. and Zoe Ann Orr fund that was established at the Community Foundation of Santa Cruz County. During the years ended September 30, 2017 and 2016, the Council received \$14,027 and \$14,098, respectively, in beneficiary payouts from this fund. The Council does not have variance power, thus this fund balance is not included in the accompanying financial statements.

The Council is also designated as the beneficiary agency of a fund that was established at the Community Foundation of San Benito County. During the years ended September 20, 2017 and 2016, the Council received \$3,745 and \$3,684 respectively, in beneficiary payouts from this fund. Because the Council does not have variance power this fund balance is not included in the financial statements.

Note 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 801,101	\$ 802,170
Buildings and improvements	2,620,861	2,538,893
Furniture and equipment	277,083	225,816
Vehicles	111,013	111,013
Leasehold improvements	37,126	31,813
Construction in progress	<u>81,582</u>	<u>62,098</u>
	3,928,766	3,771,803
Accumulated depreciation	<u>(2,290,143)</u>	<u>(2,173,548)</u>
	<u>\$ 1,638,623</u>	<u>\$ 1,598,255</u>

Note 6 - LINE OF CREDIT

The Council has an unsecured operating line of credit of \$500,000. The line of credit expires October 10, 2018. The Council had no balance outstanding as of September 30, 2017 and 2016.

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST
NOTES TO FINANCIAL STATEMENTS

Note 7 - INCOME TAXES

The Council is exempt from federal and state taxes on income under Internal Revenue Code section 501(c)(3) and similar provisions of the California Revenue and Taxation Act.

The Council has adopted the provisions related to accounting for uncertainty in income taxes, which defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Council's management has considered its tax positions and believes that all of the positions taken by the Council in its federal and state tax returns are more likely than not to be sustained upon examination. The Council files tax returns in the U.S. federal and California jurisdictions. With few exceptions, the Council is no longer subject to federal and state tax examinations by tax authorities for years ended before September 30, 2013 and 2012, respectively.

Note 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions that specify a particular use or the occurrence of a certain future event. Such contributions are recorded as temporarily restricted until the purpose of the restrictions is met. When the purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Temporarily restricted net assets consisted of the following as of September 30:

	<u>2017</u>	<u>2016</u>
Community collaborations	\$ 83,744	\$ 155,793
Capital improvements	295,138	15,175
Camp Arnaz fund	<u>128,028</u>	<u>167,297</u>
	<u>\$ 506,910</u>	<u>\$ 338,265</u>

Note 9 - PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT FUNDS

The Council has an agency endowment fund at the Community Foundation of Monterey County. The fund is owned and administered by the Community Foundation. Under the terms of the agency endowment agreement, the Council receives either the net income or an annual payout from the agency endowment as determined by the Community Foundation.

During the years ended September 30, 2017 and 2016, endowment net asset activity consisted of the following:

Endowment net assets, September 30, 2015	\$ 81,063
Change in value of assets held	6,266
Distribution of assets	<u>(3,823)</u>
Endowment net assets, September 30, 2016	83,506
Change in value of assets held	7,772
Distribution of assets	<u>(2,495)</u>
Endowment net assets, September 30, 2017	<u>\$ 88,783</u>

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST
NOTES TO FINANCIAL STATEMENTS

Note 9 – PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT FUNDS (continued)

As required by GAAP, 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 California adopted Universal 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 classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowments currently have no earnings other than value changes, so there are no unappropriated amounts included in temporarily restricted net assets.

The Council has not yet adopted investment and spending policies for endowment assets.

As of September 30, 2017 and 2016, endowment net asset composition by type of fund is:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted 2017	\$ -	\$ -	\$ 88,783	\$ 88,783
Donor restricted 2016	\$ -	\$ -	\$ 83,506	\$ 83,506

Changes in Endowment Net Assets for the Year Ended September 30, 2017, are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 83,506	\$ 83,506
Net investment return, (investment income, realized and unrealized gain/losses)	-	-	7,772	7,772
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>(2,495)</u>	<u>(2,495)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,783</u>	<u>\$ 88,783</u>

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST
NOTES TO FINANCIAL STATEMENTS

Note 9 – PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT FUNDS (continued)

Changes in Endowment Net Assets for the Year Ended September 30, 2016, are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 81,063	\$ 81,063
Net investment return, (investment income, realized and unrealized gain/losses)	-	-	6,266	6,266
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>(3,823)</u>	<u>(3,823)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,506</u>	<u>\$ 83,506</u>

Note 10 - RETIREMENT PLAN

The council participates in the National Girl Scout Council Retirement Plan (NGSCR), a noncontributory defined benefit pension plan sponsored by GSUSA. The National Board of GSUSA voted to freeze the plan to new entrants and to freeze future benefit accruals for all current participants under the Plan effective July 31, 2010. The plan covers substantially all of the employees of 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, 2017. 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 2016 and 2017 were \$34.3 million and \$34.3 million, respectively. Aggregate contributions made in fiscal 2018 are expected to continue to be \$34.3 million.

The Council made contributions into the Plan of \$227,118 and \$225,801 during the years ended September 30, 2017 and 2016, respectively. These contributions represented 0.66% of total contributions into the Plan.

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST
NOTES TO FINANCIAL STATEMENTS

Note 11 - OPERATING LEASES

The Council leases office space in Ventura, California, under a non-cancelable operating lease. During June 2015, the Council renegotiated the lease to obtain an additional 1,100 square feet of office space. Additionally, the term of the lease was extended. Monthly lease payments are \$8,048. The lease expires in June 2019.

The Council leases office space in Goleta, California, under a non-cancelable operating lease. Monthly lease payments are \$1,194. The lease expired in December 2017.

The Council entered into a three-year non-cancelable operating lease in Atascadero, CA, beginning October 1, 2015. Monthly lease payments are \$890. The lease expires December 2018.

The Council leases office space in Santa Maria, California, under a non-cancelable operating lease. Monthly lease payments are \$450. The lease expired January 31, 2016 and was converted to a month-to-month cancelable lease.

The Council also leases equipment under operating leases which ran through December 31, 2017. The agreement presently calls for monthly rental payments of \$1,022.

Rent expenses totaled \$149,555 and \$149,555 for the years ended September 30, 2017 and 2016, respectively.

Future obligations to pay under the operating lease agreements for the years ending September 30 are as follows:

2018	\$ 117,555
2019	<u>77,741</u>
	<u>\$ 195,296</u>

Note 12 – CAPITAL LEASE

During the year, the Council entered into a capital lease agreement to finance the purchase of copier equipment. The lease requires monthly payments of \$895 with an effective interest rate of 6.0%, ending June 2020. As of September 30, 2017, the principal amount due is \$27,025. Capital lease assets total \$31,415 and \$4,833 of depreciation was charged in the current year to expense. Interest expense for the year ended September 30, 2017, was \$980.

Future obligations to pay under the capital lease agreement, including interest, for the years ending September 30 are as follows:

2018	\$ 10,740
2019	10,740
2020	<u>8,055</u>
	<u>\$ 29,535</u>

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST
NOTES TO FINANCIAL STATEMENTS

Note 13 - LEASING ACTIVITIES

The Council leases office space in Santa Barbara, California to a tenant under a noncancelable operating lease agreement through March 2021. Lease payments are payable monthly and are increased annually, at 1.5% per year. Amounts expected to be received through September 30, are as follows:

2018	\$ 93,845
2019	95,253
2020	96,682
2021	<u>48,701</u>
	<u>\$ 334,481</u>

Note 14 - RELATED PARTY TRANSACTIONS

The Council is a member of GSUSA. The Council purchases most of its merchandise offered for sale to the troops from GSUSA. Purchases totaled approximately \$89,414 and \$127,606 for the years ended September 30, 2017 and 2016, respectively.

The Council collects membership fees on behalf of GSUSA from the Girl Scout troops. Total remittance to GSUSA of \$57,675 and \$61,515 were made for the years ended September 30, 2017 and 2016, respectively. No amounts were due to GSUSA for membership fees, at September 30, 2017 and 2016.

The Board of Directors chairwoman owns a retail business which the Council purchases items when a price comparison determines that it is most cost effective for the Council. Total purchases for the year ended September 30, 2017 and 2016 were \$14,367 and \$5,467 respectively.

Note 15 – CONCENTRATIONS AND RISKS

Concentrations

The Council generates revenue predominantly through Girl Scout Cookie sales. For the years ended September 30, 2017 and 2016, respectively, net cookie sales comprised 68% and 69% of the Council's revenue. In the event that cookie sales significantly decrease, operations could be affected.

Credit Risk

The Council maintains cash balances at banks insured by the Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit at any one institution. The Council had uninsured cash of \$2,333,393 at September 30, 2017.

Note 16 – SUBSEQUENT EVENTS

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through January 25, 2018, the date the financial statements were available for issuance.

SUPPLEMENTARY INFORMATION

GIRL SCOUTS OF CALIFORNIA'S CENTRAL COAST

**SCHEDULES OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2017 and 2016**

	2017				2016			
	Program Services	Support Services		Total	Program Services	Support Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
EXPENSES								
Salaries and wages	\$ 1,885,136	\$ 212,555	\$ 171,754	\$ 2,269,445	\$ 1,600,796	\$ 199,629	\$ 309,530	\$ 2,109,955
Payroll taxes	172,941	12,853	23,059	208,853	223,197	16,977	44,304	284,478
Employee benefits	496,917	30,463	40,367	567,747	382,578	28,282	40,534	451,394
Recruiting	3,118	223	334	3,675	4,999	345	653	5,997
Total Salaries and Related Expenses	2,558,112	256,094	235,514	3,049,720	2,211,570	245,233	395,021	2,851,824
Girl Scout program expenses	328,362	247	313	328,922	240,291	-	-	240,291
Staff development	60,720	4,253	5,729	70,702	222,547	2,007	9,273	233,827
Fundraising	3,386	308	60,977	64,671	1,416	675	72,273	74,364
Printing, publications and supplies	62,683	1,946	4,804	69,433	53,307	2,054	7,334	62,695
Postage and mailings	9,523	501	9,701	19,725	12,369	333	13,461	26,163
Travel and transportation	98,322	2,005	4,338	104,665	108,033	10,350	12,419	130,802
Advertising	16,055	1,147	2,320	19,522	3,692	154	1,737	5,583
Facility and occupancy	303,482	12,266	17,977	333,725	264,501	9,824	13,603	287,928
Information technology and communications	217,101	15,779	25,158	258,038	229,658	17,062	25,702	272,422
Equipment maintenance and repairs	62,465	1,856	2,282	66,603	57,247	2,453	3,454	63,154
Insurance	42,296	22,206	3,595	68,097	58,615	3,314	4,971	66,900
Audit, legal and professional fees	39,647	1,903	2,854	44,404	54,398	9,900	3,948	68,246
Administration fees	20,088	50	154	20,292	10,599	1,049	316	11,964
Bank fees and interest	9,685	308	1,074	11,067	18,697	286	759	19,742
Depreciation	107,970	7,712	11,568	127,250	147,934	10,202	15,304	173,440
Bad debt	1,877	-	-	1,877	783	-	0	783
In-kind expense	5,281	15	22	5,318	4,156	85	4,281	8,522
Total Expenses	\$ 3,947,055	\$ 328,596	\$ 388,380	\$ 4,664,031	\$ 3,699,813	\$ 314,981	\$ 583,856	\$ 4,598,650

The accompanying notes are an integral part of these schedules.