Girl Scouts of Greater Los Angeles

Financial Statements and
Independent Auditor's Report

September 30, 2016

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

Girl Scouts of Greater Los Angeles

Index

Independent Auditor's Report

To the Board of Directors
Girl Scouts of Greater Los Angeles

We have audited the accompanying financial statements of Girl Scouts of Greater Los Angeles, which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of Greater Los Angeles as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Girl Scouts of Greater Los Angeles's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Los Angeles, California
January 27, 2017

Girl Scouts of Greater Los Angeles

Statement of Financial Position
September 30, 2016
With Summarized Totals at September 30, 2015

Assets

	2016	2015
Current assets		
Cash and cash equivalents	$ 10,178,509	$ 7,527,570
Accounts and pledges receivables, net	674,515	591,464
Inventory	318,428	285,266
Prepaid expenses and other	307,317	342,285
Total current assets	11,478,769	8,746,585
Investments	11,852,839	11,218,923
Property and equipment, net	9,494,778	7,927,733
Total	$ 32,826,386	$ 27,893,241

Liabilities and Net Assets

	2016	2015
Current liabilities		
Accounts payable	$ 515,974	$ 317,012
Accrued expenses	728,623	1,020,192
Custodial funds, held for others	69,675	113,028
Deferred revenue	123,368	189,186
Note payable, current portion	24,820	24,246
Capital lease obligations, current portion	137,910	131,446
Total current liabilities	1,600,370	1,795,110
Deferred rent	652,409	776,063
Note payable, net of current portion	183,533	208,316
Capital lease obligations, net of current portion	94,851	232,732
Total liabilities	2,531,163	3,012,221
Commitments and contingencies	-	-
Net assets		
Unrestricted		
Undesignated	23,991,438	23,576,546
Board-designated	4,700,967	-
Total unrestricted	28,692,405	23,576,546
Temporarily restricted	1,461,209	1,162,865
Permanently restricted	141,609	141,609
Total net assets	30,295,223	24,881,020
Total	$ 32,826,386	$ 27,893,241

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Activities
Year Ended September 30, 2016
With Summarized Totals for the Year Ended September 30, 2015

	2016				2015
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Revenues and support					
Public support	$ 1,118,893	$ 912,803	$ -	$ 2,031,696	$ 2,227,603
Product sales, net of direct costs	15,298,296	-	-	15,298,296	14,108,870
Merchandise sales, net of direct costs	641,021	-	-	641,021	608,988
Program fees	1,518,343	-	-	1,518,343	1,302,364
Property and equipment use fees	69,103	-	-	69,103	79,889
Interest and dividends, net of fees	246,075	-	-	246,075	216,187
Realized and unrealized gain (loss) on investments, net	608,328	12,899	-	621,227	(662,172)
Gain on disposal of property and equipment	1,323,275	-	-	1,323,275	1,932,087
Other income	60,789	-	-	60,789	336,427
Net assets released from restriction	627,358	(627,358)	-	-	-
Total revenues and support	21,511,481	298,344	-	21,809,825	20,150,243
Expenses					
Program expenses	13,331,461	-	-	13,331,461	14,072,503
Management and general expenses	2,166,267	-	-	2,166,267	1,869,515
Fundraising expenses	897,894	-	-	897,894	627,001
Total expenses	16,395,622	-	-	16,395,622	16,569,019
Change in net assets	5,115,859	298,344	-	5,414,203	3,581,224
Net assets, beginning	23,576,546	1,162,865	141,609	24,881,020	21,299,796
Net assets, end	$ 28,692,405	$ 1,461,209	$ 141,609	$ 30,295,223	$ 24,881,020

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Functional Expenses
Year Ended September 30, 2016
With Summarized Totals for the Year Ended September 30, 2015

	2016				2015
	Program	Management and general	Fundraising	Total	Total
Personnel	$ 8,005,198	$ 1,322,349	$ 548,098	$ 9,875,645	$ 9,952,706
Assistance and grants	217,382	-	-	217,382	155,356
Equipment	172,972	28,573	11,843	213,388	220,239
Insurance	234,219	38,690	16,037	288,946	372,494
Occupancy	1,233,171	203,703	84,433	1,521,307	1,850,671
Other expense	294,933	48,719	20,194	363,846	302,304
Printing and promotion	203,945	33,689	13,964	251,598	211,593
Professional services and fees	709,831	117,254	48,601	875,686	851,122
Supplies and recognitions	1,330,321	219,751	91,084	1,641,156	1,280,323
Telecommunications	120,755	19,947	8,268	148,970	234,685
Travel	186,318	30,777	12,757	229,852	271,343
Depreciation and amortization	622,416	102,815	42,615	767,846	866,183
Total	$ 13,331,461	$ 2,166,267	$ 897,894	$ 16,395,622	$ 16,569,019
Percent of total expenses	81.3%	13.2%	5.5%	100.0%	

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Cash Flows
Year Ended September 30, 2016
With Summarized Totals for the Year Ended September 30, 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 5,414,203	$ 3,581,224
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	767,846	866,183
Bad debt expense	15,912	21,237
Net realized and unrealized (gain) losses on investments	(621,227)	662,172
Gain on disposal of property and equipment	(1,323,275)	(1,932,087)
Deferred rent	(123,654)	(99,200)
Changes in operating assets and liabilities		
Accounts and pledges receivable	(98,963)	50,506
Inventory	(33,162)	46,931
Prepaid expenses and other	34,968	100,637
Accounts payable	198,962	9,719
Accrued expenses	(291,569)	333,795
Custodial funds, held for others	(43,353)	(3,882)
Deferred revenue	(65,818)	62,325
Net cash provided by operating activities	3,830,870	3,699,560
Cash flows from investing activities		
Purchases of investments	(3,588,761)	(2,880,618)
Proceeds from sale of investments	3,576,072	2,549,420
Acquisition of property and equipment	(2,823,386)	(351,828)
Proceeds from sale of property and equipment	1,811,770	2,391,017
Net cash provided by (used in) investing activities	(1,024,305)	1,707,991
Cash flows from financing activities		
Principal payments on notes payable	(24,209)	(129,878)
Principal payments on capital lease obligations	(131,417)	(129,017)
Net cash used in financing activities	(155,626)	(258,895)
Net increase in cash and cash equivalents	2,650,939	5,148,656
Cash and cash equivalents, beginning	7,527,570	2,378,914
Cash and cash equivalents, end	$ 10,178,509	$ 7,527,570
Supplemental disclosure of cash flow information		
Interest paid during the year	$ 20,822	$ 43,800
Supplemental disclosure of noncash investing and financing activities		
Equipment acquired under capital lease obligations	$ -	$ 6,014

See Notes to Financial Statements.

Note 1 - Business activity and summary of significant accounting policies

Business activity

Girl Scouts of Greater Los Angeles ("GSGLA" or the "Council") is a not-for-profit corporation chartered by Girl Scouts of the USA ("GSUSA") to build girls of courage, confidence and character who make the world a better place. GSGLA serves more than 40,000 girls (grades K-12) in partnership with more than 20,000 volunteers from the many diverse communities of Los Angeles County and parts of Kern, San Bernardino, and Ventura Counties. As the largest girl-serving nonprofit agency in Southern California, GSGLA maintains seven service centers, ten program centers, two camps, and a headquarters office. The Council's programs, based on leadership, engage girls in the areas of entrepreneurship, life skills, outdoors, and STEM (Science, Technology, Engineering and Math).

Today, more than ever, girls need positive role models and a safe, inclusive environment to learn and develop, and GSGLA is focused on expanding its efforts to reach more girls. The Council is committed to helping every girl access life-changing Girl Scout experiences, regardless of her economic situation. Annually, GSGLA provides financial assistance and afterschool programs for more than 10,000 girls in low income neighborhoods.

The national ToGetHerThere campaign, dedicated to transforming the leadership landscape and breaking down the barriers that hinder girls from achieving success, is gaining momentum in Greater Los Angeles and across the country. The campaign is also serving as the identity of our Movement-wide fundraising campaign to support the girl-impact goal.

Our 2016 Gold Award Ceremony celebrated 265 Gold Award Girl Scouts. The Gold Award is the highest honor a Girl Scout can earn. Earning the award is a multi-year process, including providing more than 80 hours of community service and advocacy.

About 30,000 girls participated in the product sales program, which includes the iconic Girl Scout Cookie Program and the Fall Product Program, developing and reinforcing the valuable life skills of decision-making, money management, goal setting, business ethics and customer service. The funds earned from the cookie program are used to support a variety of programs and outreach. Troops use 28% of the cookie sales to support their year-round activities, which may include community service, camping or robotics competitions; or building cultural awareness by visiting museums or traveling; or discovering themselves by making new friends and experiencing new skills, and cookie rewards, activities and ideas. Another 27% of cookie program funds go toward financial assistance and outreach to low-income girls for camp and program activities, as well as to recruit, develop, train and support thousands of volunteers. About 45% is dedicated to providing high quality programs and maintaining camps and program sites.

Girl Scouts across the country has engaged and inspired generations of leaders. Our tried and proven programs have helped develop the leadership skills in more than 50 million women, and many of them are shaping the course of our nation's history. GSGLA continues in this grand tradition, providing girls and young women with the values, life skills and tools they need to build courage, confidence and character in order to make the world a better place.

Basis of accounting

The financial statements of GSGLA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial statement presentation

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, which are described as follows:

> *Unrestricted - Undesignated* - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board.
>
> *Unrestricted – Board-designated* - Net assets that are not subject to explicit donor-imposed stipulations. At September 30, 2016, the Council's Board has designated $4,700,967 for future capital purchases or projects outside of the annual operating budget.
>
> *Temporarily restricted* - Net assets whose use by the Council is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Council or that expire by the passage of time.
>
> *Permanently restricted* - Net assets subject to explicit donor-imposed stipulations that must be maintained permanently by the Council and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions, which limit the use of the donated assets, are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as unrestricted support.

Unconditional promises to give with payments due in future periods are reported as restricted contributions when the promises are received. Gifts of land, buildings and equipment are reported as unrestricted contributions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promissor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, demand deposits and all highly liquid investments with an initial maturity date of purchase of three months or less.

Accounts and pledges receivable
Accounts and pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on those pledges receivable due in greater than one year using a discount rate of 3%. The Council provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the customer to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Inventories
Purchased supplies and merchandise inventories are stated at the lower of cost, using the average cost method, or market. No reserve for obsolescence was deemed necessary.

Investments
Investments are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Investment income is reported net of investment expense of $71,076 for the year ended September 30, 2016, which is included in interest and dividends, net of fees.

Property and equipment
Property and equipment are stated at cost if purchased or fair value on the date of donation less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from three to thirty-nine years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets
Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Council periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. No impairments were recorded during the year ended September 30, 2016.

Fair value of financial instruments
The Council's financial instruments consist of cash and cash equivalents, short-term receivables, investments in securities and short-term and long-term payables. The carrying value for all such instruments, considering the terms, approximates fair value at September 30, 2016.

Custodial funds
Custodial funds consist primarily of membership fees collected that will be remitted to GSUSA and other fees collected for the future use of members.

Merchandise and product sales
Merchandise sales consist primarily of sales of Girl Scout-related equipment and supplies. Sales occur primarily at the Council's retail stores. Proceeds from merchandise sales help to defer the cost of maintaining the Council retail stores as a service to members. Revenue is recognized at the time of the sale. Product sales consist of sales of nuts, magazines and cookies by troops. Product revenue is net of proceeds to troops and costs of sales and is recognized at the time of the sale.

Program fees
Program fees consist of payments for camp and other programmatic activities that are held for girls throughout the year. Girls develop their leadership potential through these activities that enable them to learn new skills, connect with others in a multicultural environment and take action to make a difference in their communities. Revenue from program fees are recorded at the time of the program or when earned.

Deferred revenue consists of revenue collected for events that have not yet occurred and property and equipment rental income for programs collected prior to the actual related rental period.

Donated goods and services
Donated goods are historically included in "public support" in the accompanying statement of activities at their estimated fair values at the date of receipt. Support arising from donated services is recognized if the services received require specialized skills, are provided by the individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions of $56,173 were recorded for the year ended September 30, 2016, which are included in public support in the statement of activities.

A substantial number of volunteers have donated significant amounts of their time to GSGLA's program services and fundraising activites; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Girl Scout troop activity
Cash held in troops and groups accounts operate under GSGLA's federal identification number but not under its control. The Council has no signature authority over and will not access the funds as long as a troop or group is functioning according to Girl Scout policy and procedure. Individual troops and groups have the responsibility to use funds in their control for the purposes of Girl Scouting as determined by the members and adult volunteers. The accompanying financial statements do not include financial data for individual Girl Scout troops and other groups such as service units, committees and volunteer-led camps.

Deferred rent
The Council records rent expense under their operating leases on a straight-line basis over the lease terms. Deferred rent results from the difference between increasing monthly cash rent payments and the straight-line expense. In addition, the Council sometimes receives up-front tenant allowances upon entering certain lease agreements. Such allowances are recorded as a deferred rent liability in the accompanying statement of financial position, and amortized as a reduction to rent expense on a straight-line basis over the lease terms.

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

Fair value measurements
The Council values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets 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: 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 with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Income taxes
The Council is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of California. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Council has no unrecognized tax benefits at September 30, 2016.

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

Comparative totals
The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Subsequent events
The Council has evaluated the impact of subsequent events through January 27, 2017, which is the date the financial statements were available to be issued.

Note 2 - Concentrations

Financial instruments that potentially subject the Council to concentrations of credit risk consist primarily of cash and cash equivalents at financial institutions. The Council maintains its cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Council's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Council's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

At September 30, 2016, approximately 21% of the Council's accounts and pledges receivable is due from one donor.

For the year ended September 30, 2016, approximately 78% of support and revenue was derived from net cookie, nut and magazine sales. For the year ended September 30, 2016, one donor accounted for approximately 11% of the Council’s contributions.

Note 3 - Accounts and pledges receivable

At September 30, 2016 and 2015, accounts and pledges receivables consisted of the following:

	2016			2015
	Accounts receivable	Pledges receivable	Total	Total
Gross amount	$ 128,291	$ 596,239	$ 724,530	$ 633,019
Present value discount	-	(1,515)	(1,515)	(1,339)
Reserve for uncollectible amounts	(48,500)	-	(48,500)	(40,216)
Total	$ 79,791	$ 594,724	$ 674,515	$ 591,464

At September 30, 2016, gross undiscounted pledges receivable due in less than one year is $489,859, gross undiscounted pledges receivable due in one to five years is $106,380 and no amounts are due in more than five years. At September 30, 2016, the Council believes that all pledges receivable are collectible.

Note 4 - Investments

At September 30, 2016 and 2015, investments consisted of the following:

	2016	2015
Mutual funds - equities	$ 2,250,020	$ 2,510,141
Corporate bonds	4,101,488	3,240,353
Equities		
Domestic	4,283,428	4,170,718
International	121,723	176,565
Mid-Cap	560,614	552,244
Small-Cap	515,347	547,020
Annuity	20,219	21,882
	$ 11,852,839	$ 11,218,923

Note 5 - Fair value measurements

Financial assets carried at fair value at September 30, 2016 are classified in the table below in one of the three categories described in Note 1:

	Level 1	Level 2	Level 3	Total
Mutual funds - equities	$ 2,250,020	$ -	$ -	$ 2,250,020
Corporate bonds	4,101,488	-	-	4,101,488
Equities				
Domestic	4,283,428	-	-	4,283,428
International	121,723	-	-	121,723
Mid-Cap	560,614	-	-	560,614
Small-Cap	515,347	-	-	515,347
Annuity	-	20,219	-	20,219
Totals	$ 11,832,620	$ 20,219	$ -	$ 11,852,839

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets, and are valued on a recurring basis. Financial assets valued using Level 2 inputs are based on the present value of expected cash flows. For the year ended September 30, 2016, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 6 - Property and equipment

At September 30, 2016 and 2015, property and equipment consisted of the following:

	2016	2015
Land and land improvements	$ 5,154,511	$ 4,504,698
Building and improvements, including leasehold improvements	9,995,123	8,966,211
Furniture, fixtures and equipment	1,405,347	1,421,912
Computer hardware and software	875,149	804,501
	17,430,130	15,697,322
Less accumulated depreciation and amortization	(8,225,764)	(8,032,206)
	9,204,366	7,665,116
Construction in progress	290,412	262,617
	$ 9,494,778	$ 7,927,733

Depreciation and amortization expense for the year ended September 30, 2016 was $767,846. The net change in property and equipment was primarily due to the sale of Skyland Ranch in November 2015, offset by the purchase of new service center property in Upland in May 2016. These two significant transactions positively affected the change in net assets for the year ended September 30, 2016.

Note 7 - Note payable

Note payable consisted of the following at September 30:

	2016	2015
Note payable, bank, payable in monthly installments of $2,447 including interest at LIBOR plus 2%, secured by investments held at the bank, due July 2019.	$ 208,353	$ 232,562
	208,353	232,562
Less current portion	(24,820)	(24,246)
	$ 183,533	$ 208,316

Future minimum principal payments on the Council's notes payable for each of the years subsequent to September 30, 2016 are as follows:

2017	$ 24,820
2018	25,393
2019	158,140
	$ 208,353

Note 8 - Commitments and contingencies

Operating leases

The Council leases five properties under noncancelable operating leases expiring through May 2022. Certain leases contain renewal options and escalation clauses. Total rent expense under the leases was $911,106 for the year ended September 30, 2016.

The Council's minimum lease requirements under the non-cancelable leases for each of the next five years and thereafter subsequent to September 30, 2016 are as follows:

2017	$	855,491
2018		922,815
2019		974,801
2020		540,175
2021		219,035
Thereafter		46,968
	$	3,559,285

Capital leases

The Council has certain equipment which is accounted for as capital leases. At September 30, 2016, the net balance of equipment under capital lease is as follows:

Equipment	$	641,330
Less accumulated depreciation		(430,883)
Net balance of equipment under capital lease	$	210,447

Minimum future lease payments under the capital lease for each of the next three years subsequent to September 30, 2016 are as follows:

2017	$	143,290
2018		71,232
2019		25,992
Net minimum lease payments		240,514
Less amount representing interest		(7,753)
		232,761
Less current portion		137,910
	$	94,851

Contingencies

The Council is subject to certain claims that arise out of the normal operations of the Council. In the opinion of management, the Council has sufficient liability insurance to cover any such claims, and these matters will not have a material effect on the financial position of the Council if disposed of unfavorably.

Note 9 - Temporarily restricted net assets

At September 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Camperships	$ 4,101	$ 117,147
Capital	688,822	429,106
Financial Literacy	167,132	13,132
Membership Outreach	59,143	61,371
Science, Technology, Engineering and Math (STEM)	50,086	91,944
ToGetHerThere Luncheon	293,340	346,075
Other	198,585	104,090
	$ 1,461,209	$ 1,162,865

Note 10 - Program related sales

The gross revenue and expense of the program related product and merchandise sales for the years ended September 30, 2016 and 2015 are as follows:

	2016			2015
	Product sales	Merchandise sales	Total	Total
Gross revenue	$ 26,103,199	$ 1,589,747	$ 27,692,946	$ 25,869,134
Troop proceeds	(5,135,638)	-	(5,135,638)	(4,818,471)
Direct costs	(5,669,265)	(948,726)	(6,617,991)	(6,332,805)
Product and merchandise sales, net	$ 15,298,296	$ 641,021	$ 15,939,317	$ 14,717,858

Note 11 - Endowment

The Council's endowment consists of individual funds established for a variety of purposes. The endowment consists of donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Council has interpreted the State of California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As 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 UPMIFA. In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Council and donor-restricted endowment funds, (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, and (7) the Council's investment policies.

Investment return objectives, risk parameters and strategies
The Council has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost rate of return which exceeds the annual distribution with acceptable levels of risk.

Spending policy
The Council has a policy of appropriating for distribution each year up to 5% of its donor-restricted endowment fund's average fair value of the prior 12 quarters through the preceding fiscal year in which the distribution is planned. In establishing this policy, the Council considered long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restricted, and the possible effects of inflation. The Council expects the current spending policy to allow its endowment funds to grow at a nominal average rate annually. This is consistent with the Council's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of September 30, 2016 and 2015 is as follows:

	2016			2015
	Temporarily restricted	Permanently restricted	Total	Total
Camperships	$ 4,101	$ 16,414	$ 20,515	$ 20,039
General endowment	12,679	50,752	63,431	61,960
Scholarships	18,584	74,443	93,027	90,870
Total	$ 35,364	$ 141,609	$ 176,973	$ 172,869

Changes in endowment net assets for the years ended September 30, 2016 and 2015 are as follows:

	2016			2015
	Temporarily restricted	Permanently restricted	Total	Total
Balance, beginning	$ 31,260	$ 141,609	$ 172,869	$ 190,036
Contributions	-	-	-	43
Investment income	12,899	-	12,899	(8,456)
Appropriation	(8,795)	-	(8,795)	(8,754)
Balance, end	$ 35,364	$ 141,609	$ 176,973	$ 172,869

As of September 30, 2016, there were no deficiencies of donor-restricted endowment funds.

Note 12 - Employee pension plan

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

Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2016. Based on the April 18, 2014 conditional approval by the Internal Revenue Service, all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, $30,000,000 is remitted. The $30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006 (“PPA”). In addition, on April 8, 2014, President Obama signed H.R. 4275 into law, a relief package unanimously passed by Congress that gives the Plan the flexibility to adopt the PPA funding requirements immediately or not at all. The Plan has elected to adopt this relief and not be subject to PPA. Aggregate annual contributions made in fiscal year 2016 are $34,300,000. The Council made contributions of $642,102 for the year ended September 30, 2016. Aggregate contributions made in fiscal 2017 are expected to be $34,300,000.

In addition, the Council maintains a 403(b) Thrift Plan (the "Thrift Plan") for eligible employees. Under the provisions of the Thrift Plan, the Council can make discretionary contributions for the benefit of eligible employees. For the year ended December 31, 2016, the Council expensed and accrued contributions of $150,000.

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