

GIRL SCOUTS HEART OF NEW JERSEY, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

GIRL SCOUTS HEART OF NEW JERSEY, INC.

SEPTEMBER 30, 2018 AND 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3-4
Statements of Activities and Changes in Net Assets.....	5-6
Statements of Cash Flows.....	7
Statements of Functional Expenses.....	8-9
Notes to Financial Statements.....	10-26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Girl Scouts Heart of New Jersey, Inc.
Montclair, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts Heart of New Jersey, Inc. ("Council"), a nonprofit organization, which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and changes in net assets, 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 auditors consider 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 Heart of New Jersey, Inc. 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.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
February 4, 2019

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,888,932	\$ 307,171	\$ 145,473	\$ 2,341,576
Investments, fair value	1,252,362	112,018	-	1,364,380
Accounts receivable, net	46,857	-	-	46,857
Grants receivable	12,250	-	-	12,250
Inventory	215,374	-	-	215,374
Prepaid expenses	118,879	-	-	118,879
	<u>3,534,654</u>	<u>419,189</u>	<u>145,473</u>	<u>4,099,316</u>
Property and equipment, net	6,799,722	-	-	6,799,722
Other assets:				
Investments, fair value	-	-	29,803	29,803
	<u>\$ 10,334,376</u>	<u>\$ 419,189</u>	<u>\$ 175,276</u>	<u>\$ 10,928,841</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 222,980	\$ -	\$ -	\$ 222,980
Other current liabilities	82,584	-	-	82,584
Accrued expenses	196,812	-	-	196,812
Deferred revenue	213,426	-	-	213,426
Program deposits and custodial funds	39,642	-	-	39,642
	<u>755,444</u>	<u>-</u>	<u>-</u>	<u>755,444</u>
Other liabilities	1,700	-	-	1,700
	<u>757,144</u>	<u>-</u>	<u>-</u>	<u>757,144</u>
NET ASSETS:				
Unrestricted net assets	9,577,232	-	-	9,577,232
Temporarily restricted net assets	-	419,189	-	419,189
Permanently restricted net assets	-	-	175,276	175,276
	<u>9,577,232</u>	<u>419,189</u>	<u>175,276</u>	<u>10,171,697</u>
	<u>\$ 10,334,376</u>	<u>\$ 419,189</u>	<u>\$ 175,276</u>	<u>\$ 10,928,841</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,909,830	\$ 328,150	\$ -	\$ 3,237,980
Investments, fair value	507,751	97,316	-	605,067
Accounts receivable, net	146,829	-	-	146,829
Grants receivable	24,731	-	-	24,731
Inventory	200,332	-	-	200,332
Prepaid expenses	92,950	-	-	92,950
	<u>3,882,423</u>	<u>425,466</u>	<u>-</u>	<u>4,307,889</u>
Property and equipment, net	6,555,752	-	-	6,555,752
Other assets:				
Investments, fair value	-	-	975,276	975,276
	<u>\$ 10,438,175</u>	<u>\$ 425,466</u>	<u>\$ 975,276</u>	<u>\$ 11,838,917</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 171,733	\$ -	\$ -	\$ 171,733
Other current liabilities	173,806	-	-	173,806
Accrued expenses	372,803	-	-	372,803
Deferred revenue	240,477	-	-	240,477
Program deposits and custodial funds	35,207	-	-	35,207
	<u>994,026</u>	<u>-</u>	<u>-</u>	<u>994,026</u>
Other liabilities	1,700	-	-	1,700
	<u>995,726</u>	<u>-</u>	<u>-</u>	<u>995,726</u>
NET ASSETS:				
Unrestricted net assets	9,442,449	-	-	9,442,449
Temporarily restricted net assets	-	425,466	-	425,466
Permanently restricted net assets	-	-	975,276	975,276
	<u>9,442,449</u>	<u>425,466</u>	<u>975,276</u>	<u>10,843,191</u>
	<u>\$ 10,438,175</u>	<u>\$ 425,466</u>	<u>\$ 975,276</u>	<u>\$ 11,838,917</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Annual giving	\$ 131,050	\$ 100,593	\$ -	\$ 231,643
United Way	3,048	-	-	3,048
Foundations and grants	100	149,900	-	150,000
Program fees	524,006	-	-	524,006
Camp fees	982,805	-	-	982,805
Merchandise sales:				
Gross sales	\$ 664,960			
Cost of sales	<u>(401,884)</u>			
	263,076	-	-	263,076
Cookie sales:				
Gross sales	4,563,391			
Cost of sales	<u>(1,540,764)</u>			
	3,022,627	-	-	3,022,627
Nut and QSP sales:				
Gross sales	562,854			
Cost of sales	<u>(258,054)</u>			
	304,800	-	-	304,800
Net realized and unrealized gain	95,064	1,889	-	96,953
Investment income, net	44,423	3,227	-	47,650
Special events	38,751	-	-	38,751
Rental income	144,848	-	-	144,848
Insurance proceeds	42,089	-	-	42,089
Loss on land clean-up	(3,990)	-	-	(3,990)
Miscellaneous income	2,649	-	-	2,649
Net assets released from	1,061,886	(261,886)	(800,000)	-
	<u>6,657,232</u>	<u>(6,277)</u>	<u>(800,000)</u>	<u>5,850,955</u>
Expenses:				
Program and camp services	5,152,368	-	-	5,152,368
General and administrative	1,166,839	-	-	1,166,839
Fundraising	203,242	-	-	203,242
	<u>6,522,449</u>	<u>-</u>	<u>-</u>	<u>6,522,449</u>
Changes in net assets	134,783	(6,277)	(800,000)	(671,494)
NET ASSETS:				
Beginning of year	<u>9,442,449</u>	<u>425,466</u>	<u>975,276</u>	<u>10,843,191</u>
End of year	<u>\$ 9,577,232</u>	<u>\$ 419,189</u>	<u>\$ 175,276</u>	<u>\$ 10,171,697</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Annual giving	\$ 180,261	\$ 20,620	\$ -	\$ 200,881
United Way	1,100	-	-	1,100
Foundations and grants	1,051	296,445	-	297,496
Program fees	514,794	-	-	514,794
Camp fees	911,449	-	-	911,449
Merchandise sales:				
Gross sales	\$ 620,956			
Cost of sales	<u>(388,534)</u>			
	232,422	-	-	232,422
Cookie sales:				
Gross sales	4,492,530			
Cost of sales	<u>(1,505,887)</u>			
	2,986,643	-	-	2,986,643
Nut and QSP sales:				
Gross sales	602,365			
Cost of sales	<u>(268,276)</u>			
	334,089	-	-	334,089
Net realized and unrealized gain	99,191	34,825	-	134,016
Investment income, net	24,266	20,798	-	45,064
Special events	20,890	-	-	20,890
Rental income	99,431	-	-	99,431
Insurance proceeds	68,376	-	-	68,376
Loss on sale of asset	(3,481)	-	-	(3,481)
Loss on land clean-up	(218,062)	-	-	(218,062)
Miscellaneous income	38,642	-	-	38,642
Net assets released from restrictions	1,894,728	(1,894,728)	-	-
	<u>7,185,790</u>	<u>(1,522,040)</u>	-	<u>5,663,750</u>
Expenses:				
Program and camp services	4,950,321	-	-	4,950,321
General and administrative	1,184,458	-	-	1,184,458
Fundraising	209,329	-	-	209,329
	<u>6,344,108</u>	-	-	<u>6,344,108</u>
Changes in net assets	841,682	(1,522,040)	-	(680,358)
NET ASSETS:				
Beginning of year	8,600,767	1,947,506	975,276	11,523,549
End of year	<u>\$ 9,442,449</u>	<u>\$ 425,466</u>	<u>\$ 975,276</u>	<u>\$ 10,843,191</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2018	2017
CASH FLOWS USED FOR:		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (671,494)	\$ (680,358)
Adjustments to reconcile changes in net assets to net cash used for operating activities:		
Depreciation and amortization	272,105	256,017
Bad debt expense	11,284	21,847
Realized gain on investments	(2,427)	(27,188)
Unrealized gain on investments	(94,526)	(106,828)
Changes in certain assets and liabilities:		
Accounts receivable	88,688	(15,310)
Grants receivable	12,481	(24,731)
Inventory	(15,042)	36,644
Prepaid expenses	(25,929)	(16,321)
Accounts payable	51,247	(324,968)
Other current liabilities	(91,222)	71,030
Accrued expenses	(175,991)	198,388
Deferred revenue	(27,051)	3,160
Program deposits and custodial funds	4,435	2,515
Other liabilities	-	(75)
Net Cash Used for Operating Activities	<u>(663,442)</u>	<u>(606,178)</u>
<u>INVESTING ACTIVITIES:</u>		
Transfers (Purchase) of investments	(459,250)	605,251
Sales proceeds from investments	742,363	12,235
Purchase of property and equipment	(516,075)	(2,081,132)
Net Cash Used for Investing Activities	<u>(232,962)</u>	<u>(1,463,646)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(896,404)	(2,069,824)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>3,237,980</u>	<u>5,307,804</u>
End of year	<u>\$ 2,341,576</u>	<u>\$ 3,237,980</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program and Camp Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 3,051,636	\$ 744,992	\$ 155,416	\$ 3,952,044
Professional services	285,744	88,896	11,640	386,280
Supplies	442,323	19,978	823	463,124
Incentives	137,329	-	-	137,329
Telephone	9,051	38,681	-	47,732
Data communications, internet, web	6,100	28,760	-	34,860
Postage and shipping	12,954	-	458	13,412
Occupancy	314,881	35,427	-	350,308
Equipment rentals and maintenance	23,925	19,826	1,425	45,176
Printing and publications	2,982	24,440	56	27,478
Travel	30,009	8,883	3,208	42,100
Vehicle leasing and chartering	143,050	437	13	143,500
Vehicle and boat maintenance and repair	6,721	-	-	6,721
Transportation costs	16,028	3,346	-	19,374
Adult conferences and conventions	27,439	18,272	4,600	50,311
Staff development	14,538	3,085	1,588	19,211
Assistance to girls	124,179	-	-	124,179
Membership dues	2,506	-	699	3,205
Insurance	91,095	40,434	4,520	136,049
Recruitment	55,751	-	-	55,751
Other expenses	112,770	60,634	18,796	192,200
	4,911,011	1,136,091	203,242	6,250,344
Depreciation and amortization	241,357	30,748	-	272,105
	\$ 5,152,368	\$ 1,166,839	\$ 203,242	\$ 6,522,449

GIRL SCOUTS HEART OF NEW JERSEY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	Program and Camp Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 2,889,443	\$ 767,552	\$ 160,533	\$ 3,817,528
Professional services	379,167	111,465	20,958	511,590
Supplies	461,262	18,131	3,961	483,354
Incentives	110,192	-	-	110,192
Telephone	9,072	34,445	-	43,517
Data communications, internet, web	7,360	32,944	-	40,304
Postage and shipping	14,338	-	638	14,976
Occupancy	280,247	29,459	143	309,849
Equipment rentals and maintenance	28,297	16,957	-	45,254
Printing and publications	14,287	14,755	1,339	30,381
Travel	36,231	11,873	1,149	49,253
Vehicle leasing and chartering	142,562	967	591	144,120
Vehicle and boat maintenance and repair	9,560	-	-	9,560
Transportation costs	4,847	771	277	5,895
Adult conferences and conventions	32,967	26,721	1,777	61,465
Staff development	9,553	2,857	592	13,002
Assistance to girls	50,375	-	-	50,375
Membership dues	2,789	-	430	3,219
Insurance	89,587	39,331	4,849	133,767
Recruitment	36,230	-	-	36,230
Other expenses	114,868	47,300	12,092	174,260
	<u>4,723,234</u>	<u>1,155,528</u>	<u>209,329</u>	<u>6,088,091</u>
Depreciation and amortization	227,087	28,930	-	256,017
	<u>\$ 4,950,321</u>	<u>\$ 1,184,458</u>	<u>\$ 209,329</u>	<u>\$ 6,344,108</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 - NATURE OF OPERATIONS:

Girl Scouts Heart of New Jersey, Inc. (“Council”) is a chartered council of the Girl Scouts of the United States of America (“GSUSA”), a nonprofit organization.

The Council serves the interests and needs of girls residing in its jurisdiction, ages five through seventeen, by providing an informal education program in partnership with caring adult volunteers who inspire girls with the highest ideals of character, conduct, leadership, patriotism and service to others in the community, in accordance with the purpose of GSUSA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies is presented to assist in understanding the Council’s financial statements. The financial statements and notes are the representations of the Council’s management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been applied in the preparation of the financial statements.

Financial Statement Presentation:

In accordance with accounting principles generally accepted in the United States of America, 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. Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations. All gifts, grants, and bequests are considered unrestricted unless specifically restricted by the donor.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

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 the Council to use all or part of the income earned on any related investments for general or specific purposes.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Council considers all cash balances and highly liquid investments available for current use with an initial maturity of three months or less when acquired, to be cash equivalents.

Accounts and Grants Receivable:

Accounts and grants receivable are stated at unpaid balances. Receivables are determined to be past due based on contractual terms. Receivables are unsecured and are not interest-bearing. The Council charges uncollectible accounts receivable to operations when determined to be uncollectible. The Council has established an allowance for doubtful accounts in the amounts of \$15,000 and \$7,541 for each of the years ended September 30, 2018 and 2017, respectively based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year.

Support and Revenue Recognition:

Contributions are recognized when received or when the donor makes an unconditional promise to give to the Council. Unconditional promises to give due in one year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Conditional promises to give are not included as support until the conditions 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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions of donated, non-cash assets are recorded at their fair value in the period received. Contributions of donated services that: create or enhance nonfinancial assets; require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donations, are recorded at their fair values in the period received.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Support and Revenue Recognition: (Continued)

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions.

Contributions, investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income or gains are recognized.

Program service revenue is recognized upon completion of the program. Revenue from the sale of merchandise in Council shops is recognized at the point of sale with the customer. Rental revenue from campsites on Council property is recognized when received.

A council service fee (“CSF”) is paid in conjunction with the membership fee for each girl registrant to offset the Council’s program delivery expense. The CSF totaled \$253,974 and \$262,470 for the years ended September 30, 2018 and 2017, respectively, and is included in program fees on the statements of activities and changes in net assets.

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 and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments:

The Council records investments in equities, money market funds, certificates of deposit and mutual funds at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the statement of activities and changes in net assets. Investment income is presented net of investment advisory or management fees. Investment advisory or management fees were \$3,564 and \$21,773 for the years ended September 30, 2018 and 2017, respectively. All investment income and realized and unrealized gains are reported as a change in unrestricted net assets unless otherwise restricted by the donor. Investments that are received as donations are recorded at their market value at the date of donation, which then becomes their cost.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fair Value:

Fair value measurements are defined as the amount 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. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3:** Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Inventory:

Inventories are stated at the lower of cost or market. Cost is principally determined using the first-in, first-out method.

Property and Equipment:

The Council capitalizes all expenditures in excess of \$1,000 for property and equipment, including donated property, which is capitalized at the estimated fair value on the date of donation. Depreciation is computed by using the straight-line method, beginning in the year of acquisition, over the estimated useful life of the asset:

	Estimated Useful Life (in years)
Land improvements	10-30
Buildings and improvements	5-50
Vehicles	5-10
Computer equipment and software	3-10
Furniture and equipment	5-15

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Revenue:

Deferred revenue represents cash received by the Council, in advance, for council service fees or program fees from members of the Council.

Functional Allocation of Expenses:

Expenses by function have been allocated among program and supporting classifications on the basis of time records and estimates made by management.

Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses. There are various funding sources providing support toward the Council's programs, and some of the expenses charged to the programs represent direct expenses related to program operations and objectives.

Financial Statement Reporting for Not-for-Profit Entities:

The Financial Accounting Standards Board issued an accounting pronouncement, *Presentation of Financial Statements of Not-for-Profit Entities*, that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designations, composition of net assets with donor restrictions, and how the restrictions affect the use of resources. It also requires the Council to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ending September 30, 2019. The Council is currently evaluating the effect the new standard will have on its financial statements.

Income Taxes:

The Council qualifies for an exemption from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provision for federal or state income tax is made in the accompanying financial statements. At September 30, 2018 and 2017, all required tax returns have been filed, and all taxes have been paid. There are no income-tax-related penalties and interest included in these financial statements.

The Council's policy is to evaluate uncertain tax positions in accordance with the accounting pronouncement on accounting for uncertainty in income taxes. Pursuant to this accounting pronouncement, management has determined that it does not have any uncertain tax positions required to be reported.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 3 - INVESTMENTS:

Investments are stated at fair value and consist of certificates of deposit, bonds, mutual funds, equities, and participation in the Community Foundation of New Jersey's ("Foundation") endowment program. The Foundation matched the Council's original contribution of \$10,000. The Foundation's match is permanently restricted.

	September 30,	
	2018	2017
Short-term:		
Certificates of deposit	\$ -	\$ 33,090
Money market funds	28,863	32,651
U.S. government securities	182,199	-
Corporate bonds	86,431	-
Mutual funds	185,390	468,218
Pooled funds through the Community Foundation of New Jersey	45,610	42,695
Equities	835,887	28,413
	<u>1,364,380</u>	<u>605,067</u>
Long-term:		
Certificates of deposit	19,803	16,298
Money market funds	-	142,163
Mutual funds	-	806,815
Pooled funds through the Community Foundation of New Jersey	10,000	10,000
	<u>29,803</u>	<u>975,276</u>
	<u>\$ 1,394,183</u>	<u>\$ 1,580,343</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 4 - FAIR VALUE DISCLOSURE:

The Council has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets that have been accounted for at fair value on a recurring basis, along with the basis for the determination of fair value.

FAIR VALUE MEASUREMENTS
AS OF SEPTEMBER 30, 2018

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equities	\$ 835,887	\$ -	\$ -	\$ 835,887
Money market funds	1,949,049	-	-	1,949,049
Certificates of deposit	-	19,803	-	19,803
U.S. government securities	-	182,199	-	182,199
Corporate bonds	-	86,431	-	86,431
Mutual funds	185,390	-	-	185,390
Pooled funds in Community Foundation of New Jersey	-	-	55,610	55,610
Less: Non-endowment money market funds reclassified to cash	(1,920,186)	-	-	(1,920,186)
Investments at Fair Value	\$ 1,050,140	\$ 288,433	\$ 55,610	\$ 1,394,183

FAIR VALUE MEASUREMENTS
AS OF SEPTEMBER 30, 2017

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equities	\$ 28,413	\$ -	\$ -	\$ 28,413
Money market funds	880,896	-	-	880,896
Certificates of deposit	-	49,388	-	49,388
Mutual funds	1,275,033	-	-	1,275,033
Pooled funds in Community Foundation of New Jersey	-	-	52,695	52,695
Less: Non-endowment money market funds reclassified to cash	(706,082)	-	-	(706,082)
Investments at Fair Value	\$ 1,478,260	\$ 49,388	\$ 52,695	\$ 1,580,343

The Council values such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Council next attempts to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborating factors.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 4 - FAIR VALUE DISCLOSURE: (Continued)

In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Council develops measurement criteria based on the best information available.

The Council's investments in equities are valued at their quoted market prices in active markets for identical investments. As such, the fair value of these investments is classified as Level 1.

Money market funds are considered cash and cash equivalents and are valued at \$1.00 per share. As such, the fair value of the money market funds is classified as Level 1.

Mutual funds are valued at their quoted market prices, which represent the net asset value of the securities held in such funds. As such, the fair value of the mutual funds is classified as Level 1.

Certificates of deposit are valued based on comparable certificates of deposit issued by the bank or similar institution on similar marketplaces. As such, the fair value of the certificates of deposit is classified as Level 2.

Pooled funds held in the Community Foundation of New Jersey's Flagship Portfolio pools are classified as Level 3.

The following table provides further details of Level 3 fair value investments.

	Year Ended	
	September 30,	
	2018	2017
Balance, Beginning of year	\$ 52,695	\$ 48,314
Interest and dividend income	1,028	1,126
Unrealized gains	2,662	2,991
Realized (losses) gains	(196)	818
Investment fees	(579)	(554)
Balance, End of year	<u>\$ 55,610</u>	<u>\$ 52,695</u>

The following schedule summarizes the pooled fund in the Community Foundation of New Jersey by strategy:

	September 30,	
	2018	2017
Equity	54%	52%
Fixed income	38%	33%
Alternatives	8%	15%
Total Mutual Funds	<u>100%</u>	<u>100%</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 4 - FAIR VALUE DISCLOSURE: (Continued)

The following schedule summarizes the mutual funds by strategy and equities by market or strategy as of September 30, 2018:

Mutual Funds:		Equities:	
Intermediate-term bonds	95%	Basic materials	6%
Large blend	5%	Healthcare	15%
		Technology	22%
		Financial Services	14%
		Energy	6%
		Consumer Cyclical	11%
		Consumer Defensive	6%
		Industrials	9%
		Real Estate	2%
		Communication Services	2%
		Utilities	3%
		Other Equities	4%
Total Mutual Funds	<u>100%</u>		<u>100%</u>

The following schedule summarizes the mutual funds by strategy and equities by market or strategy as of September 30, 2017:

Mutual Funds:		Equities:	
Intermediate-term bonds	18%	Basic materials	100%
Large value	4%		
Large growth	12%		
Real estate	4%		
Inflation-protected bond	3%		
Europe stock	7%		
Foreign large growth	4%		
Mid-cap growth	4%		
Mid-cap value	3%		
Other	41%		
Total Mutual Funds	<u>100%</u>		<u>100%</u>

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 5 - PROPERTY AND EQUIPMENT:

	September 30,	
	2018	2017
Land	\$ 1,237,405	\$ 1,237,405
Land improvements	314,749	126,262
Building and improvements	10,762,040	7,588,136
Vehicles	203,555	166,869
Computer equipment and software	300,361	271,511
Furniture and equipment	1,789,069	1,634,395
Construction in progress	-	3,066,526
	<u>14,607,179</u>	<u>14,091,104</u>
Less: Accumulated depreciation	(7,807,457)	(7,535,352)
Total	<u>\$ 6,799,722</u>	<u>\$ 6,555,752</u>

Depreciation expense for the years ended September 30, 2018 and 2017, was \$272,105 and \$256,017, respectively. Additionally, the Council evaluates property and equipment to determine if any have been impaired. No impairment has been recognized for the years ended September 30, 2018 or 2017.

During the years ended September 30, 2018 and 2017, insurance proceeds of \$42,089 and \$68,376 respectively, were received for a fire that occurred at Camp DeWitt, which destroyed the building and improvements. This was recorded as insurance proceeds in the accompanying statements of activities and changes in net assets.

NOTE 6 - SALE OF EAGLE ISLAND PROPERTY

On November 6, 2015, the Council sold its Eagle Island camp and surrounding property. The proceeds from the sale were temporarily restricted and were used exclusively to promote Girl Scouts camping. During fiscal years ending September 30, 2018 and 2017, expenditures of approximately \$77,414 and \$1,668,633, respectively, were used to improve the camps. The remaining balance of \$77,414 at September 30, 2017 was included within temporarily restricted net assets on the statements of financial position.

At September 30, 2017, the Council was owed \$100,000, which was to be released upon approval of the New York State Environmental Protection Agency, following the completion of a remediation process. This balance was included in accounts receivable, net, in the accompanying statements of financial position at September 30, 2017. This amount was received during the year ended September 30, 2018, and there is no balance due as of September 30, 2018.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 7 - RELATED PARTY:

The Council is a member of the national organization, Girl Scouts of the United States of America. It also has members within its jurisdiction.

The Council collects membership dues on behalf of GSUSA. The amounts collected and remitted to GSUSA were \$638,245 and \$568,735 for the years ended September 30, 2018 and 2017, respectively.

The Council purchases merchandise for its retail shops from GSUSA. The amounts paid to GSUSA were \$307,265 and \$308,595 for the years ended September 30, 2018 and 2017, respectively.

NOTE 8 - RESTRICTIONS ON NET ASSETS:

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	September 30,	
	2018	2017
Programs	\$ 307,171	\$ 250,736
Interest generated from endowment funds available for programs	112,018	97,316
Camping	-	77,414
	<u>\$ 419,189</u>	<u>\$ 425,466</u>

Temporarily restricted net assets of \$261,886 and \$1,894,728 were released from restrictions during the years ended September 30, 2018 and 2017, respectively, when the time and/or purpose restrictions were accomplished. These amounts are shown in the accompanying statements of activities and changes in net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to gift instruments restricted in perpetuity to continue the purpose of the Council.

Judgment was made on October 13, 2017, for the termination of the Kalmia Trust and distribution of all the trust assets valued at \$791,783 less expenses of administration. The trust has been held as permanently restricted funds prior to judgment. This permanently restricted net asset had an original gift amount of \$800,000, which was released from restriction during the year ended September 30, 2018. This amount is shown in the accompanying statements of activities and changes in net assets.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 9 - ENDOWMENT FUNDS:

Endowment Funds:

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment funds, are classified and reported based on the existence or absence of any restrictions. Its endowment includes funds restricted by donors. The Council's endowment funds consist of several funds established for camp improvement purposes and Girl Scouting.

Interpretations of Relevant Law:

Management of the Council has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in 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 state law. 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 purpose of the Council 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 Council
- (7) The investment policies of the Council

Under the provisions of the Uniform Prudent Management of Institutional Funds Act and accounting principles generally accepted in the United States of America, losses in the market value of donor-restricted endowment funds are required to be offset by reductions in temporarily restricted net assets or unrestricted net assets, or both. An endowment fund that has become "underwater" will therefore result in decreases in temporarily restricted or unrestricted net assets, despite the absence of any legal obligation to restore the endowment fund for such losses. Unrestricted net assets that have been reduced because of this requirement will be restored from future gains for that reduction.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 9 - ENDOWMENT FUNDS: (Continued)

Return Objectives and Risk Parameters:

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Council must hold in perpetuity or for donor-specified periods, as well as funds designated by the Board of Directors.

Strategies Employed for Achieving Objectives:

To satisfy its long-term, rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Council has an investment objective to provide sufficient liquidity to meet operating, distribution, and spending requirements.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 9 - ENDOWMENT FUNDS: (Continued)

The following tables provide information regarding the change in endowment net assets for the years ended September 30, 2018 and 2017:

	(Underwater) Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, October 1, 2016	\$ (76,968)	\$ 128,247	\$ 975,276	\$ 1,026,555
Investment Return:				
Investment income - net of expenses	20,798	-	-	20,798
Net (depreciation) appreciation (realized and unrealized)	56,170	(21,345)	-	34,825
Total investment gain (loss)	76,968	(21,345)	-	55,623
Endowment distribution	-	-	-	-
Endowment net assets, September 30, 2017	-	106,902	975,276	1,082,178
Investment Return:				
Investment income - net of expenses	3,227	-	-	3,227
Net appreciation (depreciation) (realized and unrealized)	(3,227)	5,116	-	1,889
Total investment gain	-	5,116	-	5,116
Endowment distribution	-	-	-	-
Appropriated for reclass	-	-	(800,000)	(800,000)
Endowment net assets, September 30, 2018	\$ -	\$ 112,018	\$ 175,276	\$ 287,294

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 9 - ENDOWMENT FUNDS: (Continued)

Endowment investments in temporarily restricted and permanently restricted net assets consist of the following at September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ -	\$ 46,450	\$ 145,473	\$ 191,923
Fixed Income	-	28,748	-	28,748
Equities	-	36,268	-	36,268
Mutual funds	-	552	10,000	10,552
Certificates of deposit	-	-	19,803	19,803
	<u>\$ -</u>	<u>\$ 112,018</u>	<u>\$ 175,276</u>	<u>\$ 287,294</u>

Endowment investments in temporarily restricted and permanently restricted net assets consist of the following at September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	\$ -	\$ -	\$ 108,829	\$ 108,829
Mutual funds	-	106,902	817,059	923,961
Certificates of deposit	-	-	49,388	49,388
	<u>\$ -</u>	<u>\$ 106,902</u>	<u>\$ 975,276</u>	<u>\$ 1,082,178</u>

NOTE 10 - EMPLOYEE BENEFIT PLANS:

The Council participates in the National Girl Scout Council Retirement Plan (“Plan”), a noncontributory, defined benefit pension plan, sponsored by Girl Scouts of the United States of America. 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. The Council’s pension expense and contributions to this Plan for the years ended September 30, 2018 and 2017, were \$428,253 and \$443,644, respectively, included in salaries and benefits on the statements of functional expenses.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

Leases:

The Council leases equipment under terms of noncancelable operating leases. At September 30, 2018, future minimum aggregate payments on all leases are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2019	<u>\$ 8,631</u>

Lease expense under all leases was \$16,651 and \$15,782 for the years ended September 30, 2018 and 2017, respectively; such amounts are included in occupancy in the accompanying statements of functional expenses.

Legal Matters:

The Council is, at times, involved with certain claims, including equal opportunity and employment issues and other routine litigation matters arising in the normal course of operations. In the opinion of management, after consultation with legal counsel, the outcome of such matters will not have a material adverse effect on the Council's financial position or results of operations.

NOTE 12 - FUNDRAISING:

The Council accounts for the costs of activities that include fundraising, in accordance with the accounting pronouncement on accounting for costs of activities for not-for-profit organizations and state and local government entities that include fundraising. The accounting pronouncement requires not-for-profit entities to report costs of an activity that include fundraising as fundraising costs, unless the activity meets the criteria for purpose, audience, and content of a joint activity, as defined. If the criteria is met, the costs of a joint activity that are identifiable with a particular function should be charged to that function, and joint costs should be allocated between fundraising and the appropriate program or management and general function. The total fundraising costs were \$203,242 and \$209,329 for the years ended September 30, 2018 and 2017, respectively.

GIRL SCOUTS HEART OF NEW JERSEY, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 13 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash and cash equivalents and certificates of deposit. The Council places its cash investments with high credit, qualified institutions, which at times, may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents and certificates of deposit.

During the year ended September 30, 2018, the Council received 68% of its revenue through the following: 52% through the net sales of cookies and 16% through camp fees.

During the year ended September 30, 2017, the Council received 66% of its revenue through the following: 51% through the net sales of cookies and 15% through camp fees.

NOTE 14 - CONTRIBUTED SERVICES:

A substantial number of unpaid volunteers have made significant contributions of their time to assist in the Council's programs. The value of this contributed time is not reflected in the accompanying financial statements since it is not susceptible to objective measurement or valuation.

NOTE 15 - SUBSEQUENT EVENTS:

The Council has evaluated subsequent events occurring after the statement of financial position date through the date of February 4, 2019, which is the date that the financial statements were available to be issued.