

**GIRL SCOUTS IN THE
HEART OF PENNSYLVANIA**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets – Year Ended September 30, 2014	5
Statement of Activities and Changes in Net Assets – Year Ended September 30, 2013	6
Statement of Functional Expenses – Year Ended September 30, 2014	7
Statement of Functional Expenses – Year Ended September 30, 2013	8
Statements of Cash Flows	9
Notes to Financial Statements	11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girl Scouts in the Heart of Pennsylvania
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts in the Heart of Pennsylvania (the Council), a nonprofit organization, which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council'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 Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts in the Heart of Pennsylvania as of September 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Girl Scouts in the Heart of Pennsylvania as of September 30, 2013, were audited by other auditors whose report dated January 23, 2014, expressed an unmodified opinion on those statements.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 3, 2015

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 891,437	\$ 2,355,873
Custodian funds	62,462	53,627
Inventory	33,048	185,411
Accounts receivable, net		
United Way	248,262	240,927
Other	61,083	57,366
Prepaid expenses	243,632	232,152
Current portion of pledges receivable	133,241	166,192
Current portion of mortgage receivable	27,516	17,238
	<u>1,700,681</u>	<u>3,308,786</u>
Total current assets		
Other assets		
Investments	6,568,447	6,445,216
Beneficial interests in perpetual trusts	586,317	561,336
Pledges receivable, less current portion	155,872	257,666
Mortgage receivable, less current portion	462,548	477,297
	<u>7,773,184</u>	<u>7,741,515</u>
Total other assets		
Property and equipment, at cost, less accumulated depreciation	<u>8,729,648</u>	<u>6,978,586</u>
Total assets	<u>\$ 18,203,513</u>	<u>\$ 18,028,887</u>

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

LIABILITIES AND NET ASSETS

	2014	2013
Liabilities		
Accounts payable and accrued liabilities	\$ 217,599	\$ 347,661
Accrued wages and vacation	201,016	192,852
Custodian funds	62,462	53,627
Deferred program revenue	38,960	15,831
Total liabilities	520,037	609,971
Net assets		
Unrestricted		
General operations	7,020,026	7,336,593
Board designated	230,995	1,225,737
Property and equipment	8,729,648	6,978,586
Total unrestricted net assets	15,980,669	15,540,916
Temporarily restricted	810,692	1,026,425
Permanently restricted	892,115	851,575
Total net assets	17,683,476	17,418,916
Total liabilities and net assets	\$ 18,203,513	\$ 18,028,887

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and public support				
Program related revenue				
Program related product sales	\$ 9,333,813	\$ -	\$ -	\$ 9,333,813
Cost of product sales	(2,781,048)	-	-	(2,781,048)
Program service and camp fees	347,029	-	-	347,029
Miscellaneous program revenue	16,150	-	-	16,150
Total program related revenue	<u>6,915,944</u>	<u>-</u>	<u>-</u>	<u>6,915,944</u>
Public support				
Contributions and grants	429,082	41,820	-	470,902
Local United Ways - allocations	233,528	236,117	-	469,645
Local United Ways - designations	50,310	-	-	50,310
Special fundraising events, net	41,146	-	-	41,146
Total public support	<u>754,066</u>	<u>277,937</u>	<u>-</u>	<u>1,032,003</u>
Net assets released from restrictions	<u>508,823</u>	<u>(504,661)</u>	<u>(4,162)</u>	<u>-</u>
Total revenue and public support	<u>8,178,833</u>	<u>(226,724)</u>	<u>(4,162)</u>	<u>7,947,947</u>
Functional expenses				
Program services				
Regular program	5,694,714	-	-	5,694,714
Outdoor program	1,797,014	-	-	1,797,014
Total program services	<u>7,491,728</u>	<u>-</u>	<u>-</u>	<u>7,491,728</u>
Supporting services				
Management and general	938,038	-	-	938,038
Fundraising	472,179	-	-	472,179
Total supporting services	<u>1,410,217</u>	<u>-</u>	<u>-</u>	<u>1,410,217</u>
Total functional expenses	<u>8,901,945</u>	<u>-</u>	<u>-</u>	<u>8,901,945</u>
Net changes in net assets	<u>(723,112)</u>	<u>(226,724)</u>	<u>(4,162)</u>	<u>(953,998)</u>
Non-operating income and gain				
Rental income	45,787	-	-	45,787
Loss on sale of assets	(581)	-	-	(581)
Investment gain (loss), net of fees	854,633	-	-	854,633
Unrealized gain (loss) on investments and beneficial interests in perpetual trusts	(265,671)	10,991	44,702	(209,978)
Insurance reimbursement, net	823	-	-	823
Gas lease royalties	513,101	-	-	513,101
Other income	14,773	-	-	14,773
Total non-operating income and gain	<u>1,162,865</u>	<u>10,991</u>	<u>44,702</u>	<u>1,218,558</u>
Changes in net assets	439,753	(215,733)	40,540	264,560
Net assets - beginning	<u>15,540,916</u>	<u>1,026,425</u>	<u>851,575</u>	<u>17,418,916</u>
Net assets - ending	<u>\$ 15,980,669</u>	<u>\$ 810,692</u>	<u>\$ 892,115</u>	<u>\$ 17,683,476</u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and public support				
Program related revenue				
Program related product sales	\$ 9,648,575	\$ -	\$ -	\$ 9,648,575
Cost of product sales	(3,036,188)	-	-	(3,036,188)
Program service and camp fees	304,003	-	-	304,003
Miscellaneous program revenue	41,651	-	-	41,651
Total program related revenue	6,958,041	-	-	6,958,041
Public support				
Contributions and grants	314,087	306,337	64,308	684,732
Local United Ways - allocations	-	505,454	-	505,454
Local United Ways - Designations	69,717	-	-	69,717
Special fundraising events - net	134,378	-	-	134,378
Total public support	518,182	811,791	64,308	1,394,281
Net assets released from restrictions	946,565	(926,165)	(20,400)	-
Total revenue and public support	8,422,788	(114,374)	43,908	8,352,322
Functional expenses				
Program services				
Regular program	5,965,567	-	-	5,965,567
Outdoor program	1,800,571	-	-	1,800,571
Total program services	7,766,138	-	-	7,766,138
Supporting services				
Management and general	875,219	-	-	875,219
Fundraising	404,356	-	-	404,356
Total supporting services	1,279,575	-	-	1,279,575
Total functional expenses	9,045,713	-	-	9,045,713
Net changes in net assets	(622,925)	(114,374)	43,908	(693,391)
Non-operating income and gain				
Rental income	45,173	-	-	45,173
Gain on sale of assets	311,337	-	-	311,337
Investment gain (loss), net of fees	335,957	39,048	31,176	406,181
Unrealized gain on investments and beneficial interests in perpetual trusts	274,237	-	29,783	304,020
Insurance reimbursement	3,366	-	-	3,366
Gas lease royalties	823,246	-	-	823,246
Other income	71,482	-	-	71,482
Total non-operating income and gain	1,864,798	39,048	60,959	1,964,805
Changes in net assets	1,241,873	(75,326)	104,867	1,271,414
Net assets - beginning	14,299,043	1,101,751	746,708	16,147,502
Net assets - ending	\$ 15,540,916	\$ 1,026,425	\$ 851,575	\$ 17,418,916

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2014

	Program Services			Supporting Services			Total Expenses
	Regular Program	Outdoor Program	Total	Management and General	Fundraising	Total	
Functional expenses							
Salaries and related expenses							
Salaries	\$ 2,043,916	\$ 522,173	\$ 2,566,089	\$ 499,940	\$ 235,850	\$ 735,790	\$ 3,301,879
Staff health and retirement benefits	628,223	160,506	788,729	153,517	72,399	225,916	1,014,645
Payroll taxes and related benefits	205,164	52,418	257,582	50,177	23,664	73,841	331,423
Total salaries and related expenses	2,877,303	735,097	3,612,400	703,634	331,913	1,035,547	4,647,947
Troop proceeds	1,331,555	-	1,331,555	-	-	-	1,331,555
Occupancy	170,379	377,937	548,316	33,297	15,838	49,135	597,451
Supplies	270,161	68,220	338,381	4,653	2,926	7,579	345,960
Professional fees	131,703	163,600	295,303	38,934	10,901	49,835	345,138
Travel	74,885	72,869	147,754	8,683	8,043	16,726	164,480
Insurance	42,023	141,356	183,379	35,634	16,805	52,439	235,818
Printing, promotion, and publications	93,892	6,651	100,543	4,213	28,430	32,643	133,186
Specific assistance to individuals	179,525	37,366	216,891	-	-	-	216,891
Telephone	48,413	20,754	69,167	9,642	4,620	14,262	83,429
Rental and maintenance of equipment	58,837	81,546	140,383	6,648	3,173	9,821	150,204
Postage and shipping	35,404	4,108	39,512	5,366	5,825	11,191	50,703
Bank and credit card charges	15,616	3,990	19,606	541	589	1,130	20,736
Bad debt	1,722	440	2,162	-	-	-	2,162
Interest expense	5,124	1,309	6,433	1,253	591	1,844	8,277
Staff and volunteer development	22,134	2,522	24,656	5,035	2,999	8,034	32,690
Miscellaneous	33,562	1,969	35,531	6,528	4,638	11,166	46,697
Total	5,392,238	1,719,734	7,111,972	864,061	437,291	1,301,352	8,413,324
Depreciation	302,476	77,280	379,756	73,977	34,888	108,865	488,621
Total functional expenses	<u>\$ 5,694,714</u>	<u>\$ 1,797,014</u>	<u>\$ 7,491,728</u>	<u>\$ 938,038</u>	<u>\$ 472,179</u>	<u>\$ 1,410,217</u>	<u>\$ 8,901,945</u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2013

	Program Services			Supporting Services			Total Expenses
	Regular Program	Outdoor Program	Total	Management and General	Fundraising	Total	
Functional expenses							
Salaries and related expenses							
Salaries	\$ 2,027,589	\$ 538,213	\$ 2,565,802	\$ 450,217	\$ 198,632	\$ 648,849	\$ 3,214,651
Staff health and retirement benefits	542,032	139,701	681,733	119,623	52,776	172,399	854,132
Payroll taxes and related benefits	198,230	51,091	249,321	43,748	19,301	63,049	312,370
Total salaries and related expenses	2,767,851	729,005	3,496,856	613,588	270,709	884,297	4,381,153
Troop proceeds	1,528,991	-	1,528,991	-	-	-	1,528,991
Occupancy	204,126	452,795	656,921	47,502	21,677	69,179	726,100
Supplies	393,181	30,813	423,994	5,300	2,552	7,852	431,846
Professional fees	128,990	160,231	289,221	42,500	6,022	48,522	337,743
Travel	117,149	30,194	147,343	10,216	5,416	15,632	162,975
Insurance	37,664	126,693	164,357	40,725	12,586	53,311	217,668
Printing, promotion, and publications	66,980	17,263	84,243	1,860	26,863	28,723	112,966
Specific assistance to individuals	195,079	50,279	245,358	-	-	-	245,358
Telephone	60,926	15,703	76,629	10,542	4,159	14,701	91,330
Rental and maintenance of equipment	60,132	83,342	143,474	10,695	4,885	15,580	159,054
Postage and shipping	23,435	6,040	29,475	3,841	7,545	11,386	40,861
Bank and credit card charges	12,901	3,325	16,226	2,730	600	3,330	19,556
Bad debt	15,803	4,073	19,876	-	-	-	19,876
Interest expense	4,814	1,241	6,055	1,062	469	1,531	7,586
Staff and volunteer development	24,417	6,293	30,710	7,893	8,286	16,179	46,889
Miscellaneous	22,632	5,832	28,464	10,448	3,328	13,776	42,240
Total	5,665,071	1,723,122	7,388,193	808,902	375,097	1,183,999	8,572,192
Depreciation	300,496	77,449	377,945	66,317	29,259	95,576	473,521
Total functional expenses	<u>\$ 5,965,567</u>	<u>\$ 1,800,571</u>	<u>\$ 7,766,138</u>	<u>\$ 875,219</u>	<u>\$ 404,356</u>	<u>\$ 1,279,575</u>	<u>\$ 9,045,713</u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities		
Changes in net assets	\$ 264,560	\$ 1,271,414
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	488,621	473,521
(Gain) loss on the sale of assets	581	(311,337)
Write-off of bad debt	2,162	19,876
Realized gain on sale of investments	(739,228)	(302,832)
Unrealized (gain) loss on investments	234,959	(274,237)
Unrealized gain on beneficial interest in perpetual trusts	(24,981)	(29,783)
(Increase) decrease in		
Custodian funds	(8,835)	(20,399)
Inventory	152,363	55,333
Accounts receivable	(13,214)	3,742
Prepaid expenses	(11,480)	(4,143)
Pledges receivable	134,745	153,803
Increase (decrease) in		
Accounts payable and accrued liabilities	(199,566)	88,951
Accrued wages and vacation	8,164	36,576
Custodian funds	8,835	20,399
Deferred program revenue	23,129	(128,524)
	320,815	1,052,360
Net cash provided by operating activities		
Cash flows from investing activities		
Acquisition of property and equipment	(2,493,831)	(828,168)
Proceeds from sales of assets	323,071	550,000
Mortgage receivable receipt of payment	4,471	5,465
Purchases of investments	(164,880)	(637,904)
Sales of investments	545,918	634,843
	(1,785,251)	(275,764)
Net cash used in investing activities		

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from financing activities		
Proceeds from line of credit	2,205,000	2,100,000
Repayments of line of credit	<u>(2,205,000)</u>	<u>(2,100,000)</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(1,464,436)	776,596
Cash and cash equivalents - beginning	<u>2,355,873</u>	<u>1,579,277</u>
Cash and cash equivalents - ending	<u><u>\$ 891,437</u></u>	<u><u>\$ 2,355,873</u></u>
Supplemental disclosures		
Interest paid	<u><u>\$ 8,277</u></u>	<u><u>\$ 7,586</u></u>
Supplemental schedule of non-cash investing activities		
Total purchase of property and equipment	\$ 2,563,335	\$ 828,168
Less amount in accounts payable in current year	<u>(69,504)</u>	<u>-</u>
Cash paid for fixed assets	<u><u>\$ 2,493,831</u></u>	<u><u>\$ 828,168</u></u>

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

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

The Council is a nonprofit organization serving Central Pennsylvania and operates under the charter of the Girl Scouts of the United States of America (GSUSA). The mission of girl scouting is to build girls of courage, confidence, and character, who make the world a better place.

The Program

Girl scouting is a leadership development program that creates a framework for girls ages five to seventeen to be active producers of their own experiences and challenges. The new girl scouting leadership experience incorporates the discover-connect-take action keys to leadership. Girl scouting experiences are girl-led as much as possible, and encourage learning by doing and cooperative learning processes.

The Council provides opportunities for all girls within its jurisdiction to have consistent girl scouting experiences and outcomes. Girl scouting offers six pathways for girls and adults to participate: events; troops; six to eight week special interest series; regional, national, and international travel; virtual program activities; and camping.

Outdoor Program

A key pathway for participation in girl scouting is through outdoor program activities. These camping experiences are often offered at the Council's camp properties, and include a focus on environmental or outdoor education.

The Council operates seven camp properties throughout the region. Each year from June through August, resident and day camps take place at various Council camps.

Girl scouting pathways for girls add value in the following areas:

1. Girls experience freedom to choose from various ways to join girl scouting and may participate in multiple pathways within a membership year.
2. Girls can explore their skills and interests while helping to shape a variety of fun and enriching leadership experiences, which inspire them to reach their personal best.
3. Girls, no matter where and how they participate, get the necessary guidance from adult volunteers and staff to develop leadership skills and understand how these skills can be used to make a difference in the world.

The Council offers a wealth of support to over 22,000 girls and over 12,000 adult volunteers throughout thirty counties in Central and Northeastern Pennsylvania.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this basis, revenue and support are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Council's financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities." Under ASC No. 958, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Under the provisions of ASC No. 958, net assets and changes therein are classified and reported, based on the existence or absence of donor-imposed stipulations as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Certain types of these net assets have been designated for specific purposes by the Board of Directors and classified as "Unrestricted – Board Designated."
- *Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Council pursuant to those stipulations or that expire by the passage of time.
- *Permanently Restricted Net Assets* - Net assets subject to permanent donor-imposed stipulations. Generally, the donors of such assets permit the Council to use all or part of the income earned on the assets.

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Cash and money market accounts held as investments are not considered as cash and cash equivalents.

Custodian Funds

The custodian funds consist of money that is temporarily held in the custody of the Council, but due to a third-party. The types of funds included in the custodian accounts are amounts due to GSUSA for membership dues, the Juliette Low World Friendship Fund, and Troop Treasuries, which are defined as treasuries of lapsed troops held in trust by the Council until troops are reorganized.

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GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method of accounting. Inventory consists of items pertaining to scouting that are held-for-resale, including uniforms, handbooks, official insignia, pins, and badges. Management semi-annually conducts an inventory count and valuation during the year.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are written off when they are determined to be uncollectible, based upon management's assessments. The allowance for doubtful accounts is based upon a periodic review of the individual accounts. At September 30, 2014 and 2013, the allowance for doubtful accounts was \$99,183 and \$133,478, respectively.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Pledges are written off when they are determined to be uncollectible, based upon management's assessments. At September 30, 2014 and 2013, the allowance for doubtful accounts was \$8,233 and \$21,986, respectively.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions, to be received after one year, are discounted at a rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed stipulations, if any, on the contributions. An allowance for uncollectible contributions is based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Mortgage Receivable

The Council's mortgage receivable is stated at the amount management expects to collect from the outstanding balance. The Council considers the mortgage receivable to be delinquent when scheduled payments are ninety days or more past due and places the receivable on nonaccrual status. The mortgage receivable is evaluated for impairment when management believes, after considering economic conditions, business conditions, and collection efforts that the collection of principal or interest payments in accordance with the contractual terms is doubtful. Interest income on the mortgage receivable, if on nonaccrual status, is recognized only to the extent cash payments are received. The Council considers the outstanding mortgage receivable to be fully collectible. Based on management's assessment of the borrower's ability to meet contractual terms, their current financial position, and the value of any collateral, it has concluded that no allowance for credit losses is considered necessary at September 30, 2014. If collection of the mortgage receivable or previously accrued interest becomes doubtful, an allowance will be established on the mortgage receivable and accrued interest will be written off based on upon management's assessment.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Investments

In accordance with ASC No. 958-320, "Not-for-Profit Entities Investments - Debt and Equity Securities," investments in debt and equity securities with readily determinable fair values are reported at the fair value. Any unrealized gain (loss) is reported as an increase or decrease in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or by law. Any realized gain on the sale or disposal of investments, if any, is computed on a specific identification basis and included as an increase in unrestricted net assets, unless the use is temporarily or permanently restricted by explicit donor-imposed stipulations or by law.

Beneficial Interests in Perpetual Trusts

Beneficial interests in perpetual trusts consist of the fair value of assets held in trusts established by donors for the benefit of the Council. These beneficial interests are recorded in the accompanying financial statements when the Council has received documentation to substantiate the trusts are irrevocable and the fair value of the Council's interest in the trusts can be readily determined.

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, pledges receivable, other assets, accounts payable, accrued expenses, and other current liabilities approximate fair value because of the short maturity of these items. Other financial instruments, for which the fair value measurement is recurring, are measured in accordance with an established hierarchy of inputs to the valuation techniques under accounting standards generally accepted in the United States of America. The methodology for establishing the fair values for the Council's investments is more fully described in Note 5.

Property and Equipment

Property and equipment are stated at cost or at fair value at the date of donation. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. Capital expenditures are defined by the Council as any item that has a life expectancy of greater than one year and a purchase price of at least \$5,000. Maintenance, repairs, and minor renewals are charged against operations when incurred.

Deferred Program Revenue

Certain program fees have been deferred until the following reporting period to match revenue with related program expenses.

Functional Expenses Classification

The cost of providing the various programs and other activities is summarized on the statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Supporting services consist of management and general expenses and fundraising expenses.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

Revenue is recognized on the accrual basis of accounting. Product revenue is based upon the sale of cookies, nuts, magazines and other products to individual troops in the Council. Program service and camp fees are recognized once the event has occurred.

Contributions

The Council accounts for contributions in accordance with the recommendations of ASC No. 958-605 "*Revenue Recognition*." Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Donated Services

There are no amounts reflected in the financial statements for donated services, because such services do not meet the requirements for financial statement presentation. The Council pays for most services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of time to the Council's program services and to its fundraising campaigns.

Public Support

The Council reports gifts of cash and other assets as restricted support, if they are received with donor-imposed stipulations, which limit the use of the donated assets. When a donor-imposed stipulation expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities and changes in net assets as net assets released from restrictions.

Pledges receivable or gifts of cash, which are used to acquire long-lived assets, are reported as temporarily restricted support. If there are no explicit donor-imposed stipulations about how long these assets must be maintained, the Council reports expirations of donor-imposed stipulations when the long-lived assets are acquired.

Revenue from United Way is reported when annual allocation notifications from local United Ways are received.

Income Taxes

The Council is exempt from federal income taxes as an organization described under the Internal Revenue Code (IRC) Section 501(c)(3), except for net income derived from unrelated business activities, if any. In accordance with ASC No. 740-10, "*Income Taxes*," prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose uncertain tax positions taken on its tax returns, the Council believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. With few exceptions, the Council is no longer subject to U.S. federal income tax examinations for years before 2011.

Use of Estimates

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

Advertising

Advertising is expensed as incurred. Advertising costs for the years ended September 30, 2014 and 2013, were \$24,735 and \$9,060, respectively.

Subsequent Events

Management of the Council has evaluated subsequent events through February 3, 2015, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Reclassification

Certain 2013 amounts have been reclassified to conform to the 2014 financial statement presentation.

3. CONCENTRATIONS

Financial instruments that potentially subject the Council to credit risk, consist primarily of cash and cash equivalents, investments, and accounts receivable. The Council maintains its cash and investments with various financial institutions where the account balances may, at times, exceed FDIC and SIPC insured limits. Management regularly monitors the financial institutions, along with its cash balances, in an effort to keep potential risk to a minimum.

There are two Girl Scout cookie suppliers in the United States. The Council orders and purchases all cookies through one of these two suppliers. If for some reason the supplier was unable to meet the demands of the Council, it could possibly result in lost sales and adversely affect operating results. Cookie sales account for approximately 72.1 percent and 66.4 percent of the operating revenue earned for the years ended September 30, 2014 and 2013, respectively.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

Investments, other than investments in perpetual trusts, consist of the following at September 30:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 157,804	\$ 157,804	\$ 197,924	\$ 197,924
Common stock	3,129,291	3,780,628	2,989,413	3,891,519
Mutual funds	1,040,022	1,205,945	919,001	1,129,144
Fixed income	1,414,306	1,424,070	1,144,281	1,161,613
Alternative fund	-	-	100,000	65,016
Total investments	<u>\$ 5,741,423</u>	<u>\$ 6,568,447</u>	<u>\$ 5,350,619</u>	<u>\$ 6,445,216</u>

At September 30, 2014 and 2013, \$305,798 and \$290,238 of the investments are permanently restricted, respectively.

Investment return is comprised of the following for the years ended September 30:

	2014	2013
Interest and dividend income	\$ 162,581	\$ 157,777
Investment management fees	(47,176)	(47,541)
Realized gain on investments	739,228	110,541
Unrealized gain (loss) on investments	(234,958)	644,157
Total investment return	<u>\$ 619,675</u>	<u>\$ 864,934</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the amounts reported.

5. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2014 and 2013.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Council are deemed to be actively traded.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange-traded funds (ETFs): Valued at the closing price reported on the active market on which the individual funds are traded.

Corporate bonds: Valued based on quoted market prices or dealer quotes.

Beneficial interest in perpetual trusts: Valued as a percentage of the fair value of the trust assets consistent with its beneficial interest.

Pledges receivable: Valued at the present value of future cash flows expected to be received.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

The following table sets forth by level, within the fair value hierarchy, the Council's assets at fair value as of September 30, 2014 and 2013:

Assets at fair value as of September 30, 2014:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Small value	\$ 35,256	\$ -	\$ -	\$ 35,256
Small growth	35,812	-	-	35,812
Mid-cap value	47,551	-	-	47,551
Mid-cap growth	48,243	-	-	48,243
Large value	194,027	-	-	194,027
Large growth	245,214	-	-	245,214
Foreign large blend	228,510	-	-	228,510
World bonds	24,430	-	-	24,430
Diversified emerging markets	46,606	-	-	46,606
Short-term bonds	132,271	-	-	132,271
Intermediate-term bonds	72,166	-	-	72,166
High yield bonds	47,481	-	-	47,481
US money market - taxable	48,378	-	-	48,378
Total mutual funds	1,205,945	-	-	1,205,945
Money market fund	157,804	-	-	157,804
Common stocks				
Industrials	250,802	-	-	250,802
Consumer discretionary	327,575	-	-	327,575
Consumer staples	196,856	-	-	196,856
Energy	245,585	-	-	245,585
Financial	297,750	-	-	297,750
Materials	72,048	-	-	72,048
Information technology	506,260	-	-	506,260
Utilities	95,610	-	-	95,610
Health care	514,573	-	-	514,573
Telecommunication services	98,770	-	-	98,770
Unclassified stock	19,159	-	-	19,159
ETFs – equity	378,076	-	-	378,076
Mutual funds – equity	772,527	-	-	772,527
Other funds	5,037	-	-	5,037
Total common stocks	3,780,628	-	-	3,780,628

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	Total
Fixed income				
Corporate bonds	204,809	-	-	204,809
ETFs – fixed income	469,444	-	-	469,444
Mutual funds – fixed income	749,817	-	-	749,817
Total fixed income	1,424,070	-	-	1,424,070
Beneficial interest in perpetual trusts	-	-	586,317	586,317
Pledges receivable	-	-	289,113	289,113
Total assets at fair value	\$ 6,568,447	\$ -	\$ 875,430	\$ 7,443,877
Assets at fair value as of September 30, 2013:				
	Level 1	Level 2	Level 3	Total
Mutual funds				
Small value	\$ 22,916	\$ -	\$ -	\$ 22,916
Small growth	45,291	-	-	45,291
Mid-cap value	34,037	-	-	34,037
Mid-cap growth	44,946	-	-	44,946
Large value	156,633	-	-	156,633
Large growth	192,951	-	-	192,951
Foreign large growth	180,988	-	-	180,988
World bonds	22,570	-	-	22,570
Emerging markets bond	22,629	-	-	22,629
Diversified emerging markets	67,834	-	-	67,834
Short-term bonds	158,020	-	-	158,020
Intermediate-term bonds	90,783	-	-	90,783
High yield bonds	11,226	-	-	11,226
US money market - taxable	78,320	-	-	78,320
Total mutual funds	1,129,144	-	-	1,129,144
Money market fund	197,924	-	-	197,924
Alternative fund	65,016	-	-	65,016

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	Total
Common stocks				
Industrials	192,806	-	-	192,806
Consumer discretionary	281,618	-	-	281,618
Consumer staples	197,971	-	-	197,971
Energy	161,402	-	-	161,402
Financial	215,814	-	-	215,814
Materials	65,525	-	-	65,525
Information technology	379,867	-	-	379,867
Utilities	9,773	-	-	9,773
Health care	334,791	-	-	334,791
Telecommunication services	16,888	-	-	16,888
Unclassified stock	15,077	-	-	15,077
ETFs – equity	455,890	-	-	455,890
Mutual funds – equity	1,564,097	-	-	1,564,097
Total common stocks	3,891,519	-	-	3,891,519
Fixed income				
Corporate bonds	226,830	-	-	226,830
Agency bonds	35,445	-	-	35,445
ETFs – fixed income	456,961	-	-	456,961
Mutual funds – fixed income	442,377	-	-	442,377
Total fixed income	1,161,613	-	-	1,161,613
Beneficial interest in perpetual trusts	-	-	561,336	561,336
Pledges receivable	-	-	423,858	423,858
Total assets at fair value	\$ 6,445,216	\$ -	\$ 985,194	\$ 7,430,410

Level 3 Financial Assets

The following are the changes in the beneficial interest in perpetual trusts during the years ended September 30:

	2014	2013
Beginning balance	\$ 561,336	\$ 467,245
Establishment of new trust	-	64,308
Unrealized gain on beneficial interest in perpetual trusts	24,981	29,783
Ending balance	\$ 586,317	\$ 561,336

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

The following are the changes in the pledges receivable during the years ended September 30:

	2014	2013
Beginning balance	\$ 423,858	\$ 577,661
Establishment of new pledges	28,278	111,745
Change in discount	569	5
Payment of pledges	(163,592)	(265,553)
Ending balance	<u>\$ 289,113</u>	<u>\$ 423,858</u>

6. BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Council has been named as the beneficiary under several perpetual trusts administered by third-party trustees. The Council's interests vary from 1.7 percent to 100.0 percent in various trusts managed at local banks in Pennsylvania and income from the trusts is recorded as a planned giving contribution. In addition, the Council made contributions to the endowment funds held in local community foundations.

Under accounting principles generally accepted in the United States of America, as the Council transferred the assets to the community foundations, but specified itself as the beneficiary of those assets, the Council recognized the fair value of the beneficial interest in these assets held by the community foundations at the date of donation.

Under the terms of the agreements with the community foundations, the Council granted the community foundations authority and control over all property of the funds, including any income derived. In exchange, the Council is the designated beneficiary of the distributions, which will occur in accordance with the spending policy and scholarship guidelines of the community foundations.

7. ENDOWMENT

The Council's endowment consists of various funds established primarily for scholarships to support specific projects, as defined by the donor. As disclosed in Note 1, the net asset classification of the endowment is based on the existence or absence of donor-imposed stipulations and whether these stipulations can be fulfilled by the Council or will expire with the passage of time.

Interpretation of Relevant Law

As a Pennsylvania corporation, the Council is governed by the applicable Pennsylvania statutes and has interpreted these statutes as requiring the preservation of the endowment's original contribution as of the date of donation. As a result, contributions to the Council's donor restricted endowment are classified as permanently restricted. The investment return is classified as unrestricted or temporarily restricted, based on the existence or absence of donor-imposed stipulations and considered available for expenditure. The following is the endowment's net asset classification, by type of fund, at September 30:

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 160,428	\$ 305,798	\$ 466,226
Board-designated	230,995	-	-	230,995
Total endowment funds	\$ 230,995	\$ 160,428	\$ 305,798	\$ 697,221

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 167,053	\$ 290,238	\$ 457,291
Board-designated	1,225,737	-	-	1,225,737
Total endowment funds	\$ 1,225,737	\$ 167,053	\$ 290,238	\$ 1,683,028

Endowment Investment Policy

The long-term goals of the Council's investment and spending policy is to preserve principal, while ensuring liquidity sufficient to meet the needs and maintain the purchasing power of the investable assets. This is accomplished by an investment policy that emphasizes total return, with a goal over time to exceed the rate of inflation by 4.0 percent. Actual returns, in any given year, may vary from this amount. This is accomplished through identifying benchmarks and electing an asset allocation, which includes a heavier concentration in equities, with the remainder of the portfolio in fixed income. In order to control the risk of the endowment's assets, the Council has identified authorized investments and general restrictions.

Endowment Spending Policy

The Board of Directors for the Council has adopted a spending policy, which provides that an aggregate amount of investment income ranging from zero to 5.0 percent, based upon the needs of the Council, will be available for expenditure.

For the current year, the amount of income available was determined to be 4.0 percent, which was calculated, based on the twelve calendar quarters prior to the beginning of the fiscal year for which the transfer will be made. A transfer in the amount of \$177,380 will be made subsequent to year-end.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

The following are the activities in the endowment's net assets for the year ended September 30:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 1,225,737	\$ 167,053	\$ 290,238	\$ 1,683,028
Contributions	513,101	4,162	-	517,263
Investment return				
Interest and dividend income	-	2,320	4,162	6,482
Investment management fees	-	(554)	(992)	(1,546)
Unrealized gain on investments	-	234	420	654
Realized gain on investments	-	8,992	16,132	25,124
Total investment return	-	10,992	19,722	30,714
Distributions	(1,507,843)	(21,779)	(4,162)	(1,533,784)
Ending Balance	<u>\$ 230,995</u>	<u>\$ 160,428</u>	<u>\$ 305,798</u>	<u>\$ 697,221</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 253,181	\$ 185,862	\$ 277,214	\$ 716,257
Contributions	1,007,556	20,400	-	1,027,956
Investment return				
Interest and dividend income	-	3,159	5,234	8,393
Investment management fees	-	(816)	(1,352)	(2,168)
Unrealized gain on investments	-	8,569	16,672	25,241
Realized gain on investments	-	7,737	12,825	20,562
Total investment return	-	18,649	33,379	52,028
Distributions	(35,000)	(57,858)	(20,355)	(113,213)
Ending Balance	<u>\$ 1,225,737</u>	<u>\$ 167,053</u>	<u>\$ 290,238</u>	<u>\$ 1,683,028</u>

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

8. PLEDGES RECEIVABLE

During the year ended September 30, 2010, the Council began fundraising campaigns to raise funds through pledges in celebration of their 100th Anniversary in 2012 and a campaign called the Circle of Friends. Funds raised through both campaigns are to support the Council's mission into the future. Unconditional promises to give, without readily determinable fair values, are stated at the present value of future cash flows, using an average discount rate of 0.93 percent and 0.96 percent for the years ended September 30, 2014 and 2013, respectively.

The determination of fair value, based on the present value of future cash flows, involves assumptions that are not observable, which is a Level 3 valuation input, as described in Note 5 - "*Fair Value Measurements*." Campaign pledges receivable are as follows and extend through the year ending September 30, 2020:

	2014	2013
Receivable in less than one year	\$ 133,241	\$ 166,192
Receivable in one to five years	163,650	280,766
Receivable in more than five years	1,000	-
Total pledges receivable	297,891	446,958
Discount to present value	(545)	(1,114)
Allowance for uncollectible accounts	(8,233)	(21,986)
Total pledges receivable	\$ 289,113	\$ 423,858

9. MORTGAGE RECEIVABLE

The mortgage receivable is comprised of the following at September 30:

	2014	2013
Stipsak mortgage	\$ 490,064	\$ 494,535
Less current portion	(27,516)	(17,238)
Total long-term mortgage receivable	\$ 462,548	\$ 477,297

The Council financed \$500,000 of the purchase price of the York Property at the time of the sale. The mortgage bears interest at 6.0 percent for a period of one hundred and twenty months. The terms of this agreement required interest only payments of \$2,500 per month, through February 2013. Beginning February 2013, the required principal and interest payments are \$3,582 per month, through July 2022.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

A final payment is due July 14, 2022, for the entire unpaid principal balance, plus all accrued interest, costs, and fees owed on the mortgage. The mortgage is secured by a second priority lien and security interest in the property at 1600 Mount Zion Road, York, Pennsylvania. At September 30, 2014, eleven months of interest income was not accrued or recorded as these payments have not been collected. However, the fair value of the secured properties exceeds the total mortgage receivable. Future minimum principal payments, owed to the Council, are as follows for the years ending September 30:

	Amount
2015	\$ 27,516
2016	15,659
2017	16,625
2018	17,650
2019	18,739
Thereafter	393,875
 Total	 \$ 490,064

10. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	Useful Lives	2014	2013
Construction-in-progress	N/A	\$ 113,264	\$ 325,518
Land improvements	15 years	1,915,518	2,836,796
Buildings and improvements	15 – 39 years	14,739,126	11,463,650
Equipment and furniture	3 – 7 years	2,086,915	2,113,555
Vehicles	5 years	264,203	169,966
 Total property and equipment		 19,119,026	 16,909,485
 Less accumulated depreciation		 (10,389,378)	 (9,930,899)
 Net book value		 \$ 8,729,648	 \$ 6,978,586

Depreciation for the years ended September 30, 2014 and 2013, was \$488,621 and \$473,521, respectively.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

11. LINE OF CREDIT

During September 2008, the Council obtained a committed revolving line of credit with PNC Bank for working capital purposes. Effective September 1, 2011, the line of credit limit was established not to exceed \$3,550,000. The line of credit was renewed through August 31, 2015. Interest on the line of credit is calculated monthly, based on the London InterBank Offered Rate (LIBOR), plus 2.25 percent. The line of credit is secured by investments held by PNC Bank. There were no outstanding balances at September 30, 2014 and 2013.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

	2014	2013
Time restrictions - United Way	\$ 236,117	\$ 235,336
Purpose restrictions		
Schuylkill county projects	73,112	69,397
Gold award scholarship fund	81,260	84,049
Scholarships	6,056	13,091
Specific purpose	118,310	184,828
Time restrictions – gross pledges receivable	295,837	439,724
 Total temporarily restricted net assets	 \$ 810,692	 \$ 1,026,425

13. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at September 30:

	2014	2013
Beneficial interest in perpetual trusts	\$ 586,317	\$ 561,336
Kelly memorial fund	31,109	29,526
Shover, Shaeffer, and Burnhisel funds	13,169	12,499
Brenner fund	13,916	13,208
Boyle fund	12,114	11,498
Hopple fund	6,961	6,606
Kruger fund	4,687	4,449
Brumm trust	2,602	2,470
Other	221,240	209,983
 Total permanently restricted net assets	 \$ 892,115	 \$ 851,575

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

14. OPERATING LEASE COMMITMENTS

Four offices are leased under agreements, which expire between 2016 and 2018. Additionally, office equipment is leased under agreements, which expire in 2018. The annual rentals payable under these operating lease commitments are as follows for the years ending September 30:

	<u>Amount</u>
2015	\$ 94,683
2016	\$ 77,408
2017	\$ 54,793
2018	\$ 31,197
2019	\$ 8,263

Rental expense for the years ended September 30, 2014 and 2013, was \$146,680 and \$302,380, respectively.

15. PENSION PLAN

The Council participates in the National Girl Scout Council Retirement Plan (NGSCR), a noncontributory defined benefit pension plan sponsored by GSUSA. The National Board of GSUSA voted to freeze the plan to new entrants and to freeze future benefit accruals for all current participants under the plan effective July 31, 2010. The plan covers substantially all of the employees of various Girl Scout councils, who were eligible to participate in the plan prior to the plan freeze. Accrued and vested benefits prior to July 31, 2010, are based on years of service and salary levels.

Contributions made by the Council during the fiscal years ended September 30, 2014 and 2013, were \$558,620 and \$452,116, respectively. During the fiscal years ended September 30, 2014 and 2013, GSUSA issued Pension Assistance Grants to the Council for \$74,326 and \$62,954, respectively, to help offset the increase in costs.

During August 2010, the Council voted to implement a retirement plan, effective January 1, 2011, under Section 403(b) of the IRC. The plan covers employees, who have met certain age and length of service requirements. Each plan year, the Council will determine the amount of the employer base contribution, if any, up to a maximum of 2.0 percent of total compensation for all eligible participants, who are actively employed with the Council on the last day of the plan year. Contributions to the plan were \$51,216 and \$44,111 for the years ended September 30, 2014 and 2013, respectively.

16. CONTINGENCIES

During the year ended 2012, the Council was named as a party in a lawsuit regarding an accident occurring on one of their properties. This case is being handled by the Council's insurance company. At this time, management cannot predict the outcome of the lawsuit or estimate any loss that may result.

(continued)

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

17. GAS LEASE ROYALTY

During February 2009, the Council, (lessor) entered into an Oil and Gas Lease with Cabot Oil & Gas Corporation (lessee). Under the terms of this agreement, the lessee obtained the rights to explore, drill, and operate for and produce gas from a property located in Susquehanna County, Pennsylvania containing approximately 288 acres, for a five-year period and as long, thereafter, as oil or gas is produced in paying quantities from this particular property or from any property that is pooled with this property. As consideration for executing the agreement, the lessee paid the Council a one-time payment of \$2,500 per acre or \$720,000. Thereafter, the lessee is obligated to pay royalties of 16.0 percent of the amounts realized from the sale of gas from the property during the terms of the agreement. The Council recorded gas lease royalties of \$513,101 and \$823,246 for the years ended September 30, 2014 and 2013, respectively.

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