GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

Detroit, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2017 and 2016

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

TABLE OF CONTENTS
As of and for the Years Ended September 30, 2017 and 2016

Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 - 8
Notes to Financial Statements	9 - 26

BAKER TILLY

INDEPENDENT AUDITORS' REPORT

Board of Directors
Girl Scouts of Southeastern Michigan
Detroit, Michigan

We have audited the accompanying financial statements of Girl Scouts of Southeastern Michigan (the "Organization"), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses 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 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 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 the Organization 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.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
January 17, 2018

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

STATEMENTS OF FINANCIAL POSITION
As of September 30, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 2,730,887	$ 2,385,755
Pledges receivable, current portion	1,725	2,210
Accounts receivable - net of allowance	84,327	58,574
Inventory held for resale	396,321	385,255
Prepaid expenses	204,992	211,550
Current portion of notes receivable	10,982	-
Total Current Assets	3,429,234	3,043,344
PROPERTY AND EQUIPMENT, NET	8,842,772	9,131,530
OTHER ASSETS		
Investments	6,047,779	6,086,204
Beneficial interests in charitable remainder and perpetual trusts	614,982	585,991
Pledges receivable - net of current portion and allowance	-	20,000
Notes receivable, less current portion	719,249	-
Total Other Assets	7,382,010	6,692,195
TOTAL ASSETS	$ 19,654,016	$ 18,867,069

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 418,084	$ 437,175
Deferred revenue	146,160	142,048
Total Current Liabilities	564,244	579,223
NET ASSETS		
Unrestricted - undesignated	18,071,199	17,324,510
Temporarily restricted	226,273	200,427
Permanently restricted	792,300	762,909
Total Net Assets	19,089,772	18,287,846
TOTAL LIABILITIES AND NET ASSETS	$ 19,654,016	$ 18,867,069

See accompanying notes to financial statements.

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
PUBLIC SUPPORT				
Grants	$ 82,811	$ -	$ -	$ 82,811
Contributions	189,292	233,002	-	422,294
Special events	78,343	-	-	78,343
In-kind contributions	30,140	-	-	30,140
Change in beneficial interest	-	-	29,391	29,391
Net assets released from restrictions	207,156	(207,156)	-	-
Total Public Support	587,742	25,846	29,391	642,979
REVENUE				
Cookie and fall product revenue	12,923,483	-	-	12,923,483
Less: Direct costs	(5,746,516)	-	-	(5,746,516)
Product sales gross profit	7,176,967	-	-	7,176,967
Merchandise sales	952,774	-	-	952,774
Less: Cost of sales	(598,202)	-	-	(598,202)
Merchandise sales gross profit	354,572	-	-	354,572
Product and merchandise sales gross profit	7,531,539	-	-	7,531,539
Program service fees	558,187	-	-	558,187
Investment income	477,674	-	-	477,674
Rental income	17,797	-	-	17,797
Miscellaneous income	69,522	-	-	69,522
Total Net Revenue	8,654,719	-	-	8,654,719
Total Public Support and Net Revenue	9,242,461	25,846	29,391	9,297,698
FUNCTIONAL EXPENSES				
Program	7,835,681	-	-	7,835,681
Management and general	740,446	-	-	740,446
Fundraising	430,031	-	-	430,031
Total Functional Expenses	9,006,158	-	-	9,006,158
CHANGES IN NET ASSETS BEFORE OTHER ITEMS	236,303	25,846	29,391	291,540
OTHER ITEMS				
Gain on sale of property and equipment	510,386	-	-	510,386
CHANGE IN NET ASSETS	746,689	25,846	29,391	801,926
NET ASSETS - Beginning of Year	17,324,510	200,427	762,909	18,287,846
NET ASSETS - END OF YEAR	$ 18,071,199	$ 226,273	$ 792,300	$ 19,089,772

See accompanying notes to financial statements.

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
PUBLIC SUPPORT				
Grants	$ 63,840	$ -	$ -	$ 63,840
Contributions	210,894	168,775	2,500	382,169
Special events	66,854	-	-	66,854
In-kind contributions	23,690	-	-	23,690
Change in beneficial interest	-	-	13,913	13,913
Release from restriction	195,369	(195,369)	-	-
Total Public Support	560,647	(26,594)	16,413	550,466
REVENUE				
Cookie and fall product revenue	12,434,791	-	-	12,434,791
Less: Direct costs	(5,486,141)	-	-	(5,486,141)
Product sales gross profit	6,948,650	-	-	6,948,650
Merchandise sales	1,084,578	-	-	1,084,578
Less: Cost of sales	(694,144)	-	-	(694,144)
Merchandise sales gross profit	390,434	-	-	390,434
Product and merchandise sales gross profit	7,339,084	-	-	7,339,084
Program service fees	546,558	-	-	546,558
Investment income	299,409	-	-	299,409
Rental income	26,903	-	-	26,903
Miscellaneous income	140,815	-	-	140,815
Total Net Revenue	8,352,769	-	-	8,352,769
Total Public Support and Net Revenue	8,913,416	(26,594)	16,413	8,903,235
FUNCTIONAL EXPENSES				
Program	7,620,410	-	-	7,620,410
Management and general	494,212	-	-	494,212
Fundraising	420,177	-	-	420,177
Total Functional Expenses	8,534,799	-	-	8,534,799
CHANGES IN NET ASSETS BEFORE OTHER ITEMS	378,617	(26,594)	16,413	368,436
OTHER ITEMS				
Gain on sale of property and equipment	94,206	-	-	94,206
CHANGES IN NET ASSETS	472,823	(26,594)	16,413	462,642
NET ASSETS - Beginning of Year	16,851,687	227,021	746,496	17,825,204
NET ASSETS - END OF YEAR	$ 17,324,510	$ 200,427	$ 762,909	$ 18,287,846

See accompanying notes to financial statements.

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 801,926	$ 462,642
Adjustments to reconcile change in net assets to net cash flows used in operating activities		
Depreciation and amortization	912,445	595,477
Bad debts	33,090	53,309
Change in beneficial interests	(29,391)	(13,913)
Gain on sale of property and equipment	(510,386)	(94,206)
Realized and unrealized gains on investments	(632,958)	(420,734)
Changes in assets and liabilities		
Pledges and accounts receivable	(38,358)	(96,341)
Inventory held for sale	(11,066)	(51,621)
Prepaid expenses	6,558	(58,283)
Accounts payable and accrued expenses	(19,091)	(381,482)
Deferred revenue	4,112	7,517
Net Cash Flows used in Operating Activities	516,881	2,365
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,131,851)	(209,107)
Proceeds from sale of property and equipment	281,927	113,363
Proceeds from sale of investments	671,383	374,475
Payments received from notes receivable	6,392	-
Net Cash Flows provided by Investing Activities	(172,149)	278,731
Net Change in Cash and Cash Equivalents	344,732	281,096
CASH AND CASH EQUIVALENTS - Beginning of Year	2,385,755	2,104,659
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,730,487	$ 2,385,755
Noncash investing and financing activities:		
Issuance of notes receivable from sale of property	$ 736,623	$ -

See accompanying notes to financial statements.

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2017

	Troop-Related Programs	Troop and Resident Camping	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 2,747,185	$ 341,831	$ 3,089,016	$ 182,712	$ 257,911	$ 3,529,639
Employee benefits	440,999	39,882	480,881	28,688	29,770	539,339
Payroll tax expense	202,563	27,792	230,355	35,416	20,841	286,612
Total Salaries and Related Expenses	3,390,747	409,505	3,800,252	246,816	308,522	4,355,590
Professional Fees	495,987	38,606	534,593	240,108	21,052	795,753
Supplies	533,373	90,557	623,930	9,723	24,568	658,221
Telephone	152,775	30,688	183,463	14,266	8,019	205,748
Postage	54,864	519	55,383	1,302	2,904	59,589
Occupancy	510,378	114,638	625,016	33,293	36,842	695,151
Building repairs and maintenance	40,453	146,514	186,967	3,773	369	191,109
Utilities	47,932	82,354	130,286	1,824	1,794	133,904
Real estate taxes	-	58,945	58,945	-	-	58,945
Printing	152,731	12,905	165,636	1,592	10,778	178,006
Transportation	94,659	18,129	112,788	7,226	1,728	121,742
Conference and meetings	28,329	4,857	33,186	24,492	1,375	59,053
Financial assistance	164,252	28,588	192,840	-	-	192,840
Equipment rental and maintenance	53,232	4,377	57,609	20,468	2,711	80,788
Insurance	67,108	76,936	144,044	29,882	6,817	180,743
Camper insurance	2,421	783	3,204	-	-	3,204
Miscellaneous	58,768	15,341	74,109	46,666	2,552	123,327
Depreciation	-	853,430	853,430	59,015	-	912,445
Total Functional Expenses	$ 5,848,009	$ 1,987,672	$ 7,835,681	$ 740,446	$ 430,031	$ 9,006,158
Percentage of Total Functional Expenses	64.93 %	22.07 %	87.00 %	8.22 %	4.78 %	100.00 %

See accompanying notes to financial statements.

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2016

	Troop-Related Programs	Troop and Resident Camping	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 2,837,101	$ 300,014	$ 3,137,115	$ 145,866	$ 247,765	$ 3,530,746
Employee benefits	437,511	19,763	457,274	21,758	20,479	499,511
Payroll tax expense	278,971	25,985	304,956	25,698	21,294	351,948
Total Salaries and Related Expenses	3,553,583	345,762	3,899,345	193,322	289,538	4,382,205
Professional Fees	497,750	13,843	511,593	114,790	22,419	648,802
Supplies	596,423	101,175	697,598	8,402	16,845	722,845
Telephone	150,604	24,458	175,062	7,948	6,959	189,969
Postage	27,107	4,574	31,681	974	2,378	35,033
Occupancy	604,284	52,990	657,274	21,872	47,194	726,340
Building repairs and maintenance	46,362	133,889	180,251	456	576	181,283
Utilities	53,075	95,984	149,059	1,309	2,657	153,025
Real estate taxes	-	3,482	3,482	-	-	3,482
Printing	111,416	13,082	124,498	4,169	12,592	141,259
Transportation	79,352	24,909	104,261	6,813	1,164	112,238
Conference and meetings	31,032	5,138	36,170	16,150	4,860	57,180
Financial assistance	145,123	27,193	172,316	-	-	172,316
Equipment rental and maintenance	40,745	12,648	53,393	7,020	1,600	62,013
Insurance	81,648	62,316	143,964	26,654	7,069	177,687
Camper insurance	5,788	1,076	6,864	-	-	6,864
Miscellaneous	137,706	2,941	140,647	21,808	4,326	166,781
Depreciation	-	532,952	532,952	62,525	-	595,477
Total Functional Expenses	$ 6,161,998	$ 1,458,412	$ 7,620,410	$ 494,212	$ 420,177	$ 8,534,799
Percentage of Total Functional Expenses	72.20 %	17.09 %	89.29 %	5.79 %	4.92 %	100.00 %

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Girl Scouts of Southeastern Michigan ("GSSEM" or the "Council") is a 501 (c)(3) tax exempt, charitable, local council chartered by Girl Scouts of the USA that provides support for Girl Scouting and Girl Scout Troops in Southeastern Michigan. GSSEM builds girls of courage, confidence and character who make the world a better place. The Council provides a girl-centered, fun-filled, quality leadership experience that meets the needs of today's girls. Partnering with mentoring adults and infused with the principles of inclusion and diversity, GSSEM stands as the premier leadership development organization for girls within Southeastern Michigan.

The Council proudly serves more than 24,000 girls in Genesee, Lapeer, Macomb, Oakland, Sanilac, and St. Clair Counties, as well as parts of Livingston, Monroe and Wayne Counties. These girls are supported by nearly 7,000 adult volunteers. The Council's operations are funded primarily through the sale of products and the receipt of donations and grants.

The Council has been issued a Girl Scout council charter by Girl Scouts of the USA, granting it the right to develop, manage and maintain Girl Scouting in its chartered area of jurisdiction, which is established by the National Board of Directors of Girl Scouts of the USA.

Major Programs

The programs offered by GSSEM help girls recognize their uniqueness as individuals by showing them new ways to perceive their world and exposing them to the rich diversity in which they live, and emphasizing critical decision-making and problem solving techniques for dealing with modern-day issues that concern girls the most.

Girl Scout Leadership Journeys - A Girl Scout journey represents a new way that girls can experience Girl Scouting. Each journey is a coordinated series of activities grouped around one central theme that is delivered over a set period of time with the intention of being a complete leadership experience module, and each journey has a specific leadership award associated with it. As girls journey through the challenges in the books, they earn Girl Scouting's prestigious new leadership pins and badges.

Each journey is linked to the "Discover, Connect and Take Action" philosophy of leadership and is tied to national outcomes for girls. Activities engage girls in practicing leadership skills, based on the values of the Girl Scout Promise and Law.

Outdoor Camp Programs - Troop, residential and day camp experiences are integral to the Girl Scout mission. Our camps have become a center for progressive outdoor programs that are focused on enhancing the personal growth of girls. Girls or their troops can participate in a variety of year-round outdoor programming experiences such as swimming, canoeing, nature classes, archery, challenge courses, crafts and orienteering.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Nature of Activities (cont.)

Entrepreneurship Skills Gained Through Product Sales Programs - Each year, GSSEM offers the girls the opportunities to sell cookies and fall products (nuts and magazines) to support the activities of their troops and the Council. These opportunities allow the girls to experience the business sales and money management process through goal setting, budgeting, advance order taking, order fulfillment, record keeping and direct sales. As a result of this annual experience, the girls refine their skills and are rewarded for their achievements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, with revenues being recorded when earned and expenses when incurred, except for revenue from grants and pledges that represent an unconditional promise to give, which are recorded when notification is received from the donor. The financial reports have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Council considers all highly liquid investments, such as money market funds and certificates of deposit, with an original maturity of ninety days or less, to be cash equivalents, except for cash equivalents maintained in the Council's investment accounts. The Council maintains its cash balances with major financial institutions operating in the State of Michigan. At times throughout the year, the Council may have bank balances that exceed federally insured limits. Management does not believe the Council is exposed to any unusual credit or interest rate risk on such uninsured balances. Cash balances are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC").

Various Troop bank accounts may be established under the Council's tax identification number. All Troop accounts are maintained for the benefit of the girls within the respective troop. These funds are not under the financial control of the Council and have been appropriately excluded from the financial statements.

Inventory Held for Resale

Inventory, which consists of Girl Scout related merchandise for resale, is stated at the lower of cost or market, with cost determined on the weighted average basis.

Pledges and Accounts Receivable

Pledges and accounts receivable are stated at the amount management expects to collect from outstanding balances. The Council provides for probable uncollectible amounts through an expense in the statements of activities and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Council has attempted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Pledges and Accounts Receivable (cont.)

The allowance for doubtful accounts receivable was $95,303 and $114,771 at September 30, 2017 and 2016, respectively. The allowance for uncollectible pledges was $0 and $650 at September 30, 2017 and 2016, respectively.

Beneficial Interest in Charitable Remainder and Perpetual Trusts / Split-Interest Agreements

Certain donors to the Council have entered into irrevocable trust arrangements under which the Council (and in some cases other beneficiaries) is entitled to receive future benefits. These types of arrangements, known as "split-interest agreements", include perpetual trusts and charitable remainder trusts and are accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 958.

Under a perpetual trust, a donor requires that the trust's assets must be held in perpetuity, and stipulates the amount or percentage of trust income distributions that the Council may receive. Generally, such distributions bear no donor restrictions. Management annually estimates the present value of estimated future distributions from the trusts and records any material change in value as either an increase or decrease to the beneficial interest and permanently restricted net assets.

Under a charitable remainder trust, a donor indicates that the Council is to receive the trust's "remainder" after other beneficiaries receive their required distributions. Often, multiple beneficiaries are entitled to distributions before the Council receives the remainder. Such distributions may or may not be limited to the trust's income, and the actual ages and number of beneficiaries may vary widely. Further, demographic information about these beneficiaries may not be available to the Council. As a result, there are inherent uncertainties in determining the present value of the remainder interest. Accordingly, the Council does not estimate a value for any remainder interest where management believes accurate information about beneficiaries, underlying trust assets and or the nature of distributions available to beneficiaries are not reasonably determinable.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Beneficial Interest in Assets Held by Community Foundations

Three of the Legacy Councils established endowment funds that are held and managed with various community foundations (unrelated nonprofit foundations). One of the Legacy Councils also made a "reciprocal transfer" of $25,000, as defined by FASB ASC Topic 958. In addition to the reciprocal transfer made by the Council, third-party donors may also make contributions to the funds for the benefit of the Council. The community foundations have explicit variance power over the third-party gifts in the funds; therefore, in accordance with FASB ASC Topic 958, the interest and principal balance related to the third party gifts is not reflected in the financial statements unless and until distributed. Earnings are available for distribution to the Council for operations at the discretion of the various community foundations.

At September 30, 2017 and 2016, the unrecorded fair value of the assets held by community foundations are as follows:

	2017	2016
Community Foundation of Greater Flint	$ 858,019	$ 791,826
Community Foundation for Southeast Michigan	67,490	60,725
Community Foundation of St. Clair County	28,901	23,966
Community Foundation of Sanilac County	1,431	1,340
Total Assets Held at Community Foundations	955,841	877,857
Less: Reciprocal transfer (Southeast Michigan)	(25,000)	(25,000)
Fair Value of Third-Party Contributions Held by Community Foundations	$ 930,841	$ 852,857

Investments

Investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which is considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Council records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Realized gains and losses are measured based on the difference between net selling price and original cost or other basis. Unrealized gains and losses are calculated using the difference between fair value at the beginning of the period and end of the period for investments held for the entire period, and the difference between cost and fair value at the end of the period for investments purchased during the period.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in unrestricted net assets at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. The Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. Management annually reviews these assets to determine whether carrying values have been impaired.

Impairment of Long-Lived Asset

The Council reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No impairment losses were recognized in 2017 or 2016.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Unrestricted - Board Designated Net Assets - Net assets designated for specific purposes by action of the board of directors.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Council pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit organizations to use all or a part of the income earned on related investments for general or specific purposes.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Tax-Exempt Status

Girl Scouts of Southeastern Michigan has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes on related activity.

The Council follows guidance included in an accounting standard related to the accounting for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Council recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority.

Based on its evaluation, the Council has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

Revenue Recognition

Contributions, including grants and pledges representing an unconditional promise to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Council reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Product Sales

The Council recognizes revenue from product sales when the product is delivered to the troops. Consistent with the recommendations of Girl Scouts of the USA, the statements of activities present gross revenue the Council receives from these sales less the direct cost of the product and the proceed amounts retained by the troops. Net revenue from cookie, fall product and merchandise sales comprised approximately 81% and 83% of total net revenue for the years ended September 30, 2017 and 2016, respectively.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, salaries and related expenses are charged to the various categories of program and supporting services on the basis of the actual or estimated time devoted to these activities. Fundraising expenses are substantially for securing public support revenues. Other expenses have been allocated on a reasonable basis determined by management.

Advertising Costs

The Council charges advertising costs to operations as incurred.

Reclassification

For comparability, certain 2016 amounts have been reclassified to conform with classifications adopted in 2017. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Council has evaluated subsequent events through January 17, 2018, which is the date that the financial statements were approved and available to be issued.

NOTE 2 - Fair Value Measurements

Fair Value Hierarchy

As defined in the accounting standards, 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. In determining fair value, the Council uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Council attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Council is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data. Level 2 inputs include (a) quoted prices for similar investments in active markets; (b) quoted price for identical or similar investments in markets that are not active; and (c) inputs other than quoted prices that are observable for the investment.

Level 3 - Unobservable inputs that are not corroborated by market data. Unobservable inputs are inputs that reflect the Council's own assumptions used in valuing an asset based on the best information available.

NOTE 2 - Fair Value Measurements (cont.)

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments				
Variable annuity	$ 359,460	$ -	$ -	$ 359,460
Equities	36,227	36,227	-	-
Mutual funds				
Growth and income	1,047,799	1,047,799	-	-
Growth	802,329	802,329	-	-
Equity - income	199,642	199,642	-	-
Bonds	102,197	102,197	-	-
Balanced	3,500,125	3,500,125	-	-
Total Investments	6,047,779	5,688,319	-	359,460
Beneficial Interests in trusts				
Perpetual trusts	563,418	-	-	563,418
Charitable remainder trusts	26,564	-	-	26,564
Community foundations	25,000	-	-	25,000
Total Beneficial Interests	614,982	-	-	614,982
Total Assets	$ 6,662,761	$ 5,688,319	$ -	$ 974,442

	September 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments				
Variable annuity	$ 315,920	$ -	$ -	$ 315,920
Equities	31,699	31,699	-	-
Mutual funds				
Growth and income	1,059,066	1,059,066	-	-
Growth	476,053	476,053	-	-
Equity - income	180,412	180,412	-	-
Bonds	101,582	101,582	-	-
Balanced	3,921,472	3,921,472	-	-
Total Investments	6,086,204	5,770,284	-	315,920
Beneficial Interests in trusts				
Perpetual trusts	534,019	-	-	534,019
Charitable remainder trusts	26,972	-	-	26,972
Community foundations	25,000	-	-	25,000
Total Beneficial Interests	585,991	-	-	585,991
Total Assets	$ 6,672,195	$ 5,770,284	$ -	$ 901,911

NOTE 2 - Fair Value Measurements (cont.)

Valuation Techniques and Inputs

The following methods and assumptions were used to estimate the fair value for each asset measured at fair value on a recurring basis:

Equities and mutual funds - These investments are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Variable annuity and beneficial interests in trusts - These investments have no readily determinable fair value and are classified as Level 3, as the valuation is based on significant unobservable inputs that are not corroborated by market data. Variable annuity is valued at the market value of the underlying investments, mainly stock and bond mutual funds; beneficial interests in trusts are valued at the present value of future distributions to be received using various life expectancy and discount rates.

For the years ended September 30, 2017 and 2016, recurring changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	Variable Annuity	Beneficial Interests in Trusts
Balances, October 1, 2015	$ 286,278	$ 572,078
Unrealized gain	29,642	-
Change in beneficial interests	-	13,913
Balances, September 30, 2016	315,920	585,991
Unrealized gain	43,540	-
Change in beneficial interests	-	28,991
Balances, September 30, 2017	$ 359,460	$ 614,982

There have been no changes in the techniques and inputs used as of September 30, 2017 and 2016.

NOTE 3 - Investments

The Council invests in various debt and equity securities which are exposed to risks of loss including, but not limited to, interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain securities and the level of uncertainty related to changes in the value of marketable securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the corresponding statements of activities.

The investment income generated by the Council is as follows for the years ended September 30:

	2017	2016
Interest and dividends	$ 95,656	$ 74,044
Realized gains (losses)	134,081	(66,238)
Unrealized gains	233,339	486,972
Interest on notes receivable	14,597	-
Total Investment Income	$ 477,673	$ 494,778

NOTE 4 - Property and Equipment

The major categories of property and equipment at September 30 are summarized as follows:

	Depreciable Lives	2017	2016
Land	N/A	$ 5,601,022	$ 5,990,939
Buildings	25 yrs	13,834,754	13,827,885
Leasehold improvements	25 yrs	356,867	370,059
Camp equipment	3-7 yrs	532,617	436,903
Furniture and fixtures	3-7 yrs	751,861	1,185,376
Motor vehicles	5 yrs	159,964	176,818
Construction in progress	N/A	847,141	-
Total Property and Equipment		22,084,226	21,987,980
Less: Accumulated depreciation		13,241,454	12,856,450
		$ 8,842,772	$ 9,131,530

Depreciation expense totaled $912,445 and $595,477 for the years ended September 30, 2017 and 2016, respectively. In accordance with GAAP, certain prior years' depreciation expense was recorded in fiscal year 2017 on a cumulative basis for assets held at Camp Metamora and Camp Innisfree as these assets were previously held as assets held for sale. The total amount of cumulative depreciation expense reflected in the 2017 statement of activities is approximately $350,000.

Construction in progress relates mostly to the build-out for a new building that is being leased, as well as furniture for the building, phone system and interior/exterior signs.

NOTE 4 - Property and Equipment (cont.)

As of September 30, 2011, GSSEM made the decision to cease activities at one of their camping properties, Camp Metamora, due to various economic factors. The Board approved holding the property for sale and it was listed with a real estate professional. Camp Metamora remains for sale at September 30, 2017. The buildings located at Camp Metamora were razed in 2012 and all furnishings and equipment were either sold at auction or relocated to another GSSEM camp. Camp Metamora is included in "Property and Equipment" in the Council's statements of financial position, at net book value of $66,522 and $137,690 at September 30, 2017 and 2016, respectively.

During 2017, GSSEM sold Camp O'Fairwinds in three separate transactions. As a result of the sale, the Council received $255,643 in cash, signed two land contract notes receivable totaling $736,623 and recognized a gain of approximately $539,000. The first contract is for $186,002, to be paid in monthly installments of $998 and due on April 1, 2020. The second contract is for $550,621, to be paid in monthly installments of $2,956 and due on April 1, 2022. Both notes commenced on May 1, 2017, have interest rates of 5% per annum to be paid in monthly installments, and have a balloon payment due at the end of contract term.

Future receivables for the land contracts as of September 30 are as follows:

2018	$ 10,982
2019	11,793
2020	188,071
2021	9,757
2022	509,628
Total	$ 730,231

As of September 30, 2015, GSSEM made the decision to cease operations at Camp Innisfree due to various economic factors. The Board approved holding the property for sale and it was listed with a real estate professional. Camp Innisfree remains for sale at September 30, 2017. Camp Innisfree is included in Property and Equipment in the Council's statements of financial position, at net book value of $2,977,598 and $3,327,998 at September 30, 2017 and 2016, respectively.

NOTE 5 - Net Assets

Unrestricted net assets are comprised of the following at September 30:

	2017	2016
Undesignated	$ 18,071,199	$ 17,324,510

Temporarily restricted net assets are comprised of the following at September 30:

	2017	2016
Donations and grants whose restrictions have not yet been met	$ 129,990	$ 99,961
Pledges receivable	-	20,000
Beneficial trusts	80,563	38,059
Scholarship endowment funds	15,720	42,407
Totals	$ 226,273	$ 200,427

Permanently restricted net assets are comprised of the following at September 30:

	2017	2016
Perpetual trusts	$ 547,216	$ 547,932
General endowment funds	196,156	156,189
Scholarship endowment funds	45,221	55,081
Camp operation endowment funds	3,707	3,707
Totals	$ 792,300	$ 762,909

NOTE 6 - Endowment Funds

Endowment funds consist of donor-restricted endowment funds contributed to support various programs of the Council.

The Council follows accounting standards that provide a framework for classifying net assets with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of that framework is a requirement to classify the portion of donor-restricted endowment funds that are not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The GSSEM Endowment Fund (the "Fund") was established to segregate various donor-restricted endowments established for the benefit of the mission. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Council classifies 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 remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the Fund
2. The purposes of the Fund and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Fund
7. The investment policy of the Fund

The primary long term financial objective for the Council's endowment is to produce income to help support programs. The second objective is to maintain the value of the original principal through retention of a portion of income, as required. Performance of the overall endowment against the objective is measured over rolling periods of one, three, and five years.

NOTE 6 - Endowment Funds (cont.)

The Fund shall be managed to optimize the long term total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides funding for the Council's existing spending policy. Over the short term the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested. From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Council to retain as a fund of perpetual duration. In such cases, subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. The Council Investment Policy states that all income or gains generated by the endowment fund investments may be expended for Council programs unless restricted by direction of the donor. The Council's appropriation policy is to consider investment earnings appropriated in the year earned, at the time the expenditure is approved.

The Fund is managed by the Finance Committee of the Council, who is charged with monitoring the performance of investment fund managers. Investment performance is measured on a total return basis including gains, losses, and income. The Fund assets are expected to produce returns that are competitive with or exceed the median performance of a group of funds operating with similar investment criteria. Returns above the median are expected over a rolling five-year period. It is expected that total portfolio risk will be below the median. The Fund is managed in a balanced fashion with the percentage range of each asset class as follows:

Equities	30% to 60%
Long term fixed income	30% to 60%
Cash and cash equivalents	0% to 15%

Endowment net asset composition by type of fund as of September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 15,720	$ 245,084	$ 260,804

Endowment net asset composition by type of fund as of September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 42,407	$ 214,976	$ 257,383

NOTE 6 - Endowment Funds (cont.)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 42,407	$ 214,976	$ 257,383
Investment income	-	(26,687)	59,693	33,006
Appropriation of endowment assets for expenditure	-	-	(29,585)	(29,585)
Endowment Net Assets, End of Year	$ -	$ 15,720	$ 245,084	$ 260,804

Changes in endowment net assets for the year ended September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 17,326	$ 231,262	$ 248,588
Investment income	-	35,879	-	35,879
Contributions	-	-	2,500	2,500
Appropriation of endowment assets for expenditure	-	(10,798)	(18,786)	(29,584)
Endowment Net Assets, End of Year	$ -	$ 42,407	$ 214,976	$ 257,383

NOTE 7 - Retirement Plans

Defined Contribution Retirement Plan

The Council has a retirement savings plan covering all eligible employees and matches up to 3% of participating employees' eligible compensation. Employer contributions were $62,685 and $60,916 for the years ended September 30, 2017 and 2016, respectively.

NOTE 8 - Contingencies

The Council may be party to various legal actions that are incidental to its activities. The outcome of legal actions directly involving the Council cannot be predicted with certainty.

NOTE 9 - Related Party Transactions

GSSEM is a separate chartered council under the Girl Scouts of the United States of America (GSUSA) national organization. GSUSA provides services to the chartered councils, which includes the selling of Girl Scouts merchandise for re-sale. During the years ended September 30, 2017 and 2016, merchandise purchases made from GSUSA totaled approximately $426,000 and $550,000, respectively.

The Council is also required to pay GSUSA $15 for every girl and adult registered as members. It is the Council's policy to register the girls and adults through collected self pay or financial assistance from the Council. The amount paid to GSUSA totaled $147,250 and $129,090 for the years ended September 30, 2017 and 2016, respectively.

GSSEM purchases their cookie products from Little Brownie Baker, one of two Girl Scouts of the USA sanctioned bakers.

NOTE 10 - Operating Leases

The Council leases office space under a noncancellable operating lease agreement, which expires in 2027. The Council also leases several copiers and contracts for reproduction and distribution services under noncancellable agreements expiring at various dates through March 2019. The above leases are accounted for as operating leases.

Future minimum lease payments as of September 30 are as follows:

2018	$ 371,756
2019	339,248
2020	319,679
2021	326,979
2022	334,279
2023 and thereafter	1,780,931
	$ 3,472,872

The above schedule represents approximate cash payments due; according to the lease agreement for the office space. Rent payments periodically increase throughout the term of the lease as specified in the agreement. The Council records rent expense on a straight-line basis in accordance with GAAP. Rent expense on the operating leases was approximately $639,000 and $660,000 for the years ended September 30, 2017 and 2016, respectively. The amounts included in accrued liabilities representing future lease obligations under GAAP are approximately $85,000 and $47,000 as of September 30, 2017 and 2016, respectively.

NOTE 11 - Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. Management is currently evaluating the impact of ASU 2016-14 on the Council's financial statements.

During May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Council is currently assessing the effect that ASU 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Council is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

During July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. ASU 2015-11 requires entities to measure inventory, other than inventory measured using the last-in, first-out or retail inventory methods, at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for annual periods beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The Council is currently assessing the effect that ASU 2015-11 will have on its results of operations, financial position and cash flows.