

**GIRL SCOUT COUNCIL OF
THE NATION'S CAPITAL**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

Girl Scout Council of the Nation's Capital

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Independent Auditor's Report

Board of Directors
Girl Scout Council of the Nation's Capital
Washington, D.C.

We have audited the accompanying financial statements of the **Girl Scout Council of the Nation's Capital** (a nonprofit organization), which comprise the Statements of Financial Position as of September 30, 2018 and 2017 and the related Statements of Activities, Changes in Net Assets, Functional Expenses, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

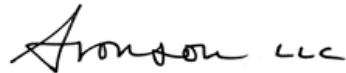
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Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Girl Scout Council of the Nation's Capital** as of September 30, 2018 and 2017 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.



Rockville, Maryland
January 16, 2019

Girl Scout Council of the Nation's Capital

Statements of Financial Position

<i>September 30,</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 1,318,261	\$ 1,252,715
Accounts receivable, net	189,748	156,752
Contributions receivable, net	37,412	238,945
Inventory	383,594	328,524
Prepaid expenses and deposits	416,179	472,237
Investments	12,536,856	9,738,025
Beneficial interest in perpetual trusts	90,230	90,230
Property and equipment, net	8,251,710	8,653,709
Total assets	\$ 23,223,990	\$ 20,931,137
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 438,886	\$ 435,306
Payroll and related liabilities	534,110	496,037
Deferred rent	893,465	875,793
Deferred revenue	11,420	47,820
Capital lease obligation	366,538	457,449
Note payable	50,305	56,035
Total liabilities	2,294,724	2,368,440
Net assets		
Unrestricted		
Board designated- operating reserve	9,005,646	6,786,096
Undesignated	8,268,270	8,026,405
Total unrestricted net assets	17,273,916	14,812,501
Temporarily restricted	1,809,894	1,919,740
Permanently restricted	1,845,456	1,830,456
Total net assets	20,929,266	18,562,697
Total liabilities and net assets	\$ 23,223,990	\$ 20,931,137

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Girl Scout Council of the Nation's Capital

Statements of Activities

<i>For the Years Ended September 30,</i>	2018			2017
	Operating	Capital	Total	Total
Changes in Unrestricted Net Assets				
Revenue, gains, and other support				
Sales	\$ 19,296,880	\$ -	\$ 19,296,880	\$ 18,131,357
Cost of Sales	6,622,487	-	6,622,487	6,080,968
Net Sales	12,674,393	-	12,674,393	12,050,389
Other Support				
Camping and other program fees	1,921,611	-	1,921,611	1,825,319
Foundation and corporate contributions	372,023	-	372,023	50,000
Annual giving campaigns	606,406	-	606,406	762,009
United Way designations	41,561	-	41,561	129,538
Interest and dividends	210,053	-	210,053	211,929
Other income	204,421	-	204,421	107,238
Net realized and unrealized gains on investments	621,389	-	621,389	816,013
Total other support	3,977,464	-	3,977,464	3,902,046
Net assets released from restrictions:				
Satisfaction of program restrictions	1,276,704	-	1,276,704	1,020,849
Total revenue, gains, and other support	17,928,561	-	17,928,561	16,973,284
Expenses				
Program services:				
Troop-type service	4,361,775	285,513	4,647,288	4,872,169
Camping and property	3,355,119	201,578	3,556,697	3,213,338
Day camp and outreach	1,370,631	76,724	1,447,355	1,373,429
Adult/volunteer development	3,062,472	190,114	3,252,586	3,459,842
Total program services	12,149,997	753,929	12,903,926	12,918,778
Support services:				
Fundraising	1,259,695	77,521	1,337,216	1,432,115
Management and general	1,154,034	71,970	1,226,004	1,113,792
Total support services	2,413,729	149,491	2,563,220	2,545,907
Total expenses	14,563,726	903,420	15,467,146	15,464,685
Increase (decrease) in unrestricted net assets	3,364,835	(903,420)	2,461,415	1,508,599
Changes in temporarily restricted net assets				
Foundation and corporate contributions	709,696	-	709,696	699,583
Individual giving contributions	457,162	-	457,162	388,880
Net assets released from restrictions	(1,276,704)	-	(1,276,704)	(1,020,849)
(Decrease) increase in temporarily restricted net assets	(109,846)	-	(109,846)	67,614
Changes in permanently restricted net assets				
Contributions	15,000	-	15,000	20,000
Increase in permanently restricted net assets	15,000	-	15,000	20,000
Increase (decrease) in net assets	\$ 3,269,989	\$ (903,420)	\$ 2,366,569	\$ 1,596,213

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Girl Scout Council of the Nation's Capital

Statements of Changes in Net Assets

For the Years Ended September 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, October 1, 2016	\$ 13,303,902	\$ 1,852,126	\$ 1,810,456	\$ 16,966,484
Change in net assets	1,508,599	67,614	20,000	1,596,213
Net Assets, September 30, 2017	14,812,501	1,919,740	1,830,456	18,562,697
Change in net assets	2,461,415	(109,846)	15,000	2,366,569
Net Assets, September 30, 2018	\$ 17,273,916	\$ 1,809,894	\$ 1,845,456	\$ 20,929,266

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Girl Scout Council of the Nation's Capital

Statement of Functional Expenses

<i>For the Year Ended</i> <i>September 30, 2018</i>	Program Services					Supporting Services			
	Troop-Type Service	Camping and Property	Day Camps and Outreach	Adult/Volunteer Development	Total Program Services	Fundraising	Management and General	Total	Total Expenses
Salaries	\$ 1,921,190	\$ 1,380,726	\$ 568,047	\$ 1,457,811	\$ 5,327,774	\$ 622,261	\$ 497,323	\$ 1,119,584	\$ 6,447,358
Staff health and retirement benefits	488,276	271,123	124,774	383,086	1,267,259	169,503	135,926	305,429	1,572,688
Payroll taxes	151,772	84,273	38,784	119,075	393,904	52,687	42,250	94,937	488,841
Total salaries and related expenses	2,561,238	1,736,122	731,605	1,959,972	6,988,937	844,451	675,499	1,519,950	8,508,887
Professional fees	101,911	259,074	100,078	123,007	584,070	23,129	107,426	130,555	714,625
Supplies	508,353	425,400	134,463	186,662	1,254,878	62,018	29,241	91,259	1,346,137
Communication	60,455	40,386	21,415	46,556	168,812	16,439	22,389	38,828	207,640
Postage and shipping	52,219	16,583	5,898	17,318	92,018	21,179	2,103	23,282	115,300
Occupancy	525,492	458,843	201,582	354,739	1,540,656	158,881	156,158	315,039	1,855,695
Rentals and maintenance	8,510	6,828	4,952	5,282	25,572	4,641	4,739	9,380	34,952
Outside printing and artwork	63,411	24,411	12,436	64,704	164,962	41,959	4,795	46,754	211,716
Transportation and related expenses	128,503	173,330	60,313	103,471	465,617	20,729	16,684	37,413	503,030
Adult conferences and conventions	4,182	17,769	5,800	9,222	36,973	1,246	2,037	3,283	40,256
Specific assistance to individual girls and adults	245,024	146,826	59,569	150,654	602,073	-	-	-	602,073
Dues for membership in other organizations	1,337	1,278	1,173	1,568	5,356	8,703	6,310	15,013	20,369
Interest	5,692	7,080	4,598	5,767	23,137	8,261	18,576	26,837	49,974
Bad debt expense	62,337	-	-	-	62,337	-	-	-	62,337
Miscellaneous	33,111	41,189	26,749	33,550	134,599	48,059	108,077	156,136	290,735
Total expenses before depreciation and amortization	4,361,775	3,355,119	1,370,631	3,062,472	12,149,997	1,259,695	1,154,034	2,413,729	14,563,726
Depreciation and amortization	285,513	201,578	76,724	190,114	753,929	77,521	71,970	149,491	903,420
Total expenses	\$ 4,647,288	\$ 3,556,697	\$ 1,447,355	\$ 3,252,586	\$ 12,903,926	\$ 1,337,216	\$ 1,226,004	\$ 2,563,220	\$ 15,467,146

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Girl Scout Council of the Nation's Capital

Statement of Functional Expenses

<i>For the Year Ended</i> <i>September 30, 2017</i>	Program Services					Supporting Services			Total Expenses
	Troop-Type Service	Camping and Property	Day Camps and Outreach	Adult/Volunteer Development	Total Program Services	Fundraising	Mangement and General	Total	
Salaries	\$ 2,103,711	\$ 1,109,082	\$ 513,572	\$ 1,626,695	\$ 5,353,060	\$ 685,500	\$ 517,264	\$ 1,202,764	\$ 6,555,824
Staff health and retirement benefits	490,103	258,384	119,647	378,973	1,247,107	159,702	120,507	280,209	1,527,316
Payroll taxes	159,301	83,984	38,890	123,180	405,355	51,909	39,169	91,078	496,433
Total salaries and related expenses	2,753,115	1,451,450	672,109	2,128,848	7,005,522	897,111	676,940	1,574,051	8,579,573
Professional fees	111,451	250,675	101,800	137,053	600,979	49,613	115,409	165,022	766,001
Supplies	414,539	436,804	125,148	159,117	1,135,608	48,887	20,586	69,473	1,205,081
Communication	65,323	43,309	21,670	48,653	178,955	13,774	14,433	28,207	207,162
Postage and shipping	64,753	18,327	6,916	24,337	114,333	30,138	1,801	31,939	146,272
Occupancy	506,004	407,235	192,104	346,564	1,451,907	132,581	154,175	286,756	1,738,663
Rentals and maintenance	13,445	6,984	5,259	10,022	35,710	4,417	4,086	8,503	44,213
Outside printing and artwork	87,572	18,226	10,047	63,860	179,705	39,609	6,547	46,156	225,861
Transportation and related expenses	142,625	120,525	61,480	114,689	439,319	18,616	11,739	30,355	469,674
Adult conferences and conventions	4,228	10,961	3,966	11,153	30,308	3,130	2,725	5,855	36,163
Specific assistance to individual girls and adults	224,436	162,510	64,414	148,418	599,778	-	-	-	599,778
Dues for membership in other organizations	167	4,052	1,069	905	6,193	5,693	4,569	10,262	16,455
Interest	29,199	20,615	7,846	19,443	77,103	7,928	7,360	15,288	92,391
Bad debt expense	84,709	-	-	-	84,709	80,000	-	80,000	164,709
Miscellaneous	94,289	66,582	25,349	62,791	249,011	25,595	23,770	49,365	298,376
Total expenses before depreciation and amortization	4,595,855	3,018,255	1,299,177	3,275,853	12,189,140	1,357,092	1,044,140	2,401,232	14,590,372
Depreciation and amortization	276,314	195,083	74,252	183,989	729,638	75,023	69,652	144,675	874,313
Total expenses	\$ 4,872,169	\$ 3,213,338	\$ 1,373,429	\$ 3,459,842	\$ 12,918,778	\$ 1,432,115	\$ 1,113,792	\$ 2,545,907	\$ 15,464,685

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Girl Scout Council of the Nation's Capital

Statements of Cash Flows

<i>For the Years Ended September 30,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 2,366,569	\$ 1,596,213
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	62,337	164,709
Loss on disposal of property and equipment	1,600	-
Realized and unrealized gains on investments and perpetual trusts	(621,389)	(816,013)
Depreciation and amortization	903,420	874,313
Proceeds from contributions restricted for investment in permanently restricted net assets	(15,000)	(20,000)
(Increase) decrease in assets		
Accounts receivable	(90,333)	(75,947)
Contributions receivable	196,533	13,776
Inventory	(55,070)	126,232
Prepaid expenses and deposits	56,058	(193,256)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	4,800	225,156
Payroll and related liabilities	38,073	122,228
Deferred revenue	(36,400)	47,820
Deferred rent	17,672	199,475
Net cash provided by operating activities	2,828,870	2,264,706
Cash flows from investing activities		
Proceeds from sales and maturities of investments	6,773,065	200,091
Purchases of investments	(8,950,507)	(307,404)
Capital expenditures	(503,021)	(510,920)
Net cash used by investing activities	(2,680,463)	(618,233)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in permanently restricted net assets	15,000	20,000
Principal payments on note payable	(6,950)	(7,898)
Principal payments on capital lease obligations	(90,911)	(62,482)
Principal payments on line-of-credit	(400,000)	(3,400,000)
Borrowings on line-of-credit	400,000	2,775,000
Net cash used by financing activities	(82,861)	(675,380)
Net change in cash and cash equivalents	65,546	971,093
Cash and cash equivalents, beginning of year	1,252,715	281,622
Cash and cash equivalents, end of year	\$ 1,318,261	\$ 1,252,715
Non-cash investing and financing activities		
Equipment obtained through capital leases	\$ -	\$ 519,931
Supplemental information		
Cash paid for interest	\$ 49,974	\$ 91,991

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Girl Scout Council of the Nation's Capital

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: The Girl Scout Council of the Nation's Capital ("the Council"), a nonprofit organization, was incorporated in the state of Virginia on January 1, 1963. The Council serves girls throughout the District of Columbia, eight counties in Maryland, ten counties in Virginia, and seven counties in West Virginia. The accompanying financial statements do not include financial data for individual Girl Scout Troops.

Description of Program and Supporting Services:

Troop-type Service:

The Council is the support organization of Girl Scouting in neighborhoods throughout the District of Columbia, eight counties in Maryland, ten counties in Virginia, and seven counties in West Virginia.

It is responsible for the recruitment of girls and adults and the formation of Girl Scout troops throughout the region. The Council develops programs for girls and troops, provides outreach to low-income and linguistically diverse populations, as well as providing the financial support to ensure equal access to programs and activities by all members.

Camping and Property:

The Council provides overnight and multi-day outdoor experiences that teach teamwork, cooperation, self-reliance, and leadership while enhancing girls' skills in numerous sports, crafts, arts, and outdoor related activities. The Council maintains nine properties, eight with developed campsites that are used as overnight camps, summer day programs, service unit and troop camping and training. The Council provides financial support for resident camping through camperships to girls.

Day Camps and Outreach:

The Council provides weeks of summer programs for girls that focus on self-awareness and skill building activities, as well as outdoor education, science, arts, and crafts. Some of the programs are located in economically depressed and/or at-risk areas or in neighborhoods where English is not the primary language, while others are more traditional and are located on campsites and in state parks. Through the day camps, the Council is able to serve the diverse population of girls in the region. The Council also provides financial support for day camps through camperships to girls.

Girl Scout Council of the Nation's Capital

Notes to Financial Statements

Adult/Volunteer Development

The Council facilitates volunteer involvement in scouting by providing the resources, the administrative and financial support, adult education courses, training for skills enhancement and safety, publications and communications materials, and the support services that enhance the delivery of the Girl Scout program.

Fundraising

The Council also secures private financial support, grants, in-kind gifts from families, individuals, foundations and corporations, and the United Way and Combined Federal Campaigns. The Council coordinates the Girl Scout alumni and planned giving program, as well as communicating the progress and activities of the Council to the donor community.

Management and General

The Council's resources are used to support a professional working environment, which allows for the coordination, articulation, and dissemination of the organization's mission and programs. The Council provides leadership support, guidelines, and policy for all the volunteers within the organization. The Council administers programs, using competent legal services if needed, for program administration and manages the financial and budgetary responsibilities of the Council.

Basis of presentation: The financial statements of the Council have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Net assets of the Council and changes therein are classified and reported as follows:

Unrestricted net assets – unrestricted net assets result from revenues derived from unrestricted contributions, investment income, and other inflows of assets that are not subject to donor-imposed stipulations. Unrestricted – board designated net assets consist of net assets designated by the Board for a specific use.

Girl Scout Council of the Nation's Capital

Notes to Financial Statements

Temporarily restricted net assets – The Council reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Temporary restricted net assets whose restrictions expire in the same year as received are classified as unrestricted revenue in the statements of activities.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Council. The restrictions stipulate that resources be maintained permanently, but permit the Council to expend the income generated in accordance with the provisions of the agreements.

Cash and cash equivalents: Cash and cash equivalents consist of deposits in checking, savings, and money market accounts, and all liquid debt instruments with original maturities of three months or less. Certain money market accounts intended for long-term investment are categorized as investments.

Inventory: Inventory, stated at net realizable value, consists of clothing, supplies, and other items sold in the Girl Scout shops. There is no cookie inventory because the cookie sales occur between February and April each year and all cookies are sold by year-end.

Investments: Investments are recorded at readily determinable fair values. The Council utilized readily available market prices to value its investments as of September 30, 2018 and 2017. Therefore, all assets are classified at Level 1 as defined under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820. Unrealized and realized gains and losses are included in the statements of activities.

Beneficial interest in perpetual trusts: The Council is the beneficiary of several trusts. Net unrealized gains and losses in these trusts are reported as restricted support based on the various donor gifts to the trusts which restrict distribution from the trust to interest and dividend income. The carrying value of these assets is equal to the estimated fair value of the underlying trust assets, which approximates the present value of the future cash flows to be derived from those trust accounts. The Council does not require collateral to secure its beneficial interest in perpetual trusts.

Girl Scout Council of the Nation's Capital

Notes to Financial Statements

Fair value: The Council values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes to the fair value methodologies used at September 30, 2018 and 2017, respectively.

Accounts and contributions receivable: Accounts receivable consists mainly of receivables from the cookie program, troop loans and donor pledges. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

The allowance method is used to determine doubtful accounts. The allowance for doubtful accounts is based on specifically identified amounts that the Council believes to be uncollectible. The Council also records an additional allowance for doubtful accounts based on certain percentages of aged receivables, which are determined based on management's historical experience and an assessment of general financial conditions. If actual collection experience changes, revisions to the allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. As of September 30, 2017 and 2016, the Council believes that the allowance for doubtful accounts is adequate. However, future write-offs might exceed the recorded allowance.

Financial instruments and credit risk: Financial instruments which potentially subject the Council to concentrations of credit risk consist principally of cash and investments held at creditworthy financial institutions. These investments are kept within limits designed to prevent risks caused by concentration. As of September 30, 2018 and 2017, the Council had no other significant concentration of credit risk, except as described in Note 2.

Girl Scout Council of the Nation's Capital

Notes to Financial Statements

Property and equipment, and depreciation: Land, buildings, and equipment are recorded at cost, or if donated, such assets are capitalized at the estimated fair market value at the date of receipt. The value of the land represents the historical cost at the date of acquisition. Depreciation of buildings and equipment is computed using the straight-line method with the following estimated useful lives:

Buildings and improvements	20 to 40 years
Camp equipment	5 to 15 years
Vehicles	4 years
Office equipment	3 to 15 years

The Council capitalizes all acquisitions of land, buildings, and equipment over \$2,500. When assets are sold or disposed of, the cost and corresponding accumulated depreciation and amortization are removed from the accounts with any gain or loss recognized currently. Expenditures for repairs and maintenance are charged to expense as incurred. Costs associated with leasehold improvements are amortized over the life of the lease. Costs associated with construction in progress are held until the asset is placed in service, at which point the asset is transferred out of construction in progress and depreciated over its estimated useful life. During the years ended September 30, 2018 and 2017, \$377,262 and \$151,570 of construction in progress was reclassified to buildings and improvements as the construction was completed. During the years ended September 30, 2018 and 2017, \$98,501 and \$31,687, respectively, remained as construction in progress.

It is not the Council's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support once placed in service.

Impairment of long-lived assets: The Council reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced to its current fair value by a charge to the statements of activities.

Deferred rent: The Council recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease. Differences between amounts recognized as expense and the amounts paid are recorded as deferred rent on the statements of financial position.

Girl Scout Council of the Nation's Capital

Notes to Financial Statements

Endowments: The Council has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As result of this interpretation, the Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The associated gains and income on donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The purposes that the Council will appropriate funds from the donor-restricted endowment fund;
2. General economic conditions;
3. The possible effect of inflation and deflation
4. The expected total return from income and the appreciation of investments;
5. Other resources of the Council; and
6. The investment policies of the Council

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 UPMIFA requires the Council to retain as a fund of perpetual duration.

Endowment Investment and Spending Policies – The objective of the Endowment Fund is principal preservation pursued as a long-term goal designed to maximize the income returns without exposure to undue risk. It is understood that fluctuating rates of return are characteristic of the securities markets. This fund has a long-term performance horizon of 3-5 years.

For purposes of measuring performance:

1. The total return, net of investment expenses, will be compared to an index comprised of a blend of indices whose mix approximates the mix of the Endowment Fund.
2. The total return, net of investment expenses, of each investment manager will be evaluated against an appropriate individual benchmark and a peer universe.

Girl Scout Council of the Nation's Capital

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For purposes of measuring performance, total return is defined as all dividends and interest and both realized and unrealized gains and losses reduced by investment expenses and fees.

To satisfy its long-term rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Council's fiscal policy governs the use of resources in the endowment fund for scholarships, camperships, and financial assistance for programs. Endowment funds are used for the specified purpose, or over the specified time period, designated by the donor. The use of the endowment funds is incorporated into the operating budget process.

Revenue recognition:

Sales – Sales are recognized as revenue when the customer receives and pays for goods with cash. For online sales shipped to customers, sales are recognized at the time the customer has received the goods.

Camping and other program fees – Revenue from camping and other program fees are recognized when the services have been rendered.

Contributions – The Council recognizes all contributions as revenue in the period received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the presence or absence of donor stipulations that limit the use of the contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. SHARE is a contribution campaign wherein families and friends can donate to help make Girl Scouting possible.

Annual giving campaigns – Revenue from the annual giving campaigns is recognized when a pledge or contribution is received in accordance with contribution revenue policies.

Deferred revenue – Payments received in advance of an event and not yet earned is deferred to the applicable period.

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Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services: A substantial number of volunteers have donated significant amounts of time to the Council's program services and to its fund-raising campaigns. Although the value of these services is significant, the Council does not record such value in its financial statements since the criteria for recognition are not met.

Income tax status: The Council is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation within the meaning of Section 509(a)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes is recognized in the financial statements.

Uncertainty in income taxes: The Council evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement and is recognized in the financial statements. As of September 30, 2018 and 2017, The Council recognized no uncertain tax positions nor accrued interest and penalties associated with uncertain tax positions. If applicable, The Council records interest and penalties as a component of income tax expense. Tax years from 2015 through the current year remain open for examination by tax authorities.

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

New accounting standard adopted: In July 2015, the FASB issued Accounting Standards Update 2015-11 (ASU 2015-11) *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in ASU 2015-11 require an entity to measure inventory at the lower of cost or net realizable value. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016. A reporting entity should apply the amendments prospectively to all periods presented. Management elected to adopt this ASU 2015-11 in the accompanying financial statements as of October 1, 2017. There were no changes to the value of inventory reported for the year ended September 30, 2018 as a result of adopting ASU 2015-11.

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Reclassification: Certain 2017 balances have been reclassified to conform with 2018 presentation.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through January 16, 2019, which is the date the financial statements were available to be issued.

2. Uninsured cash balances The Council maintains cash balances at several financial institutions. At times, during the year, these balances may exceed federally insured limits. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

3. Accounts receivable Accounts receivable consist of the following at:

September 30,	2018	2017
Cookie receivables	\$ 60,081	\$ 49,937
Other receivables	160,167	137,315
Total Receivables	220,248	187,252
Less: allowance for doubtful accounts	(30,500)	(30,500)
Net accounts receivable	\$ 189,748	\$ 156,752

4. Contributions receivable Contributions receivable consist of the following at:

September 30,	2018	2017
Unconditional promises to give	\$ 117,412	\$ 318,945
Less: Allowance for doubtful accounts	(80,000)	(80,000)
Net unconditional promises to give	\$ 37,412	\$ 238,945

No discount has been recorded for the year ended September 30, 2018 and 2017 as the overall amount would be immaterial to the financial statements.

The expected future cash receipts of contributions receivable are as follows at:

September 30,	2018	2017
Amounts due in:		
Less than one year	\$ 79,412	\$ 209,244
One to five years	38,000	109,701
Unconditional promises to give before allowance for doubtful accounts	\$ 117,412	\$ 318,945

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Notes to Financial Statements

5. Fair value Investments, at fair value, consist of the following at:

September 30, 2018	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Corporate securities	\$ 1,048,810	\$ 1,048,810	\$ -	\$ -
Exchange traded funds	3,606,018	3,606,018	-	-
Government securities	1,991,565	1,991,565	-	-
Mutual funds	5,680,498	5,680,498	-	-
Money market funds	209,965	209,965	-	-
Total investments	\$ 12,536,856	\$ 12,536,856	\$ -	\$ -

September 30, 2017	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Corporate securities	\$ 809,119	\$ 809,119	\$ -	\$ -
Corporate bonds	2,485,170	2,485,170	-	-
Mutual funds	6,214,979	6,214,979	-	-
Money market funds	228,757	228,757	-	-
Total investments	\$ 9,738,025	\$ 9,738,025	\$ -	\$ -

6. Investment income Investment income consisted of the following for the years ended September 30:

	2018	2017
Interest and dividends	\$ 210,053	\$ 211,929
Net realized and unrealized gain on investments	621,389	816,013
Total investment income	\$ 831,442	\$ 1,027,942

Investment expenses that are offset against interest and dividends were \$69,307 and \$69,693 for the years ended September 30, 2018 and 2017, respectively.

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Notes to Financial Statements

7. Property and equipment

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

	2018	2017
Land	\$ 1,837,677	\$ 1,837,677
Building and Improvements		
Aquasco	466,835	466,835
Brighton Woods	2,381,272	2,328,697
Coles Trip	1,923,830	1,908,470
Crowell	507,243	634,882
May Flather	224,666	224,666
Potomac Woods	1,731,573	1,751,725
White Rock	736,399	688,028
Winona	4,718,637	4,770,229
Leasehold improvements – headquarters	543,293	543,293
Frederick, VA Archive Center	207,750	200,000
Martinsburg Office Space	67,270	39,668
Total building and improvements	13,508,768	13,556,493
Equipment		
Office equipment	250,569	253,210
Equipment under capital lease	519,931	519,931
Vehicles	133,407	133,407
Camp and program equipment	45,965	12,587
Potomac Woods	69,236	69,236
Aquasco	23,029	4,579
Coles Trip	30,081	21,179
May Flather	37,057	37,057
White Rock	13,680	13,680
Winona	35,508	27,194
Total equipment	1,158,463	1,092,060
Construction in progress	98,501	31,687
Total Property and equipment at cost	16,603,409	16,517,917
Less: Accumulated depreciation and amortization	(8,351,699)	(7,864,208)
Property and equipment, net	\$ 8,251,710	\$ 8,653,709

The Council leases, for a nominal value, the land on which Camp May Flather is located from the National Park Service and a portion of the land used for Camp Aquasco from the Maryland Capital Parks and Planning Commission.

Depreciation expense for the years ended September 30, 2018 and 2017 was \$843,867 and \$814,760, respectively. Amortization expense for the years ended September 30, 2018 and 2017 was \$59,553 for each year.

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Notes to Financial Statements

- 8. Note payable** In August 2014, the Council received donated land in Brookeville, Maryland from an individual donor and issued a deed of trust agreement (the agreement) between the Council and the donor to execute the purchase and donation of the land. At the time of the donation, the land was appraised at \$350,000. As part of the agreement, the Council was required to pay the donor \$50,000 in cash and issue a note payable amounting to \$75,000. The remaining amount of \$225,000 was recorded as a contribution from the donor and included in the statement of activities. The note bears a 4% interest rate, payable in 40 regular payments of \$2,284 starting in November 2014. As of September 30, 2018 and 2017, principal payments of \$6,950 and \$6,679, respectively, have been made.

Future maturities of the note payable are as follows:

Years Ending September 30,	Amount
2019	\$ 7,232
2020	7,526
2021	7,831
2022	8,149
2023	8,480
and thereafter	11,087
Total	\$ 50,305

Interest expense for the years ended September 30, 2018 and 2017 was \$2,187 and \$2,458, respectively.

- 9. Line-of-credit** During the years ended September 30, 2018 and 2017, the Council had an unsecured \$4,000,000, line-of-credit with Capital One Bank. At September 30, 2018 and 2017, the balance of the line-of-credit was \$0. The interest rate on this line-of-credit as of was LIBOR plus 2.5%, which was 4.68% and 3.73% as of September 30, 2018 and 2017, respectively. The line had a maturity date of June 30, 2018 and was renewed with a maturity date of June 30, 2019.
- 10. Board designated net assets** The Board established a fund called the “Operating Reserve”. In accordance with the guidelines of Girl Scouts of the USA, it is the goal of the Council to build a reserve fund equal to 50% of annual operating expenses. The fund is currently at 61.8% and 47% for the years ended September 30, 2018 and 2017, respectively.

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Notes to Financial Statements

- 11. Temporarily restricted net assets** Temporarily restricted net assets were available for the following purposes as of September 30:

	2018	2017
Camp programs	\$ 10,000	\$ 10,000
Troop-type service	1,737,864	1,828,480
Acquisition of land, building, and equipment	62,030	81,260
Total temporarily restricted net assets	\$ 1,809,894	\$ 1,919,740

- 12. Net assets released from restrictions** Net assets were released from donor restrictions during the years ended September 30, 2018 and 2017 by incurring expenses satisfying the purpose of restrictions specified by donors, as follows:

	2018	2017
Camp programs	\$ 93,100	\$ 76,980
Troop-type service	1,016,165	859,869
Acquisition of land, building, and equipment	167,439	84,000
Total net assets released from restrictions	\$ 1,276,704	\$ 1,020,849

- 13. Permanently restricted net assets** Permanently restricted net assets consisted of the following as of September 30:

	2018	2017
Ewing Fund for Campership	\$ 15,578	\$ 15,578
Schwartz/Wolff Foundation Fund	18,208	18,208
Juliette Low Society	430,153	415,153
Phillips Gold Award Fund	250,000	250,000
Samuel Rosenstock Irrevocable Trust	225,277	225,277
Pangborn Trust	38,150	38,150
Shingleton Trust	41,913	41,913
Eva Woolridge Scholarship Fund	54,864	54,864
Verhage Campership Fund	754,149	754,149
Bobby Lerch Endowment Fund	17,164	17,164
	\$ 1,845,456	\$ 1,830,456

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Notes to Financial Statements

14. Sales

For the year ended September 30, 2018:

	Cookies	Fall Sale	Girl Scout Shops	Total
Sales	\$ 16,098,518	\$ 1,409,784	\$ 1,788,578	\$ 19,296,880
Cost of Sales	5,095,923	596,174	930,390	6,622,487
Net Sales	\$ 11,002,595	\$ 813,610	\$ 858,188	\$ 12,674,393

For the year ended September 30, 2017:

	Cookies	Fall Sale	Girl Scout Shops	Total
Sales	\$ 15,057,867	\$ 1,264,674	\$ 1,808,816	\$ 18,131,357
Cost of Sales	4,622,975	526,018	931,975	6,080,968
Net Sales	\$ 10,434,892	\$ 738,656	\$ 876,841	\$ 12,050,389

Cookie sales are net of \$3,233,754 and \$3,167,116 retained by troops for the years ended September 30, 2018 and 2017, respectively. Fall sales are net of \$271,275 and \$215,760 retained by troops for the years ended September 30, 2018 and 2017 respectively.

Net revenues from product sales represented approximately 71.1% and 70.7% of unrestricted revenues and other support for the years ended September 30, 2018 and 2017, respectively.

15. Annual giving campaigns

Annual giving campaigns revenue consists of the following:

September 30,	2018	2017
SHARE	\$ 512,104	\$ 619,822
Major Gifts	94,302	142,187
	\$ 606,406	\$ 762,009

The annual giving campaign for the Women of Distinction is included in temporarily restricted revenue in the accompanying Statements of Activities and Changes in Net Assets for the current year as the amounts are collected each year for the upcoming year. The amounts are recognized as unrestricted revenue in the following year and shown in the net assets released from restrictions.

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16. Employee benefit plan

The Council participates in the National Girl Scout Council Retirement Plan (NGSCRCP), 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. This obligation is held at NGSCRCP. Contributions made by the Council in fiscal year 2018 and 2017 were \$725,541 and \$774,586, respectively.

During the year ended September 30, 2011, as a result of the National Girl Scout Council Retirement Plan being frozen, the Board of Directors appointed an Ad-Hoc Committee to develop a new single employer retirement plan for the Council's employees. The Ad Hoc Committee worked with the Council's management to design a defined contribution plan that would include a 3% non-discretionary contribution by the Council for all employees who met the eligibility requirements and, in addition, the Council would also match up to 2% of the contribution made by each eligible employee to their retirement savings. This retirement plan was started in April 2011; however, the Board of Directors approved a retroactive January 1, 2011 effective date for all eligible employees. The Council's pension expense and contributions to the new plan for the years ended September 30, 2018 and 2017 were \$241,559 and \$239,693, respectively. Employees are fully vested in the Council's non-discretionary contributions immediately, and are fully vested in the Council's matching contributions after 3 years of service.

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Notes to Financial Statements

17. Commitments and contingencies

The Council has commitments under operating leases, expiring at various times through the year 2027, for office space and equipment. Some leases have scheduled rental increases and some contain options to renew.

Minimum rental payments under non-cancelable operating leases are as follows:

Years Ending September 30,	Total
2019	\$ 1,087,908
2020	1,055,532
2021	1,082,500
2022	1,110,191
2023	1,138,623
Thereafter	3,909,458
Total	\$ 9,384,212

Rent expense was \$1,169,131 and \$ \$1,088,518 for the years ended September 30, 2018 and 2017, respectively.

18. Capital lease

The Council is obligated for a lease of equipment as a lessee under an agreement that is classified as a capital lease. The following is a schedule by year of the future minimum lease payments under the capital lease together with the net present value of the minimum lease payments as of September 30, 2018:

Years ending September 30,	Total
2019	\$ 132,564
2020	132,564
2021	132,564
2022	33,141
Subtotal	430,833
Amount representing interest	(64,295)
Net present value of future minimum lease payments	\$ 366,538
Capital lease asset	
Original asset value	\$ 519,931
Less: Depreciation amortization	(181,976)
Net book value at year end	\$ 337,955
Depreciation expense	\$ 103,986

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Notes to Financial Statements

19. Endowments The Council's endowment consists of donor endowed contributions established for the purpose of funding scholarships and financial assistance to Girl Scouts. Net assets associated with the endowment funds are classified and reported on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

Endowments	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments, September 30, 2017	\$ -	\$ -	\$ 1,830,456	\$ 1,830,456
Investment return				
Investment income	110,444	-	-	110,444
Net depreciation (realized and unrealized)	(100,222)	-	-	(100,222)
Total investment return	10,222	-	-	10,222
Contribution and transfers in	-	-	15,000	15,000
Appropriation of endowment income for expenditure	(10,222)	-	-	(10,222)
Endowments, September 30, 2018	\$ -	\$ -	\$ 1,845,456	\$ 1,845,456

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Changes in endowment net assets for the year ended September 30, 2017 are as follows:

Endowments	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments, September 30, 2016	\$ -	\$ -	\$ 1,810,456	\$1,810,456
Investment Return				
Investment Income	54,043	-	-	54,043
Net depreciation (realized and unrealized)	(9,976)	-	-	(9,976)
Total investment return	44,067	-	-	44,067
Contribution and transfers in	-	-	20,000	20,000
Appropriation of endowment income for expenditure	(44,067)	-	-	(44,067)
Endowments, September 30, 2017	\$ -	\$ -	\$ 1,830,456	\$1,830,456

20. Subsequent event

Subsequent to the year ended September 30, 2018, the Council received a gift agreement signed on December 31, 2018 for the donation of 638.71 acres of residentially zoned land. The land is located in upper Marlboro, Maryland. The gift agreement has been submitted to Prince George's County for review and approval. The review process takes eight to twelve weeks. Once the review is completed, as long as both parties are in agreement with any findings, the deed transfer will be recorded. The valuation of the land is still in process.