

Financial Statements and Report of
Independent Certified Public Accountants

Girl Scouts of Eastern Pennsylvania, Inc.

September 30, 2015 and 2014

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Report of Independent Certified Public Accountants

Board of Directors
Girl Scouts of Eastern Pennsylvania, Inc.

Report on the financial statements

We have audited the accompanying financial statements of Girl Scouts of Eastern Pennsylvania, Inc., which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows 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.

Auditor's 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 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 Eastern Pennsylvania, Inc. as of September 30, 2015 and 2014, 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.

GRANT Thornton LLP

Philadelphia, Pennsylvania

April 5, 2016

STATEMENTS OF FINANCIAL POSITION

September 30,

ASSETS	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 952,307	\$ 2,341,293
Accounts receivable, net of allowance of \$180,508 in 2015 and \$132,490 in 2014	209,057	82,895
Pledges receivable, net of allowance of \$30,312 in 2015 and \$24,885 in 2014	393,143	203,432
Merchandise held for resale	342,190	449,044
Prepaid expenses and other assets	594,093	231,128
Investments	17,722,231	19,738,233
Assets held for sale, net	4,184,112	-
Land, buildings and equipment, net	12,780,797	16,428,261
Bond issue costs, net of accumulated amortization	<u>103,678</u>	<u>114,795</u>
 Total assets	 <u>\$ 37,281,608</u>	 <u>\$ 39,589,081</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 456,426	\$ 410,535
Accrued expenses	249,601	430,241
Custodial funds	146,087	116,029
Deferred revenue	93,392	240,215
Capital lease obligation	17,560	66,729
Bonds payable	1,365,000	1,465,000
Benefit plan liability	89,644	69,794
Interest rate swap liability	<u>-</u>	<u>7,247</u>
 Total liabilities	 <u>2,417,710</u>	 <u>2,805,790</u>
Net assets		
Unrestricted	33,982,625	35,877,937
Temporarily restricted	216,602	222,427
Permanently restricted	<u>664,671</u>	<u>682,927</u>
 Total net assets	 <u>34,863,898</u>	 <u>36,783,291</u>
 Total liabilities and net assets	 <u>\$ 37,281,608</u>	 <u>\$ 39,589,081</u>

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support				
Grants and contributions	\$ 340,609	\$ 604,349	\$ 400	\$ 945,358
Legacies and bequests	19,091	-	-	19,091
Campaign	-	205,875	-	205,875
Major events	527,594	-	-	527,594
United Way allocation	-	140,097	-	140,097
Net assets released from restrictions	972,039	(954,670)	(17,369)	-
Total public support	<u>1,859,333</u>	<u>(4,349)</u>	<u>(16,969)</u>	<u>1,838,015</u>
Revenue				
Program and related fees				
Cookie program				
Revenue	15,160,800	-	-	15,160,800
Cost of goods	(3,729,453)	-	-	(3,729,453)
Magazine/Nuts About Reading program				
Gross revenue	1,098,475	-	-	1,098,475
Cost of goods	(540,576)	-	-	(540,576)
Program service fees	<u>1,588,204</u>	<u>-</u>	<u>-</u>	<u>1,588,204</u>
Total program and related fees revenue	<u>13,577,450</u>	<u>-</u>	<u>-</u>	<u>13,577,450</u>
Other revenue				
Sales of merchandise				
Gross receipts	1,057,490	-	-	1,057,490
Direct costs	(613,325)	-	-	(613,325)
Endowment earnings used for operations	1,076,387	-	-	1,076,387
Miscellaneous revenue	<u>405,886</u>	<u>-</u>	<u>-</u>	<u>405,886</u>
Total other revenue	<u>1,926,438</u>	<u>-</u>	<u>-</u>	<u>1,926,438</u>
Total public support and revenue	<u>17,363,221</u>	<u>(4,349)</u>	<u>(16,969)</u>	<u>17,341,903</u>
Expenses				
Program services - direct costs				
Membership services	4,609,532	-	-	4,609,532
Camp programs	2,887,005	-	-	2,887,005
Other Girl programs	<u>4,854,912</u>	<u>-</u>	<u>-</u>	<u>4,854,912</u>
Total program services - direct costs	12,351,449	-	-	12,351,449
General and administrative	3,628,001	-	-	3,628,001
Fund-raising	<u>1,188,657</u>	<u>-</u>	<u>-</u>	<u>1,188,657</u>
Total expenses	<u>17,168,107</u>	<u>-</u>	<u>-</u>	<u>17,168,107</u>
Changes in net assets from operations before depreciation and amortization	195,114	(4,349)	(16,969)	173,796
Depreciation and amortization	<u>1,092,180</u>	<u>-</u>	<u>-</u>	<u>1,092,180</u>
Changes in net assets from operations	<u>(897,066)</u>	<u>(4,349)</u>	<u>(16,969)</u>	<u>(918,384)</u>
Other changes in net assets				
Realized and unrealized depreciation on investments, net of earnings used for operations	(1,535,627)	(1,488)	(18,137)	(1,555,252)
Investment income	<u>537,381</u>	<u>12</u>	<u>16,850</u>	<u>554,243</u>
Total other changes in net assets	<u>(998,246)</u>	<u>(1,476)</u>	<u>(1,287)</u>	<u>(1,001,009)</u>
Changes in net assets	(1,895,312)	(5,825)	(18,256)	(1,919,393)
Net assets, beginning of year	<u>35,877,937</u>	<u>222,427</u>	<u>682,927</u>	<u>36,783,291</u>
Net assets, end of year	<u>\$ 33,982,625</u>	<u>\$ 216,602</u>	<u>\$ 664,671</u>	<u>\$ 34,863,898</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support				
Grants and contributions	\$ 629,205	\$ 207,300	\$ 2,700	\$ 839,205
Legacies and bequests	33,611	-	-	33,611
Major events	460,849	-	-	460,849
United Way allocation	-	211,489	-	211,489
Net assets released from restrictions	<u>441,902</u>	<u>(419,567)</u>	<u>(22,335)</u>	<u>-</u>
Total public support	<u>1,565,567</u>	<u>(778)</u>	<u>(19,635)</u>	<u>1,545,154</u>
Revenue				
Program and related fees				
Cookie program				
Revenue	14,934,940	-	-	14,934,940
Cost of goods	(3,507,875)	-	-	(3,507,875)
Magazine/Nuts About Reading program				
Gross revenue	1,208,472	-	-	1,208,472
Cost of goods	(586,485)	-	-	(586,485)
Program service fees	<u>1,450,642</u>	<u>-</u>	<u>-</u>	<u>1,450,642</u>
Total program and related fees revenue	<u>13,499,694</u>	<u>-</u>	<u>-</u>	<u>13,499,694</u>
Other revenue				
Sales of merchandise				
Gross receipts	1,142,015	-	-	1,142,015
Direct costs	(697,405)	-	-	(697,405)
Endowment earnings used for operations	843,325	-	-	843,325
Miscellaneous revenue	<u>351,885</u>	<u>-</u>	<u>-</u>	<u>351,885</u>
Total other revenue	<u>1,639,820</u>	<u>-</u>	<u>-</u>	<u>1,639,820</u>
Total public support and revenue	<u>16,705,081</u>	<u>(778)</u>	<u>(19,635)</u>	<u>16,684,668</u>
Expenses				
Program services - direct costs				
Membership services	4,571,789	-	-	4,571,789
Camp programs	2,914,514	-	-	2,914,514
Other Girl programs	<u>4,683,223</u>	<u>-</u>	<u>-</u>	<u>4,683,223</u>
Total program services - direct costs	12,169,526	-	-	12,169,526
General and administrative	3,445,315	-	-	3,445,315
Fund-raising	<u>747,153</u>	<u>-</u>	<u>-</u>	<u>747,153</u>
Total expenses	<u>16,361,994</u>	<u>-</u>	<u>-</u>	<u>16,361,994</u>
Changes in net assets from operations before depreciation and amortization	343,087	(778)	(19,635)	322,674
Depreciation and amortization	<u>1,122,273</u>	<u>-</u>	<u>-</u>	<u>1,122,273</u>
Changes in net assets from operations	<u>(779,186)</u>	<u>(778)</u>	<u>(19,635)</u>	<u>(799,599)</u>
Other changes in net assets				
Gain on interest rate swap agreement	10,313	-	-	10,313
Gain on disposition of assets	10,400	-	-	10,400
Realized and unrealized appreciation on investments, net of earnings used for operations	61,915	2,502	24,228	88,645
Investment income	<u>403,936</u>	<u>6</u>	<u>16,147</u>	<u>420,089</u>
Total other changes in net assets	<u>486,564</u>	<u>2,508</u>	<u>40,375</u>	<u>529,447</u>
Changes in net assets	(292,622)	1,730	20,740	(270,152)
Net assets, beginning of year	<u>36,170,559</u>	<u>220,697</u>	<u>662,187</u>	<u>37,053,443</u>
Net assets, end of year	<u>\$ 35,877,937</u>	<u>\$ 222,427</u>	<u>\$ 682,927</u>	<u>\$ 36,783,291</u>

The accompanying notes are an integral part of this financial statement.

Girl Scouts of Eastern Pennsylvania, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2015

	Program services - direct costs				General and administrative	Fund-raising	Total
	Membership services	Camp programs	Other Girl programs	Total			
Expenses from operations							
Salaries	\$ 2,777,088	\$ 1,202,845	\$ 660,177	\$ 4,640,110	\$ 1,610,697	\$ 511,258	\$ 6,762,065
Employee health and retirement	714,803	309,725	169,953	1,194,481	414,567	131,575	1,740,623
Payroll taxes	197,611	78,786	45,150	321,547	110,355	39,762	471,664
Total salaries and related expenses	3,689,502	1,591,356	875,280	6,156,138	2,135,619	682,595	8,974,352
Computer expenses and equipment	30,390	32,902	21,472	84,764	128,900	7,640	221,304
Insurance	133,834	60,208	38,661	232,703	62,664	14,870	310,237
Occupancy	2,938	458,688	2,623	464,249	377,973	2,307	844,529
Other expenses	72,041	85,798	73,952	231,791	37,858	41,269	310,918
Program fees	4,745	32,577	2,908,352	2,945,674	-	33	2,945,707
Postage and shipping	11,871	19,917	29,690	61,478	11,951	6,603	80,032
Printing, promotion and advertising	62,957	108,798	143,952	315,707	33,931	28,800	378,438
Professional fees	50,195	20,040	60,766	131,001	605,798	204,785	941,584
Food	30,009	159,485	62,108	251,602	20,806	134,185	406,593
Specific assistance	243,598	70,468	14,563	328,629	-	-	328,629
Supplies	72,080	81,512	545,920	699,512	79,756	17,555	796,823
Telecommunications	103,590	33,548	34,746	171,884	41,527	8,424	221,835
Travel	101,782	131,708	42,827	276,317	91,218	39,591	407,126
Total operational expenses	4,609,532	2,887,005	4,854,912	12,351,449	3,628,001	1,188,657	17,168,107
Depreciation and amortization	86,989	774,363	25,737	887,089	187,609	17,482	1,092,180
Total functional expenses	\$ 4,696,521	\$ 3,661,368	\$ 4,880,649	\$ 13,238,538	\$ 3,815,610	\$ 1,206,139	\$ 18,260,287

The accompanying notes are an integral part of this financial statement.

Girl Scouts of Eastern Pennsylvania, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2014

	Program services - direct costs				General and administrative	Fund-raising	Total
	Membership services	Camp programs	Other Girl programs	Total			
Expenses from operations							
Salaries	\$ 2,756,903	\$ 1,129,923	\$ 625,405	\$ 4,512,231	\$ 1,468,063	\$ 386,408	\$ 6,366,702
Employee health and retirement	674,718	276,798	153,244	1,104,760	359,814	94,732	1,559,306
Payroll taxes	198,156	80,474	43,424	322,054	104,076	29,362	455,492
Total salaries and related expenses	3,629,777	1,487,195	822,073	5,939,045	1,931,953	510,502	8,381,500
Computer expenses and equipment	27,164	40,598	20,698	88,460	136,744	4,332	229,536
Insurance	118,697	54,362	34,341	207,400	55,402	13,189	275,991
Occupancy	1,913	562,197	2,930	567,040	354,763	210	922,013
Other expenses	15,207	43,683	22,091	80,981	126,728	39,523	247,232
Program fees	9,857	37,144	2,928,806	2,975,807	-	180	2,975,987
Postage and shipping	16,763	22,140	24,843	63,746	24,226	8,447	96,419
Printing, promotion and advertising	107,702	99,068	129,471	336,241	40,663	24,534	401,438
Professional fees	33,068	50,908	87,318	171,294	604,902	18,894	795,090
Food	35,620	171,069	73,534	280,223	23,716	87,865	391,804
Specific assistance	255,256	75,086	15,750	346,092	-	-	346,092
Supplies	86,197	70,717	444,063	600,977	43,987	9,043	654,007
Telecommunications	114,527	36,266	37,656	188,449	54,950	9,214	252,613
Travel	120,041	164,081	39,649	323,771	47,281	21,220	392,272
Total operational expenses	4,571,789	2,914,514	4,683,223	12,169,526	3,445,315	747,153	16,361,994
Depreciation and amortization	80,673	843,038	9,284	932,995	175,789	13,489	1,122,273
Total functional expenses	\$ 4,652,462	\$ 3,757,552	\$ 4,692,507	\$ 13,102,521	\$ 3,621,104	\$ 760,642	\$ 17,484,267

The accompanying notes are an integral part of this financial statement.

STATEMENTS OF CASH FLOWS

September 30,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Changes in net assets	\$ (1,919,393)	\$ (270,152)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	1,092,180	1,122,273
Permanently restricted contributions	(400)	(2,700)
Change in value of beneficial interest in trust	8,464	(723)
Allowance for doubtful accounts	48,018	9,696
Gain on sale of land, buildings and equipment	-	(10,400)
Realized and unrealized loss (gain) on investments	478,865	(931,970)
Gain on interest rate swap agreement	-	(10,313)
(Increase) decrease in assets		
Accounts receivable	(174,180)	(29,962)
Pledges receivable	(189,711)	(28,840)
Merchandise held for resale	106,854	29,291
Prepaid expenses and other assets	(362,965)	(54,243)
Increase (decrease) in liabilities		
Accounts payable	45,891	161,339
Accrued expenses	(180,640)	(311,346)
Custodial funds	30,058	21,621
Benefit plan liability	19,850	35,584
Deferred revenue	(146,823)	137,700
Net cash used in operating activities	<u>(1,143,932)</u>	<u>(133,145)</u>
Cash flows from investing activities		
Purchase of land, buildings and equipment	(1,634,639)	(1,249,954)
Proceeds from sale of investments	2,112,523	1,340,163
Purchase of investments	(574,169)	(921,211)
Net cash used in investing activities	<u>(96,285)</u>	<u>(831,002)</u>
Cash flows from financing activities		
Bond principal payments	(100,000)	(90,000)
Permanently restricted contributions	400	2,700
Payments on capital lease obligations	(49,169)	(38,633)
Net cash used in financing activities	<u>(148,769)</u>	<u>(125,933)</u>
Net decrease in cash and cash equivalents	(1,388,986)	(1,090,080)
Cash and cash equivalents, beginning of year	<u>2,341,293</u>	<u>3,431,373</u>
Cash and cash equivalents, end of year	<u>\$ 952,307</u>	<u>\$ 2,341,293</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 22,266</u>	<u>\$ 20,238</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE A - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

Girl Scouts of Eastern Pennsylvania, Inc. (“GSEP”) is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania. GSEP operates under a charter granted by the Girl Scouts of the USA (“GSUSA”). GSUSA is the world’s preeminent organization dedicated to girls, and only girls, where, in accepting and nurturing environments, girls build character and skills for success in the real world. In partnership with committed adult volunteers, girls develop qualities such as leadership, strong values, social conscience and conviction about their own potential and self-worth that will serve them their entire lives.

GSEP serves nearly 40,000 girls ages 5 through 18 in nine counties throughout Eastern Pennsylvania. GSEP was chartered on May 1, 2007 as the surviving organization after the merger of three local Girl Scout councils: Girl Scouts - Great Valley Council, Girls Scouts of Freedom Valley and Girl Scouts of Southeastern Pennsylvania. GSEP is a volunteer-based organization with close to 15,000 adult volunteers.

2. Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, GSEP resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as either unrestricted net assets, temporarily restricted net assets or permanently restricted net assets.

3. Classification of Net Assets

GSEP’s net assets have been grouped into the following three classes:

Unrestricted Net Assets - Unrestricted net assets are used to account for funds which have not been restricted by donors and over which the Board of Directors has discretionary control.

Temporarily Restricted Net Assets - Temporarily restricted net assets result from contributions whose use by GSEP is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of GSEP pursuant to those stipulations. When such donor restrictions expire, 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 - Permanently restricted net assets represent the historical cost or market value at date of gift of contributions whose use by GSEP is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by GSEP.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE A - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

4. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly-liquid investments having an original maturity date of three months or less at the date of purchase.

5. Pledges and Other Receivables

GSEP recognizes pledges and other contributions as support in the period in which the unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flow. The discount on those amounts is computed using a risk-adjusted interest rate applicable to the years in which the promises are received. GSEP evaluates the collectability of pledges and other receivables, and an allowance is provided based on amounts considered uncollectible.

6. Merchandise Held for Resale

Merchandise held for resale consists primarily of Girl Scouts apparel, products and supplies and is stated at the lower of cost or market. The merchandise is valued using the weighted average cost method.

7. Investments and Investment Income

Investments in marketable securities and mutual funds are valued in the statements of financial position at fair value, as determined, based on quoted market prices. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets.

Investment income consists of earned interest and dividends and realized and unrealized gains and losses, net of investment management fees (see Note B).

8. Assets Held for Sale

During fiscal 2015, GSEP reclassified to a non-depreciable long-term asset the net book value of board-directed decommissioned camp properties that were put on the market to be sold. The net proceeds resulting from sales of the assets will be recorded as Board Designated - Land, Building and Equipment Fund. All appropriations from this quasi-endowment fund will be used to support programs carried out by GSEP at camp property including funding of operational expenses and required renovations and upgrades. GSEP began actively marketing three camp properties in fiscal 2015.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE A - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

9. Land, Buildings and Equipment and Depreciation

Land, buildings and equipment are stated at cost or market value at date of contribution. Construction-in-progress consists of major renovation projects at camp properties. GSEP's policy is to expense items with a cost less than \$5,000. Depreciation is provided on the straight-line method over the estimated useful lives of the assets (5 to 45 years). Depreciation for the years ended September 30, 2015 and 2014 was \$1,081,064 and \$1,111,157, respectively. Costs of ordinary maintenance repairs that do not materially extend asset useful lives are expensed as incurred. (See Note F.)

10. Beneficial Interest In Trust

Included in prepaid expenses and other assets is a beneficial interest in trust. This beneficial interest in trust consists of assets held in trust that are under the control of outside trustees.

11. Bond Issue Costs

Bond issue costs represent costs associated with the issuance of the Revenue Bonds. Such costs are being amortized over the term of the bonds, which is 25 years. Amortization for each of the years ended September 30, 2015 and 2014 was \$11,116.

12. Interest Rate Swap Agreement

GSEP recognizes all derivatives, such as interest rate swap agreements, as either assets or liabilities in the statements of financial position, and measures such instruments at fair value. Changes in the fair value of derivative financial instruments are recognized in the statements of activities and changes in net assets. The interest rate swap agreement expired in April 2015.

13. Printing, Promotion and Advertising Costs

Printing, promotion and advertising costs (\$378,438 in 2015 and \$401,438 in 2014) are charged to operations when incurred.

14. Contributed Services

GSEP provides program services to approximately 3,000 troops in nine counties throughout Eastern Pennsylvania. The troops are led by unpaid volunteers who make significant contributions of their time to fulfill the objectives of GSEP. No amounts have been included in the financial statements for the value of these donated program services or the services of other volunteer workers.

Donated materials and services consist of contributed space, hospitality services, advertising and printing services related to the Take the Lead dinners and other events held in the Philadelphia, Berks and Lehigh Valley areas. Donated materials and services recorded as miscellaneous revenue for the years ended September 30, 2015 and 2014 totaled \$35,247 and \$37,765, respectively.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE A - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

15. Federal Tax Status

The Internal Revenue Service has classified GSEP as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“Code”); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

GSEP follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken in a tax return. GSEP does not believe its financial statements include any material uncertain tax positions. As of September 30, 2015, GSEP’s tax periods ended September 30, 2012 through September 30, 2015 for the federal tax jurisdiction remain open.

16. Use of Estimates

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

17. Concentrations of Credit and Market Risk

Financial instruments, which potentially expose GSEP to concentrations of credit risk, consist primarily of cash and investments. At times, cash and temporary cash investments may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. GSEP invests in investment securities that are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the financial statements. The Board of Directors has implemented investment guidelines intended to mitigate the risk to investments. See Note B for investment information.

18. Functional Allocation of Expenses

Certain costs of providing various programs and other activities are summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Accordingly, only costs directly associated with providing and supporting program services have been classified as such. GSEP’s method for allocating salary and related costs, specifically for certain employees who directly support both program services as well as general and administrative, is based on the percentage of time spent on each classification.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE B - INVESTMENTS

GSEP's policy is to invest in high-quality financial institutions and to diversify investments among various individual funds and bonds. The investments as of September 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 267,835	\$ 1,109,182
Certificates of deposit	2,640	10,768
Mutual funds		
Fixed income	9,211,077	11,958,645
Domestic equities	4,175,013	4,784,222
International equities	4,007,492	1,815,754
Pooled income fund	<u>58,174</u>	<u>59,662</u>
	<u>\$ 17,722,231</u>	<u>\$ 19,738,233</u>

The following schedules summarize the investment return and its classification in the statements of activities and changes in net assets for the years ended September 30, 2015 and 2014:

	<u>2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Dividends and interest	\$ 537,381	\$ 12	\$ 16,850	\$ 554,243
Realized gain on investments	29,798	-	-	29,798
Unrealized depreciation on investments	(458,482)	(1,488)	(16,970)	(476,940)
Investment fees	<u>(30,556)</u>	<u>-</u>	<u>(1,167)</u>	<u>(31,723)</u>
Total investment income (loss)	<u>\$ 78,141</u>	<u>\$ (1,476)</u>	<u>\$ (1,287)</u>	<u>\$ 75,378</u>
	<u>2014</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Dividends and interest	\$ 403,936	\$ 6	\$ 16,147	\$ 420,089
Realized gain on investments	95,111	-	7,745	102,856
Unrealized appreciation on investments	841,296	2,502	17,658	861,456
Investment fees	<u>(31,167)</u>	<u>-</u>	<u>(1,175)</u>	<u>(32,342)</u>
Total investment income	<u>\$ 1,309,176</u>	<u>\$ 2,508</u>	<u>\$ 40,375</u>	<u>\$ 1,352,059</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE C - FAIR VALUE MEASUREMENTS

GSEP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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 U.S. GAAP are described below:

- Level 1 Quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the type of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which reclassifications occur.

The following tables set forth, by level, within the fair value hierarchy, GSEP's investments at fair value, as of September 30, 2015 and 2014:

	Investment Assets at Fair Value as of			
	September 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 267,835	\$ -	\$ -	\$ 267,835
Mutual funds				
Fixed income	9,211,077	-	-	9,211,077
Domestic equities	4,175,013	-	-	4,175,013
International equities	4,007,492	-	-	4,007,492
Pooled income fund	-	-	58,174	58,174
Total investment assets at fair value	<u>\$ 17,661,417</u>	<u>\$ -</u>	<u>\$ 58,174</u>	<u>\$ 17,719,591</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE C - FAIR VALUE MEASUREMENTS - Continued

	Investment Assets at Fair Value as of			
	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,109,182	\$ -	\$ -	\$ 1,109,182
Mutual funds				
Fixed income	11,958,645	-	-	11,958,645
Domestic equities	4,784,222	-	-	4,784,222
International equities	1,815,754	-	-	1,815,754
Pooled income fund	-	-	59,662	59,662
Total investment assets at fair value	\$ <u>19,667,803</u>	\$ <u>-</u>	\$ <u>59,662</u>	\$ <u>19,727,465</u>

The following provides a brief description of the types of recurring financial instruments GSEP holds, the methodology for estimating fair value and the level within the hierarchy of the estimate:

Money market funds: These investments are low-risk money market funds. These are considered Level 1 inputs, valued using a market approach.

Mutual funds: These are mutual funds which invest in securities which are traded on a recognized liquid exchange. The closing price of the security as of the reporting date is used to determine fair value. These are considered Level 1 inputs.

Pooled income fund: This represents GSEP's investment in a pooled income fund held by GSUSA which value is based on the portion of the fund balance allocable to GSEP using the fund's net asset value ("NAV") at the measurement date. This is considered a Level 3 input.

There were no investment liabilities as of September 30, 2015. The following table sets forth, by level, within the fair value hierarchy, GSEP's investment liabilities at fair value, as of September 30, 2014:

	Investment Liabilities at Fair Value as of			
	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Interest rate swap liability	\$ <u>-</u>	\$ <u>7,247</u>	\$ <u>-</u>	\$ <u>7,247</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE C - FAIR VALUE MEASUREMENTS - Continued

Interest rate swap

The interest rate swap agreement is valued using a market approach. The swap is measured by alternative pricing sources with reasonable levels of price transparency in markets that are not active. Based on the complex nature of interest rate swap agreements, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. However, these markets do have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at fair market value. These characteristics classify interest rate swap agreements as Level 2 inputs. The interest rate swap agreement expired in April 2015.

A summary of the change in the Level 3 investment measured at fair value for the years ended September 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 59,662	\$ 57,159
Change in fair value	<u>(1,488)</u>	<u>2,503</u>
Ending balance	<u>\$ 58,174</u>	<u>\$ 59,662</u>

NOTE D - ENDOWMENT AND BOARD-DESIGNATED FUNDS

GSEP's endowment funds are donor-restricted endowment funds (permanently restricted) and amounts designated by the Board of Directors to function as endowment (unrestricted). As required by U.S. GAAP, 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 GSEP has interpreted the Commonwealth of Pennsylvania state law 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, GSEP classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) enhancements and diminution of the fund after amount deemed income under Pennsylvania law.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE D - ENDOWMENT AND BOARD-DESIGNATED FUNDS - Continued

GSEP's endowment funds had the following activity for the years ended September 30, 2015 and 2014:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ <u>6,301,737</u>	\$ <u>38,950</u>	\$ <u>682,927</u>	\$ <u>7,023,614</u>
Investment return				
Dividends and interest	275,084	12	16,850	291,946
Net depreciation	(347,336)	(1,488)	(18,137)	(366,961)
Contributions	-	-	400	400
Board appropriations	(332,169)	-	-	(332,169)
Income determined to be available for expenditure				
Unrestricted	-	-	(9,919)	(9,919)
Temporarily restricted	-	7,450	(7,450)	-
Appropriation of endowment assets for expenditure	<u>(628,513)</u>	<u>-</u>	<u>-</u>	<u>(628,513)</u>
Changes in net assets	<u>(1,032,934)</u>	<u>5,974</u>	<u>(18,256)</u>	<u>(1,045,216)</u>
Endowment net assets, end of year	\$ <u><u>5,268,803</u></u>	\$ <u><u>44,924</u></u>	\$ <u><u>664,671</u></u>	\$ <u><u>5,978,398</u></u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE D - ENDOWMENT AND BOARD-DESIGNATED FUNDS - Continued

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 6,469,190	\$ 28,689	\$ 662,187	\$ 7,160,066
Investment return				
Dividends and interest	158,863	6	16,147	175,016
Net appreciation	517,009	2,502	24,228	543,739
Contributions	-	-	2,700	2,700
Board appropriations	(318,282)	-	-	(318,282)
Income determined to be available for expenditure				
Unrestricted	-	-	(14,582)	(14,582)
Temporarily restricted	-	7,753	(7,753)	-
Appropriation of endowment assets for expenditure	(525,043)	-	-	(525,043)
Changes in net assets	(167,453)	10,261	20,740	(136,452)
Endowment net assets, end of year	\$ 6,301,737	\$ 38,950	\$ 682,927	\$ 7,023,614

1. Return Objectives and Risk Parameters

The Board of Directors believes broad diversification and a conservative approach to portfolio management are necessary to reduce volatility and prudently optimize total return. Total return is defined as capital gains, realized and unrealized, plus income derived from dividends and interest. It is recognized that economic and securities market conditions are not constant, but ever changing, and as a result, periodic portfolio rebalancing will be required to maintain asset productivity.

2. Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, GSEP 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). GSEP's asset allocation for permanently restricted net assets targets a composition of stocks between 10% and 30% (up to 4% of the entire portfolio can be invested in international stocks), fixed income between 70% and 90% and cash equivalents between 0% and 10%.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE D - ENDOWMENT AND BOARD-DESIGNATED FUNDS - Continued

3. Spending Policy and How the Investment Objectives Relate to Spending Policy

The earnings on the permanently restricted net assets are released from restricted funds and are used in accordance with donor stipulations.

Under GSEP's investment policy, the Board of Directors established a spending rate to fund operations. This spending rate is based on 5% of the average of 12 prior quarter-end market values of the Board-Designated Portfolio. Distributions normally begin after the close of the fiscal year and are usually taken in one lump sum during December. For the years ended September 30, 2015 and 2014, the amount released for operations was \$332,169 and \$318,282, respectively.

The Board of Directors approved additional funding to support the increase in demand from the GSUSA retirement plan funding. For the years ended September 30, 2015 and 2014, the amounts released for this special operation were \$100,000 and \$300,000, respectively.

The Board of Directors also approved additional funding to support the Girl EXPO, also called #GirlPOP2015, held in 2015. For the years ended September 30, 2015 and 2014, the amounts released for this special event were \$146,000 and \$-0-, respectively.

4. Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. Deficiencies of this nature are recorded in unrestricted net assets, and the change is recorded in realized and unrealized appreciation on investments on the statements of activities and changes in net assets. There were no such deficiencies for the years ended September 30, 2015 and 2014.

NOTE E - PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable, and related revenue is recorded by net asset category. Included in pledges receivable at September 30, 2015 and 2014 are the following unconditional promises:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 333,497	\$ 228,317
One to five years	<u>98,833</u>	<u>-</u>
Gross unconditional promises to give	432,330	228,317
Less: discount to net present value	(8,875)	-
Less: allowance for uncollectible promise to give	<u>(30,312)</u>	<u>(24,885)</u>
Net grant and pledges receivable	<u>\$ 393,143</u>	<u>\$ 203,432</u>

Promises due in one to five years were discounted at an interest rate of 3%. Promises due in less than one year were not discounted.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE F - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment as of September 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 3,115,021	\$ 7,751,369
Buildings	19,374,440	22,407,832
Equipment	3,977,015	4,086,393
Leasehold improvements	131,581	131,581
Construction-in-progress	<u>2,069,658</u>	<u>1,006,541</u>
	28,667,715	35,383,716
Less accumulated depreciation	<u>(15,886,918)</u>	<u>(18,955,455)</u>
	<u>\$ 12,780,797</u>	<u>\$ 16,428,261</u>

NOTE G - BANK CREDIT FACILITY

As of September 30, 2015 and 2014, GSEP maintained an unsecured revolving line of credit with a bank whereby it is permitted to borrow up to a maximum of \$1,500,000 under a line of credit facility for working capital purposes, expiring on April 30, 2016. Interest is payable on any outstanding balances on the line of credit at the one-month variable LIBOR (LIBOR was 0.19855% and 0.15700% as of September 30, 2015 and 2014, respectively).

There were no amounts outstanding on the line of credit as of September 30, 2015 and 2014.

NOTE H - LEASE OBLIGATIONS

GSEP leases office equipment under a capital lease obligation payable in monthly installments aggregating \$3,512, with a term of 36 months and an interest rate of 3%. The obligation matures in March 2016.

The following is a summary of property included in property and equipment subject to capital lease obligations:

	September 30,	
	<u>2015</u>	<u>2014</u>
Office equipment	\$ 126,435	\$ 126,435
Less accumulated amortization	<u>(108,875)</u>	<u>(59,706)</u>
	<u>\$ 17,560</u>	<u>\$ 66,729</u>

Interest expense on the capital leases was \$843 for both of the years ended September 30, 2015 and 2014.

GSEP leases office space and office equipment under noncancelable operating leases. Total expense was \$339,856 and \$339,429 for the years ended September 30, 2015 and 2014, respectively.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE H - LEASE OBLIGATIONS - Continued

Scheduled future payments are as follows:

<u>Year ending September 30,</u>	
2016	\$ 212,018
2017	209,202
2018	198,851
2019	<u>94,830</u>
	<u>\$ 714,901</u>

NOTE I - BONDS PAYABLE

In January 2000, GSEP borrowed \$2,380,000 from the proceeds of Montgomery County Industrial Development Authority Tax-Exempt Revenue Bonds for the construction of its corporate headquarters at the Shelly Ridge Service Center, Miquon, Pennsylvania. Interest is payable monthly at a variable rate based on the USD-SIFMA Municipal Swap Index (Securities Industry and Financial Markets Association Municipal Swap Index), which averaged 0.060% and 0.067% for the years ended September 30, 2015 and 2014, respectively. The bonds, which mature on February 1, 2025, require mandatory redemption payments to be maintained. The bonds are collateralized by a bank letter of credit, which was subject to renewal in March 2015, and a mortgage on the property.

Scheduled future mandatory redemption payments are as follows:

<u>Year ending September 30,</u>	
2016	\$ 105,000
2017	110,000
2018	115,000
2019	125,000
2020	130,000
Thereafter	<u>780,000</u>
	<u>\$ 1,365,000</u>

Interest expense on the bonds and letter of credit fees totaled \$22,266 and \$20,098 for the years ended September 30, 2015 and 2014, respectively.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the years ended September 30, 2015 and 2014 were released and are available for the following purposes:

	<u>Released</u>		<u>Net Assets</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Future financial assistance and programs	\$ <u>954,670</u>	\$ <u>419,567</u>	\$ <u>216,602</u>	\$ <u>222,427</u>
	<u>\$ 954,670</u>	<u>\$ 419,567</u>	<u>\$ 216,602</u>	<u>\$ 222,427</u>

NOTE K - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent endowment corpus to be held in perpetuity. GSEP is permitted to spend the income from these funds either for current operations, programs or scholarship awards as designated by the donors. The amount of income not spent is held in permanently restricted.

NOTE L - COOKIE PROGRAM

Cookie program revenue represents gross cookie revenues earned of \$15,160,800 and \$14,934,940 less the direct cost of cookies purchased from the baker of \$3,729,453 and \$3,507,875 for the years ended September 30, 2015 and 2014, respectively. Funds earned by the Troops and Service Units, indirect salary, cost of incentives and other costs related to the cookie sale of \$3,735,206 and \$3,623,321 were allocated to Other Girl programs in 2015 and 2014, respectively.

NOTE M - BENEFIT PLANS

The council participates in the National Girl Scout Council Retirement Plan (“NGSCR”), a noncontributory defined benefit pension plan sponsored by GSUSA (EIN 13-1624016; PN 002). 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.

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, 2015. Based on the April 18, 2014 conditional approval by the Internal Revenue Service (“IRS”), 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 NGSCR the flexibility to adopt the PPA funding requirements immediately or not at all. NGSCR has elected to adopt this relief and not be subject to the PPA.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2015 and 2014

NOTE M - BENEFIT PLANS - Continued

Aggregate annual contributions made in both fiscal years 2015 and 2014 were \$34,500,000. Aggregate contributions made in fiscal 2016 are expected to be \$34,500,000.

GSEP made contributions into the plan of \$800,086 and \$629,661 during the years ended September 30, 2015 and 2014, respectively. For the year ended September 30, 2014, the plan implemented a funding improvement strategy, in which the council was not required to pay a surcharge.

GSEP provides a defined contribution savings plan to all eligible employees. GSEP's plan provides an employer match of 50% of the employee contribution up to 3% of the employee salary. Employer and employee contributions are subject to certain IRS limits. GSEP's contributions for the years ended September 30, 2015 and 2014 were \$82,490 and \$75,183, respectively.

GSEP provides a defined contribution plan covering certain eligible employees, 457(b). Employer contributions to the 457(b) deferred compensation plan are based on the plan document and subject to certain IRS limits. GSEP's contributions were \$17,500 and \$17,000 for the years ended September 30, 2015 and 2014, respectively.

NOTE N - RELATED PARTY TRANSACTIONS

GSEP remitted to GSUSA membership dues aggregating \$187,767 and \$282,060 during the years ended September 30, 2015 and 2014, respectively. Custodial funds payable include \$15,243 and \$21,396 for amounts collected, but not remitted to, GSUSA as of September 30, 2015 and 2014, respectively. Contributions receivable from related parties totaled \$88 and \$1,048 as of September 30, 2015 and 2014, respectively.

NOTE O - SUBSEQUENT EVENTS

GSEP evaluated its September 30, 2015 financial statements for subsequent events through April 5, 2016, the date the financial statements were available to be issued. GSEP is not aware of any subsequent event which would require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION



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Report of Independent Certified Public Accountants
on Supplemental Information

Board of Directors
Girl Scouts of Eastern Pennsylvania, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Girl Scouts of Eastern Pennsylvania, Inc. as of and for the years ended September 30, 2015 and 2014, and our report thereon dated April 5, 2016 expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on these financial statements as a whole.

The accompanying Program Accomplishments 2014 - 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management. The information has not been subjected to audit procedures, and we do not express an opinion on this supplementary information.

Grant Thornton LLP

Philadelphia, Pennsylvania

April 5, 2016

PROGRAM ACCOMPLISHMENTS 2014 - 2015

(Unaudited)

Girl Scouts of Eastern Pennsylvania, Inc. (“GSEP”) operates as an independent, nonprofit organization chartered by the national Girl Scouts of the USA (“GSUSA”) to provide leadership development opportunities for girls in nine Pennsylvania counties: Berks, Bucks, Carbon, Chester, Delaware, Lehigh, Montgomery, Northampton and Philadelphia.

During fiscal year 2015 (October 1, 2014 - September 30, 2015), GSEP continued to provide the Girl Scout Leadership Experience (“GSLE”) to close to 40,000 girls, with the help of nearly 15,000 adult volunteers. This narrative details GSEP’s achievements for FY 2015 as they relate to nine strategic organizational priorities that address innovation, diversity and inclusion; girl and adult membership; girl leadership program; volunteer structure and experience; partnerships; funding; staffing; outdoor property investments; and infrastructure systems and communications. These priorities represent the objectives of a multi-year strategic plan that ended in 2015. GSEP’s strategic priorities will be re-evaluated and updated in FY 2016 through an internal strategic learning process and informed by recently developed national strategic priorities.

1. Innovation, Diversity and Inclusion

Innovation, diversity and inclusion are fundamental values that have kept the Girl Scouts experience relevant and accessible for over 100 years. The 2015 cookie season marked the first time girls were able to manage their businesses and sell Girl Scout Cookies online through Digital Cookie, a national initiative that garnered a great deal of media attention. New hands-on STEM (Science, Technology, Engineering, and Math) activities, including electronic circuitry kits and programmable robots, were introduced at GSEP summer camps and facilitated by volunteers from Lockheed Martin. Additionally, GSEP continued its partnership with IBM to undertake a Social Strategies Accelerator project, which engaged staff and volunteers in developing specific goals for our social media channels. GSEP remained focused on increasing participation of Latina girls (up 3.6%), and published bilingual recruitment advertisements in both Spanish and Chinese language publications. Also in 2015, GSEP offered an adaptive race option and, for the first-time girls with physical disabilities, participated in the Girl Scouts Duathlon/Triathlon.

2. Girl and Adult Membership

Retaining and growing girl and adult membership remained a key priority, especially as national membership continued to trend downward. Overall, GSEP outpaced the national rates of membership with a -3.7% decrease in overall membership, compared to a national decline of -5.3%. GSEP’s adult membership increased 1.8% versus a -3.1% decline nationwide. This increase can be attributed to several strategic initiatives including increased alumnae outreach, more online volunteer training options, and several volunteer recruitment promotions. Looking ahead to the next membership year, the Council also implemented a highly successful “Early Bird Troop Leader Recruitment” initiative in spring 2015 that attracted new leaders and boosted adult retention rates for the fall.

3. Girl Leadership Program

GSEP retains and recruits members by offering consistently high-quality programs that support the Girl Scout Leadership Experience, an outcomes-based model that engages girls to discover their own abilities, connect with others, and take action to make the world a better place. In FY 2015, GSEP engaged nearly 10,000 girls in GSLE programs focused on the following priority areas: Outdoor, Health & Wellness, Leadership, Expression, Travel, and STEM. By completing “take action” projects, girls earned the Gold, Silver, and Bronze Awards, the highest awards a Girl Scout can earn. In 2015, 1,027 girls ages 9-11 earned their Bronze Award, 135 girls ages 12-14 earned their Silver Award, and 49 girls ages 14-18 earned their Gold Award. In October 2014, 16 girls traveled to the Girl Scout National Council Session in Salt Lake City, Utah to serve as delegates and participants in the Girl Scouts Leadership Institute, and 13 girls

PROGRAM ACCOMPLISHMENTS 2014 - 2015 - CONTINUED

(Unaudited)

participated in a Council-sponsored trip to Europe in Summer 2015 that included visits to the WAGGGS (World Association of Girl Guides and Girl Scouts) World Centres in Switzerland and the United Kingdom. In addition, nearly 1,500 girls convened on May 16, 2015 at the Pennsylvania Convention Center for the #GirlPOP2015 girl expo. Continuing our Council's tradition of holding a large-scale premier event for girls every three years, this one-day event featured interactive workshops, a hands-on Hall of Experiences, live performances, and inspirational speakers such as Little League pitcher Mo'ne Davis, journalist and activist Jenna Bush Hager, and Shiza Shahid, co-founder and global ambassador for the Malala Fund.

4. Volunteer Structure and Experience

Improving the volunteer experience was a key priority for 2015. A collaborative team of staff members from various departments across the Council was formed to address some of the challenges facing existing volunteers and to improve recruitment of new volunteers. This work resulted in a "roadmap" with improved resources for volunteers, more online training options, and new volunteer enrichment trainings. Council staff also worked with elected officials to understand and communicate to our volunteers the changes to Pennsylvania's criminal background check requirements for adults who work with children. Additionally, GSEP continued to provide enhanced reports and data to operational volunteers, including new automated roster reports which provide at-a-glance information about local troops.

5. Partnerships

Continuing to bring new partners into the organization and strengthening relationships with High Impact Partners were key objectives for 2015. High Impact Partners work with multiple departments at GSEP and function as program deliverers, funders, product program partners, volunteers, and more. Some key High Impact Partners include Villanova University, the Philadelphia Zoo, the Philadelphia 76ers, and Cedar Crest College. Nearly 35 partners participated in the interactive Hall of Experiences at #GirlPOP2015, including several new partners like School of Rock, Head House Books, and Discover Lehigh Valley. High Impact Partner ArtsQuest at SteelStacks hosted the first annual Cookie Crunch event, which invited local restaurants to develop and serve a dish featuring Girl Scout cookies as a key ingredient. Girl Scout troops in the Lehigh Valley area participated in the event by selling cookies, helping with recipe development, taking behind-the-scenes kitchen tours, and promoting the event on TV and radio. In order to better manage relationships with community partners, GSEP continued to refine its internal Community Partners Database to be more efficient and user friendly.

6. Funding

Expanding and diversifying GSEP's funding base, with an emphasis on increasing contributed revenue, continued to be a priority. Contributed revenue has seen steady increases year over year, and contributions exceeded the FY 2015 budget across all areas by 17%. Corporate and Foundation grants saw the most growth, 350+% over the past five years. In 2015, the Council expanded its Fund Development department and recruited key staff focused on individual giving and the Campaign for Girls Capital Campaign. The Campaign for Girls is a three-year, \$9 million comprehensive campaign with three primary goals: 1) Inspire leadership through ongoing access to innovative experiences, 2) Advance the values of diversity and inclusion through outreach, and 3) Improve GSEP outdoor leadership centers to expose girls to environmental stewardship, adventure and fun. In 2015, a Campaign Chair was chosen and Campaign Committees were formed, and a quiet phase of the Campaign was rolled out to Board Members and existing sponsors. A suite of informational materials including a Case Statement, CEO Report, and Investment Opportunities was also created (www.gsep.org/capital-campaign).

PROGRAM ACCOMPLISHMENTS 2014 - 2015 - CONTINUED

(Unaudited)

7. Staff

Recruiting, retaining, and engaging talented staff is crucial for running GSEP's business and providing a high-quality continuum of support to volunteers and members. In 2015, a reorganization of the leadership structure provided internal promotion opportunities to several internal staff members. In addition, about 30 employees were engaged in operations work teams, which brought staff members from various departments together on an ongoing basis to focus on several key issues. This work enabled individuals and teams to work together in new ways, and provided highly-visible leadership opportunities for staff at various levels in the organization. Several full-time staff members assumed "hybrid" positions, which allows them to work in a program capacity nine months of the year and also hold leadership roles at a GSEP camp during the summer months. This job structure provides continuity of summer staff, reduces the need for yearly seasonal recruitment, and provides meaningful engagement opportunities for staff members who are motivated by the outdoor experience.

8. Outdoor Property Investments

Investing in camps as a tool for leadership development is a key priority for GSEP and is the focus of the Outdoor Program Vision and Campaign for Girls Capital Campaign. In 2015, GSEP completed a five-year Planning Phase of the Outdoor Program Vision, and began Phase I of the Capital Building Project. During this phase, GSEP will invest \$10 million into three of its camps (Camp Shelly Ridge, Camp Laughing Waters and Camp Mosey Wood) to provide new buildings, activities, and increased year-round camping opportunities for girls. New adventure elements at all three camps including high and low ropes courses and a dueling zip line and climbing tower at Mosey Wood were completed in time for the 2015 summer camp season. Building construction projects at all three camps began in fall 2015 and are expected to be completed by the 2016 camp season. The improvements at GSEP's outdoor centers will be financed through funds raised by the Campaign for Girls Capital Campaign and the anticipated sale of three properties that were closed for camp use during the initial phase of the Outdoor Program Vision. In addition to the Phase I construction project, GSEP has expanded its annual capital improvements schedule to ensure that all outdoor centers receive investment.

9. Infrastructure and Communications

The final priority was to improve and refine GSEP's infrastructure systems and communications. In FY 2015, GSEP continued its partnership with Tierney, securing 257% in in-kind value above GSEP's advertising spending and delivering 56.7 million earned impressions. Nearly 200 earned media placements were secured for #GirlPOP2015 alone. In January 2015, an updated version of the council's website (www.gsep.org) was launched. The new site is mobile optimized, more user friendly, and can be easily updated by GSEP staff. GSEP also launched an Instagram account to better reach members via social media, an increasingly important communications tool. Council staff began actively planning for a transition to the K-5 Customer Engagement Initiative ("CEI"), a new data-driven operating model developed by Girl Scouts of the USA, which all Girl Scout councils must implement by 2017. Preparations included identifying a Business Lead, educating staff through weekly webinars, beginning data clean-up, reorganizing website content, and informing operational volunteers about the digital capabilities and benefits of the new system. In 2015, GSEP also created a new Senior Manager of Data Analytics position to oversee data integrity, reporting, and prepare GSEP's member database for the migration to the new CEI platform, and hired a full-time Director of Information Technology to manage technology upgrades and ensure the Council's IT investments are keeping pace with the expectations of our girl and adult members.