GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

Detroit, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2018 and 2017

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

TABLE OF CONTENTS
As of and for the Years Ended September 30, 2018 and 2017

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 - 25

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, 2018 and 2017, 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.

Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2018 Baker Tilly Virchow Krause, LLP

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, 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.



Southfield, Michigan
January 17, 2019

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

STATEMENTS OF FINANCIAL POSITION
As of September 30, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 2,084,737	$ 2,730,887
Pledges receivable, current portion	-	1,725
Accounts receivable, net of allowance	161,389	84,327
Inventory held for resale	532,263	396,321
Prepaid expenses	214,461	204,992
Current portion of notes receivable	11,793	10,982
Total Current Assets	3,004,643	3,429,234
PROPERTY AND EQUIPMENT, NET	9,254,909	8,842,772
OTHER ASSETS		
Investments	6,018,417	6,047,779
Beneficial interests in charitable remainder and perpetual trusts	621,879	614,982
Notes receivable, less current portion	706,725	719,249
Total Other Assets	7,347,021	7,382,010
TOTAL ASSETS	$ 19,606,573	$ 19,654,016

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 519,654	$ 418,084
Deferred revenue	248,170	146,160
Total Current Liabilities	767,824	564,244
NET ASSETS		
Unrestricted - undesignated	17,806,537	18,071,199
Temporarily restricted	225,518	226,273
Permanently restricted	806,694	792,300
Total Net Assets	18,838,749	19,089,772
TOTAL LIABILITIES AND NET ASSETS	$ 19,606,573	$ 19,654,016

See accompanying notes to financial statements.

GIRL SCOUTS OF SOUTHEASTERN MICHIGAN

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total
PUBLIC SUPPORT				
Grants	$ 91,169	$ -	$ -	$ 91,169
Contributions	193,191	319,673	-	512,864
Special events	119,151	-	-	119,151
In-kind contributions	30,938	-	-	30,938
Change in beneficial interest	-	-	6,897	6,897
Release from restriction	306,262	(306,262)	-	-
Total Public Support	740,711	13,411	6,897	761,019
REVENUE				
Cookie and fall product revenue	13,177,197	-	-	13,177,197
Less: Direct costs	(5,954,280)	-	-	(5,954,280)
Product sales gross profit	7,222,917	-	-	7,222,917
Merchandise sales	983,452	-	-	983,452
Less: Direct costs	(671,101)	-	-	(671,101)
Merchandise sales gross profit	312,351	-	-	312,351
Product and merchandise sales gross profit	7,535,268	-	-	7,535,268
Program service fees	416,529	-	-	416,529
Investment income (loss)	329,576	(14,166)	1,666	317,076
Rental income	4,496	-	-	4,496
Miscellaneous income	137,249	-	5,831	143,080
Total Net Revenue	8,423,118	(14,166)	7,497	8,416,449
Total Public Support and Net Revenue	9,163,829	(755)	14,394	9,177,468
EXPENSES				
Program	8,100,572	-	-	8,100,572
Management and general	823,399	-	-	823,399
Fundraising	459,976	-	-	459,976
Total Expenses	9,383,947	-	-	9,383,947
CHANGES IN NET ASSETS BEFORE OTHER ITEMS	(220,118)	(755)	14,394	(206,479)
OTHER ITEMS				
Loss on disposal of property and equipment	(44,544)	-	-	(44,544)
CHANGE IN NET ASSETS	(264,662)	(755)	14,394	(251,023)
NET ASSETS - Beginning of Year	18,071,199	226,273	792,300	19,089,772
NET ASSETS - END OF YEAR	$ 17,806,537	$ 225,518	$ 806,694	$ 18,838,749

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
Release from restriction	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: Direct costs	(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
EXPENSES				
Program	7,835,681	-	-	7,835,681
Management and general	740,446	-	-	740,446
Fundraising	430,031	-	-	430,031
Total 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
CHANGES 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

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ (251,023)	$ 801,926
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation and amortization	809,559	912,445
Bad debts	36,949	33,090
Change in beneficial interests	(6,897)	(28,991)
Loss (gain) on disposal of property and equipment	44,544	(510,386)
Realized and unrealized gains on investments	(160,957)	(632,958)
Changes in assets and liabilities		
Pledges and accounts receivable	(112,286)	(38,358)
Inventory held for sale	(135,942)	(11,066)
Prepaid expenses	(9,469)	6,558
Accounts payable and accrued expenses	101,570	(19,091)
Deferred revenue	102,010	4,112
Net Cash Flows from Operating Activities	418,058	517,281
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,266,240)	(1,131,851)
Proceeds from sale of property and equipment	-	281,927
Proceeds from sale of investments	190,319	671,383
Payments received from notes receivable	11,713	6,392
Net Cash Flows used from Investing Activities	(1,064,208)	(172,149)
Net Change in Cash and Cash Equivalents	(646,150)	345,132
CASH AND CASH EQUIVALENTS - Beginning of Year	2,730,887	2,385,755
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,084,737	$ 2,730,887
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, 2018

	Troop-Related Programs	Troop and Camp Operations	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 3,056,270	$ 340,444	$ 3,396,714	$ 205,136	$ 266,687	$ 3,868,537
Employee benefits	491,836	35,308	527,144	36,388	31,235	594,767
Payroll tax expense	236,743	27,426	264,169	41,474	21,442	327,085
Total Salaries and Related Expenses	3,784,849	403,178	4,188,027	282,998	319,364	4,790,389
Professional Fees	395,761	22,905	418,666	149,254	18,654	586,574
Supplies	718,525	96,270	814,795	20,501	31,915	867,211
Telephone	141,376	28,739	170,115	14,839	7,466	192,420
Postage	57,092	347	57,439	3,873	14,488	75,800
Occupancy	417,479	6,504	423,983	17,668	23,823	465,474
Building repairs and maintenance	60,232	171,500	231,732	1,948	623	234,303
Utilities	24,549	75,433	99,982	187	258	100,427
Real estate taxes	-	2,294	2,294	-	-	2,294
Printing	202,058	1,718	203,776	8,460	12,226	224,462
Transportation	121,901	22,438	144,339	11,762	2,461	158,562
Conference and meetings	64,385	5,495	69,880	97,516	12,822	180,218
Financial assistance	204,056	3,000	207,056	-	-	207,056
Equipment rental and maintenance	57,449	19,415	76,864	14,846	1,000	92,710
Insurance	69,492	72,551	142,043	31,617	7,033	180,693
Camper insurance	5,600	-	5,600	-	-	5,600
Miscellaneous	116,018	3,408	119,426	82,926	7,843	210,195
Depreciation and amortization	-	724,555	724,555	85,004	-	809,559
Total Functional Expenses	$ 6,440,822	$ 1,659,750	$ 8,100,572	$ 823,399	$ 459,976	$ 9,383,947
Percentage of Total Functional Expenses	68.64 %	17.69 %	86.33 %	8.77 %	4.90 %	100.00 %

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 Camp Operations	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 and amortization	-	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.

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 $58,354 and $95,303 at September 30, 2018 and 2017, respectively. There was no allowance for uncollectible pledges at September 30, 2018 and 2017.

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

The Council has established endowment funds that are held and managed with various community foundations (unrelated nonprofit foundations), including 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, 2018 and 2017, the unrecorded fair value of the assets held by community foundations are as follows:

	2018	2017
Community Foundation of Greater Flint	$ 879,233	$ 858,019
Community Foundation for Southeastern Michigan	71,304	67,490
Community Foundation of St. Clair County	12,089	28,901
Community Foundation of Sanilac County	1,500	1,431
Total Assets Held at Community Foundations	964,126	955,841
Less: Reciprocal transfer (Southeastern Michigan)	(25,000)	(25,000)
Fair Value of Third-Party Contributions Held by Community Foundations	$ 939,126	$ 930,841

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 Assets

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 2018 or 2017.

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 82% and 81% of total public support and net revenue for the years ended September 30, 2018 and 2017, 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 2017 amounts have been reclassified to conform with classifications adopted in 2018. The reclassifications have no effect on reported amounts of net assets or changes 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, 2019, 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 minimize 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, 2018			
	Total	Level 1	Level 2	Level 3
Investments				
Variable annuity	$ 384,544	$ -	$ -	$ 384,544
Equities	37,662	37,662	-	-
Mutual funds				
Growth and income	1,174,535	1,174,535	-	-
Growth	884,331	884,331	-	-
Equity - income	204,914	204,914	-	-
Fixed income	2,872,365	2,872,365	-	-
Balanced	460,066	460,066	-	-
Total Investments	6,018,417	5,633,873	-	384,544
Beneficial Interests in trusts				
Perpetual trusts	571,981	-	-	571,981
Charitable remainder trusts	24,898	-	-	24,898
Community foundations	25,000	-	-	25,000
Total Beneficial Interests	621,879	-	-	621,879
Total Assets	$ 6,640,296	$ 5,633,873	$ -	$ 1,006,423

	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	-	-
Fixed income	3,114,576	3,114,576	-	-
Balanced	487,746	487,746	-	-
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

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, 2018 and 2017, recurring changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	Variable Annuity	Beneficial Interests in Trusts
Balances, October 1, 2016	$ 315,920	$ 585,991
Unrealized gain	43,540	-
Change in beneficial interests	-	28,991
Balances, September 30, 2017	359,460	614,982
Unrealized gain	25,084	-
Change in beneficial interests	-	6,897
Balances, September 30, 2018	$ 384,544	$ 621,879

There have been no changes in the techniques and inputs used as of September 30, 2018 and 2017.

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:

	2018	2017
Interest and dividends	$ 119,850	$ 95,657
Realized gains	107,662	134,081
Unrealized gains	53,295	233,339
Interest on notes receivable	36,269	14,597
Total Investment Income	$ 317,076	$ 477,674

NOTE 4 - Property and Equipment

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

	Depreciable Lives	2018	2017
Land	N/A	$ 5,800,032	$ 5,601,022
Buildings	25 yrs	13,875,816	13,834,754
Leasehold improvements	25 yrs	955,321	356,867
Camp equipment	3-7 yrs	524,135	532,617
Furniture and fixtures	3-7 yrs	1,303,994	751,861
Motor vehicles	5 yrs	155,171	159,964
Construction in progress	N/A	463,698	847,141
Total Property and Equipment		23,078,167	22,084,226
Less: Accumulated depreciation		13,823,258	13,241,454
		$ 9,254,909	$ 8,842,772

Depreciation and amortization expense totaled $809,559 and $912,445 for the years ended September 30, 2018 and 2017, 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. Depreciation expense continues to be recorded in fiscal year 2018 for assets held at these two camps.

Construction in progress relates mostly to renovations to the various camps.

NOTE 4 - Property and Equipment (cont.)

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 contract notes receivable as of September 30 are as follows:

2019	$ 11,793
2020	188,071
2021	9,757
2022	508,897
Total	$ 718,518

NOTE 5 - Net Assets

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

	2018	2017
Undesignated	$ 17,806,537	$ 18,071,199

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

	2018	2017
Donations and grants whose restrictions have not yet been met	$ 158,760	$ 129,990
Beneficial trusts	49,898	80,563
Scholarship endowment funds	16,860	15,720
Totals	$ 225,518	$ 226,273

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

	2018	2017
Perpetual trusts	$ 561,610	$ 547,216
General endowment funds	196,156	196,156
Scholarship endowment funds	45,221	45,221
Camp operation endowment funds	3,707	3,707
Totals	$ 806,694	$ 792,300

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, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 16,860	$ 253,559	$ 270,419

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 15,720	$ 253,559	$ 269,279

NOTE 6 - Endowment Funds (cont.)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 15,720	$ 253,559	$ 269,279
Investment income	-	33,241	-	33,241
Appropriation of endowment assets for expenditure	-	(32,101)	-	(32,101)
Endowment Net Assets, End of Year	$ -	$ 16,860	$ 253,559	$ 270,419

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)	68,168	41,481
Appropriation of endowment assets for expenditure	-	-	(29,585)	(29,585)
Endowment Net Assets, End of Year	$ -	$ 15,720	$ 253,559	$ 269,279

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 $62,699 and $62,685 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, merchandise purchases made from GSUSA totaled approximately $518,000 and $426,000, respectively.

The Council is also required to pay GSUSA $25 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 $199,455 and $147,250 for the years ended September 30, 2018 and 2017, respectively, and is included within professional fees expenses in the statement of functional expenses.

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:

2019	$ 375,373
2020	368,489
2021	377,199
2022	385,878
2023	394,563
2024 and thereafter	1,452,686
	$ 3,354,188

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 $409,000 and $639,000 for the years ended September 30, 2018 and 2017, respectively. The amounts included in accrued liabilities representing future lease obligations under GAAP are approximately $152,000 and $85,000 as of September 30, 2018 and 2017, 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. The Council is currently assessing the effect that ASU 2016-14 will have on its results of operations, financial position and cash flows..

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 ASUs 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.

During June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*". The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For not-for-profit entities that have conduit debt, ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. All other entities should apply the amendments for fiscal years beginning after December 15, 2018. The Council is currently assessing the impact that ASU 2018-08 will have on its results of operations, financial position and cash flows.