

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2016**

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.  
TABLE OF CONTENTS  
YEAR ENDED SEPTEMBER 30, 2016**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY     INFORMATION</b>	<b>20</b>
<b>PROGRAM ACCOMPLISHMENTS 2016 (UNAUDTIED)</b>	<b>21</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Girl Scouts of Eastern Pennsylvania, Inc.

We have audited the accompanying financial statements of Girl Scouts of Eastern Pennsylvania, Inc., which comprise the statement of financial position as of September 30, 2016, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
Girl Scouts of Eastern Pennsylvania, Inc.

**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, 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.

**Emphasis of Matters**

As discussed in Note 1 to the financial statements, management has elected to early adopt Accounting Standards Update No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* and Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. Our opinion is not modified with respect to these matters.

As described in Note 15 to the financial statements, Girl Scouts of Eastern Pennsylvania, Inc. has restated net assets as of October 1, 2015 to properly reflect permanently restricted, temporarily restricted, and unrestricted net assets. Our opinion is not modified with respect to this matter.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
February 10, 2017

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2016**

**ASSETS**

Cash and Cash Equivalents	\$	3,649,945
Accounts Receivable, Net of Allowance of \$58,000		131,634
Pledges Receivable, Net of Allowance of \$12,863		990,735
Merchandise Held for Resale		354,723
Prepaid Expenses and Other Assets		226,769
Investments		9,298,307
Deferred Compensation Benefit Plan Assets		95,102
Assets Held for Sale, Net		3,135,908
Land, Buildings, and Equipment, Net		20,577,685
Assets Held in Trust		<u>408,841</u>
 Total Assets		 <u><u>\$ 38,869,649</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	\$	527,687
Accrued Expenses		635,704
Custodial Funds		168,888
Deferred Revenue		82,046
Bonds Payable, Net		1,167,438
Deferred Compensation Benefit Plan Liability		<u>95,102</u>
Total Liabilities		<u>2,676,865</u>

**NET ASSETS**

Unrestricted		33,962,267
Temporarily Restricted		1,191,697
Permanently Restricted		<u>1,038,820</u>
Total Net Assets		<u>36,192,784</u>

Total Liabilities and Net Assets	\$	<u><u>38,869,649</u></u>
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See accompanying Notes to Financial Statements.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT</b>				
Grants and Contributions	\$ 194,703	\$ 793,843	\$ 1,575	\$ 990,121
Legacies and Bequests	33,296	-	-	33,296
Campaign	-	679,248	-	679,248
Major Events	593,783	-	-	593,783
In-Kind Contributions	257,342	-	-	257,342
United Way Allocation	-	157,513	-	157,513
Net Assets Released from Restrictions	923,396	(923,396)	-	-
Total Public Support	2,002,520	707,208	1,575	2,711,303
<b>REVENUE</b>				
Program and Related Fees:				
Cookie Program:				
Revenue	15,116,956	-	-	15,116,956
Cost of Goods	(3,732,041)	-	-	(3,732,041)
Magazine/Nuts About Reading Program:				
Gross Revenue	990,435	-	-	990,435
Cost of Goods	(462,396)	-	-	(462,396)
Program Service Fees	1,607,560	-	-	1,607,560
Total Program and Related Fees Revenue	13,520,514	-	-	13,520,514
<b>OTHER REVENUE</b>				
Sales of Merchandise:				
Gross Receipts	1,031,039	-	-	1,031,039
Direct Costs	(576,842)	-	-	(576,842)
Endowment Earnings Used for Operations	1,034,106	-	-	1,034,106
Miscellaneous Revenue	242,022	-	-	242,022
Total Other Revenue	1,730,325	-	-	1,730,325
Total Public Support and Revenue	17,253,359	707,208	1,575	17,962,142
<b>EXPENSES</b>				
Program Services - Direct Costs:				
Membership Services	4,765,775	-	-	4,765,775
Camp Programs	3,391,698	-	-	3,391,698
Other Girl Programs	5,277,256	-	-	5,277,256
Total Program Services - Direct Costs	13,434,729	-	-	13,434,729
General and Administrative	2,047,719	-	-	2,047,719
Fund-Raising	1,299,699	-	-	1,299,699
Total Expenses	16,782,147	-	-	16,782,147
<b>CHANGES IN NET ASSETS FROM OPERATIONS BEFORE DEPRECIATION AND AMORTIZATION</b>	471,212	707,208	1,575	1,179,995
<b>DEPRECIATION AND AMORTIZATION</b>	1,094,123	-	-	1,094,123
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	(622,911)	707,208	1,575	85,872
<b>OTHER CHANGES IN NET ASSETS</b>				
Gain on Sale of Assets	1,151,973	-	-	1,151,973
Realized and Unrealized (Depreciation) Appreciation on Investments, Net of Earnings used for Operations	(482,906)	31,577	4,345	(446,984)
Investment Income	316,354	6,452	-	322,806
Total Other Changes in Net Assets	985,421	38,029	4,345	1,027,795
<b>CHANGES IN NET ASSETS</b>	362,510	745,237	5,920	1,113,667
Net Assets - Beginning of Year, As Restated (Note15)	33,599,757	446,460	1,032,900	35,079,117
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 33,962,267</u>	<u>\$ 1,191,697</u>	<u>\$ 1,038,820</u>	<u>\$ 36,192,784</u>

See accompanying Notes to Financial Statements.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2016**

	Program Services - Direct Costs				General and Administrative	Fund- Raising	Total
	Membership Services	Camp Programs	Other Girl Programs	Total			
<b>EXPENSES FROM OPERATIONS</b>							
Salaries	\$ 2,668,751	\$ 1,301,688	\$ 940,986	\$ 4,911,425	\$ 943,430	\$ 521,097	\$ 6,375,952
Employee Health and Retirement	762,109	371,749	268,736	1,402,594	269,434	148,820	1,820,848
Payroll Taxes	198,182	59,462	77,954	335,598	62,659	42,350	440,607
Total Salaries and Related Expenses	3,629,042	1,732,899	1,287,676	6,649,617	1,275,523	712,267	8,637,407
Computer Expenses and Equipment	78,307	42,816	37,779	158,902	31,837	15,484	206,223
Insurance	14,514	221,000	28,402	263,916	23,282	3,022	290,220
Occupancy	40,717	526,660	74,088	641,465	71,215	7,994	720,674
Other Expenses	130,886	120,652	112,496	364,034	65,253	282,289	711,576
Program Fees	1,768	33,498	2,981,381	3,016,647	579	472	3,017,698
Postage and Shipping	3,975	34,247	36,584	74,806	12,633	5,523	92,962
Printing, Promotion, and Advertising	45,771	102,752	116,583	265,106	10,775	23,893	299,774
Professional Fees	199,627	71,199	73,138	343,964	345,220	45,860	735,044
Food	53,841	172,789	53,012	279,642	4,384	140,406	424,432
Restructuring Charges	-	-	-	-	103,947	-	103,947
Specific Assistance	271,386	61,018	19,155	351,559	-	-	351,559
Supplies	43,224	91,245	366,235	500,704	34,306	19,122	554,132
Telecommunications	134,203	42,117	53,508	229,828	48,626	23,142	301,596
Travel	118,514	138,806	37,219	294,539	20,139	20,225	334,903
Total Operational Expenses	4,765,775	3,391,698	5,277,256	13,434,729	2,047,719	1,299,699	16,782,147
Depreciation and Amortization	57,159	821,705	111,517	990,381	91,838	11,904	1,094,123
Total Functional Expenses	\$ 4,822,934	\$ 4,213,403	\$ 5,388,773	\$ 14,425,110	\$ 2,139,557	\$ 1,311,603	\$ 17,876,270

See accompanying Notes to Financial Statements.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 1,113,667
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,094,123
Permanently Restricted Contributions	(1,575)
Change in Value of Assets Held in Trust	(4,345)
Bad Debt Expense	93,776
Gain on Sale of Assets	(1,151,973)
Realized and Unrealized Gain on Investments	(587,122)
(Increase) Decrease in Assets:	
Accounts Receivable	25,629
Pledges Receivable	(639,574)
Merchandise Held for Resale	(12,533)
Prepaid Expenses and Other Assets	331,057
Deferred Compensation Plan Assets	(5,458)
Increase (Decrease) in Liabilities:	
Accounts Payable	71,261
Accrued Expenses	386,103
Custodial Funds	22,801
Benefit Plan Liability	5,458
Deferred Revenue	(11,346)
Net Cash Provided by Operating Activities	<u>729,949</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Land, Buildings, and Equipment	(8,275,835)
Proceeds from Sale of Assets	1,443,107
Proceeds from Sale of Investments	10,511,156
Purchase of Investments	<u>(1,767,945)</u>
Net Cash Provided by Investing Activities	1,910,483
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Bond Principal Payments	(105,000)
Permanently Restricted Contributions	1,575
Payments on Capital Lease Obligations	<u>(17,560)</u>
Net Cash Used by Financing Activities	<u>(120,985)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,519,447
Cash and Cash Equivalents - Beginning of Year	<u>1,130,498</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 3,649,945</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash Paid During the Year for Interest	<u>\$ 16,313</u>

See accompanying Notes to Financial Statements.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**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.

**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 statement 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.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**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.

**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 2).

**Assets Held for Sale**

During fiscal 2015, GSEP began actively marketing three camp properties. Accordingly, 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. During fiscal 2016, one of the camp properties sold. The net proceeds resulting from sales of the assets are 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.

**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 (3 to 40 years). Depreciation for the year ended September 30, 2016 was \$1,083,007. Costs of ordinary maintenance repairs that do not materially extend asset useful lives are expensed as incurred (See Note 6.)

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets Held in Trust**

GSEP has a beneficial interest in four perpetual trusts. The trust assets are held by outside trustees. Each year, GSEP records income received from these trusts as unrestricted income.

**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, which is not a material change from the effective interest rate method. Amortization for the year ended September 30, 2016 was \$11,116. The bond issuance costs are presented net of the bonds payable on the statement of financial position (see Note 9).

**Printing, Promotion, and Advertising Costs**

Printing, promotion, and advertising costs (\$299,776 in 2016) are charged to operations when incurred.

**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 for the year ended September 30, 2016 totaled \$257,342.

**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's tax returns are subject to review and examination by federal and state authorities. GSEP is not aware of any activity that would jeopardize its tax-exempt status. GSEP is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The tax returns are open to examination by federal and state authorities.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 2 for investment information.

**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.

**Early Adoption of Accounting Principles**

GSEP has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings and amortize debt issuance costs using the effective interest method over the life of the debt. The effect of adopting the new standard decreased the debt issuance costs asset to zero and decreased the debt liability by \$103,678 as of October 1, 2015. The adoption of the standard had no effect on previously reported net assets. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. GSEP has elected to adopt this change in accounting principle as of October 1, 2015, prior to its effective date.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Early Adoption of Accounting Principles (Continued)**

GSEP has also adopted accounting guidance in FASB Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, ("ASU 2015-07"). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. GSEP adopted ASU 2015-07 for the September 30, 2016 reporting period. The adoption had no effect on the financial statements but removed disclosures described above as of September 30, 2016.

**Subsequent Events**

In preparing these financial statements, GSEP has evaluated events and transactions through February 10, 2017, the date the financial statements were issued. Except as disclosed in Note 16, GSEP is not aware of any events or transactions which would require recognition or disclosure in the financial statements.

**NOTE 2 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, 2016 are summarized as follows:

Certificates of Deposit	\$ 2,523
Mutual Funds:	
Fixed Income	4,560,431
Domestic Equities	2,838,940
International Equities	1,835,331
Pooled Income Fund	61,082
Total Investments	<u>\$ 9,298,307</u>

The following schedule summarizes the investment return and its classification in the statement of activities and changes in net assets for the year ended September 30, 2016:

Dividends and Interest	\$ 322,806
Realized Loss on Investments	(18,244)
Unrealized Gain on Investments	626,328
Investment Fees	<u>(20,962)</u>
Total Investment Income	<u>\$ 909,928</u>

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 3 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.

The following tables set forth, by level, within the fair value hierarchy, GSEP's assets measured at fair value on a recurring basis, as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Fixed Income	\$ 4,560,431	\$ -	\$ -	\$ 4,560,431
Domestic Equities	2,838,940	-	-	2,838,940
International Equities	1,835,331	-	-	1,835,331
Assets Held in Trust	<u>-</u>	<u>-</u>	<u>408,841</u>	<u>408,841</u>
Total Investment				
Assets at Fair Value	<u>\$ 9,234,702</u>	<u>\$ -</u>	<u>\$ 408,841</u>	\$ 9,643,543
Investments Measured at Net Asset Value per Share				61,082
Certificates of Deposit				<u>2,523</u>
Total				<u>\$ 9,707,148</u>

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

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:

*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.

*Assets Held in Trust:* This represents GSEP's interest in several perpetual trusts. These are recorded at fair value based on GSEP's interest in the underlying assets, which approximates the present value of the estimated future cash receipts from these trusts. These are considered a Level 3 input.

A summary of the changes in the Level 3 investments measured at fair value for the year ended September 30, 2016 are as follows:

Balance - Beginning	\$ 404,496
Change in Value of Trust	4,345
Balance - Ending	<u>\$ 408,841</u>

Fair value measurements of investments measured at net asset value (NAV) per share at the measurement date include GSEP's investment in a pooled income fund held by GSUSA.

**NOTE 4 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.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 4 ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

GSEP's endowment funds had the following activity for the year ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets -				
Beginning of Year	\$ 5,268,803	\$ 44,924	\$ 628,327	\$ 5,942,054
Investment Return:				
Dividends and Interest	229,532	6,452	-	235,984
Net Appreciation	365,306	31,577	-	396,883
Contributions	-	-	1,575	1,575
Income Expended for				
Scholarships	-	(5,695)	-	(5,695)
Appropriation of Endowment				
Assets for Expenditure	(1,034,106)	-	-	(1,034,106)
Changes in Net Assets	<u>(439,268)</u>	<u>32,334</u>	<u>1,575</u>	<u>(405,359)</u>
Endowment Net Assets -				
End of Year	<u>\$ 4,829,535</u>	<u>\$ 77,258</u>	<u>\$ 629,902</u>	<u>\$ 5,536,695</u>

**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.

**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%.

**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. For the year ended September 30, 2016, the amount released for operations was \$347,634.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 4 ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**  
**(Continued)**

The board of directors approved additional funding to support the increase in demand from the GSUSA retirement plan funding. For the year ended September 30, 2016, the amount released for this special operation was \$100,000.

**NOTE 5 PLEDGES RECEIVABLE**

Less than One Year	\$ 616,904
One to Five Years	390,631
More than Five Years	<u>2,500</u>
Gross Unconditional Promises to Give	1,010,035
Less: Discount to Net Present Value	(6,617)
Less: Allowance for Uncollectible Promise to Give	<u>(12,683)</u>
Net Grant and Pledges Receivable	<u><u>\$ 990,735</u></u>

Promises due in one to five years were discounted at an interest rates ranging from .6% to 3%. Promises due in less than one year were not discounted.

**NOTE 6 LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment consist of the following as of September 30, 2016:

Land and Land Improvements	\$ 3,110,947
Buildings	29,280,709
Equipment	4,200,898
Leasehold Improvements	131,582
Construction-in-Progress	<u>43,004</u>
Total	36,767,140
Less: Accumulated Depreciation	<u>(16,189,455)</u>
Total	<u><u>\$ 20,577,685</u></u>

**NOTE 7 BANK CREDIT FACILITY**

As of September 30, 2016, 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, 2017. Interest is payable on any outstanding balances on the line of credit at the one-month variable LIBOR plus 3.25% (LIBOR was .52722% as of September 30, 2016). There were no amounts outstanding on the line of credit as of September 30, 2016.

**NOTE 8 LEASE OBLIGATIONS**

GSEP leases office space and office equipment under noncancelable operating leases. Total expense was \$254,818 for the year ended September 30, 2016.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 8 LEASE OBLIGATIONS (CONTINUED)**

Scheduled future payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 209,202
2018	198,851
2019	94,830
Total	<u>\$ 502,883</u>

**NOTE 9 BONDS PAYABLE, NET**

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 .27% for the year ended September 30, 2016. The bonds, which mature on February 1, 2025, require mandatory redemption payments to be maintained. The bonds are collateralized by the property and a bank letter of credit, which is subject to renewal in March 2017. The loan agreement with the Montgomery County Industrial Development Authority contains provisions regarding the maintenance of certain covenants and financial ratios. Management believes GSEP was in compliance with all provisions as of September 30, 2016.

Scheduled future mandatory redemption payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 110,000
2018	115,000
2019	125,000
2020	130,000
2021	140,000
Thereafter	640,000
Total	<u>\$ 1,260,000</u>
Bonds Payable as of September 30, 2016	\$ 1,260,000
Less: Unamortized bond issuance costs	92,562
Bonds Payable, Net	<u>\$ 1,167,438</u>

Interest expense on the bonds and letter of credit fees totaled \$16,313 for the year ended September 30, 2016.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 10 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of September 30, 2016:

Program Support	\$ 550,781
Scholarships	54,703
Capital Campaign	586,213
	<u>\$ 1,191,697</u>

**NOTE 11 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets represent endowment corpus to be held in perpetuity and GSEP's interest in several perpetual trusts. GSEP is permitted to spend the income from the endowment funds either for current operations, programs, or scholarship awards as designated by the donors.

**NOTE 12 COOKIE PROGRAM**

Cookie program revenue represents gross cookie revenues earned of \$15,116,956 less the direct cost of cookies purchased from the baker of \$3,732,041 for the year ended September 30, 2016. Funds earned by the Troops and Service Units, indirect salary, cost of incentives and other costs related to the cookie sale of \$3,582,049 were allocated to Other Girl programs in 2016.

**NOTE 13 BENEFIT PLANS**

The council participates in the National Girl Scout Council Retirement Plan (NGSCR), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the U.S.A. (GSUSA, EIN 13-1624016; PN002). 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, 2016. 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.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 13 BENEFIT PLANS (CONTINUED)**

Aggregate annual contributions made in fiscal year 2016 were \$34,300,000. The aggregate annual contributions decreased from 2015 to 2016 due to the January 1, 2016 spin-off of Girl Scouts of Middle Tennessee. Aggregate contributions made in fiscal 2017 are expected to be \$34,300,000.

GSEP made contributions into the plan of \$814,959 during the year ended September 30, 2016.

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 year ended September 30, 2016 were \$82,967.

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 \$2,692 for the year ended September 30, 2016.

**NOTE 14 RELATED PARTY TRANSACTIONS**

GSEP remitted to GSUSA membership dues aggregating \$192,035 the year ended September 30, 2016. Custodial funds payable include \$26,222 for amounts collected, but not remitted to, GSUSA as of September 30, 2016.

**NOTE 15 RESTATEMENT OF NET ASSETS**

GSEP has restated certain balances previously reported as of September 30, 2015 due to three items that were not properly recorded in prior years and were discovered during the current year. These three errors resulted in a net overstatement of unrestricted net assets, understatement of temporarily restricted net assets, and understatement of permanently restricted net assets. The net amount of these restatements for September 30, 2015 was \$215,219.

Certain pledges receivable containing time restrictions of future payments were recorded as unrestricted net assets in fiscal year 2015. This caused an overstatement of unrestricted net assets of \$229,858 and an understatement of temporarily restricted net assets of \$229,858.

Certain costs related to capital projects were capitalized in prior periods instead of being expensed as incurred. This resulted in an overstatement of construction in progress of \$153,010 and an overstatement of unrestricted net assets of \$153,010 for the year ended September 30, 2015.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 15 RESTATEMENT OF NET ASSETS (CONTINUED)**

GSEP has been properly recording annual distributions of income from certain trusts held by third parties. The donors and last surviving beneficiaries of certain trusts have passed away in prior years and GSEP was not notified of their deaths. As a result, GSEP did not record their beneficial interest in certain perpetual trusts in prior years, which resulted in an understatement of permanently restricted net assets of \$368,229.

Net assets as of October 1, 2015 have been restated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets As Restated</u>
Beginning Net Assets, as Originally Reported	\$ 33,982,625	\$ 216,602	\$ 664,671	\$ 34,863,898
Adjustment for Pledge Receivables	(229,858)	229,858	-	-
Expense Prior CIP	(153,010)	-	-	(153,010)
Record Beneficial Interest in Perpetual Trusts	<u>-</u>	<u>-</u>	<u>368,229</u>	<u>368,229</u>
Total Prior Period Adjustments	<u>\$ (382,868)</u>	<u>\$ 229,858</u>	<u>\$ 368,229</u>	<u>\$ 215,219</u>
Beginning Net Assets, as Restated	<u>\$ 33,599,757</u>	<u>\$ 446,460</u>	<u>\$ 1,032,900</u>	<u>\$ 35,079,117</u>

**NOTE 16 SUBSEQUENT EVENTS**

During January 2017, GSEP was granted a temporary increase to the amount available under the existing unsecured revolving line of credit to \$2,500,000.

**SUPPLEMENTARY INFORMATION**



**CliftonLarsonAllen**

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**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

Board of Directors  
Girl Scouts of Eastern Pennsylvania, Inc.

We have audited the financial statements of Girl Scouts of Eastern Pennsylvania, Inc. as of and for the year ended September 30, 2016, and our report thereon dated February 10, 2017, which expressed an unmodified opinion on those financial statements, appears on page 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Program Accomplishments 2016, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
February 10, 2017

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**PROGRAM ACCOMPLISHMENTS 2016**  
**(UNAUDITED)**

Girl Scouts of Eastern Pennsylvania, Inc. (GSEP) operates as an independent, nonprofit organization chartered by 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. GSEP's vision is to be known as the premier leadership organization for girls that is driven by an engaged community of volunteers, members, alumnae, partners, and staff, and supported by an organizational culture of service, learning, and growth.

During fiscal year 2016 (October 1, 2015-September 30, 2016), 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 FY16 as they relate to the new Strategic Plan adopted by the Board of Directors on March 28, 2016 which includes seven guiding principles: Leadership, Community, Service, Inclusion, Respect, Integrity, and Innovation. The new multi-year plan was informed by both National and Council specific priorities, and articulates five goals topically organized: Our Organization, Communications, Girl Experience, Volunteer Experience and Financial Sustainability and Revenue Enhancement.

GSEP's Outdoor Program Vision (OPV) was completed during 2016. GSEP invested \$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. Two new 64-bed lodges and two activity centers were built and utilized by girls starting in the summer of 2016 and for rentals during non-girl-use times. 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 in full use in 2016. The improvements at GSEP's outdoor centers were financed through GSEP's Land Building and Equipment fund, funds raised by the Campaign for Girls, and proceeds from the sale of Camp Tweedale. The anticipated sale of two additional properties will be reinvested in the Land Building and Equipment fund. Additional capital improvements were made to GSEP's four other camps to improve the Girl Experience and Member satisfaction.

**1) Our Organization: Build a learning and growing culture that enhances the contributions of the GSEP staff and leadership.**

In FY16 GSEP experienced a leadership transition with the departure of Natalye Paquin as CEO in November 2015. After a national search, Kim E. Fraites-Dow was appointed CEO on March 15, 2016, after serving as Acting CEO and COO. GSEP conducted a staff satisfaction survey, and a culture audit to inform the work of the strategic plan's first year. A new Senior Management Structure was implemented, and significant investments were made in Staff Training and Development, Manager Training in particular. Additionally, two strategic realignments of staff were implemented during FY16 to reflect the new Customer Engagement Initiative (CEI) business model from GSUSA. 40% of the staff were engaged in the Strategic Plan Implementation Teams. The entire staff was engaged in the strategic plan through planned in-person meetings, monthly all-staff calls, and numerous resources and reminders for how day-to-day work is related to the plan, including a strategic plan dashboard.

Governance goals were met regarding Board Meeting attendance, and GSEP enjoyed 100% board and staff participation in the Annual Giving campaign.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**PROGRAM ACCOMPLISHMENTS 2016**  
**(UNAUDITED)**

**2) Communications: Advance a clear message and build community around GSEP programs, experiences, and impacts.**

Cross-departmental representation on Strategic Plan Implementation Teams has been an important way to communicate across the organization the goals and strategies GSEP aims to accomplish. Additionally, the Communications Focus Group continues to meet quarterly to discuss operational volunteer experiences, concerns, and goals. The Marketing and Communications team implemented brand voice trainings and resources for consistent messaging. Special emphasis was given to improving communications with alumnae. A cross-functional team developed special materials to attract African American and Latino volunteers and girls, targeting growth opportunities in Philadelphia's African American and Latino communities via churches, community leaders, and volunteers to increase diverse girl membership to better reflect the country's changing demographics. High Impact Partners (HIP) continued to advance GSEP's mission and impact working with multiple departments at GSEP and functioning as program implementers, funders, product program partners, volunteers, and more.

**3) Girl Experience: Position GSEP as the premier organization for girls to build leadership, confidence, independence, and community.**

GSEP conducted a girl/parent satisfaction survey, and the feedback included excellent ratings for GSEP-led weekend and summer programming, however, the troop experience reflected less than satisfactory ratings. As part of the realignment Service Unit and Troop support priorities were added to the Training and Development and Girl Experience Teams. Retaining and growing girl membership remained a key priority; however, GSEP planned a slight decrease in Girl membership due to the two staff realignments during FY16. GSEP engaged more than 11,500 girls in GSLE programs focused on the following priority areas: Adventure & Water, Health & Wellness, GSLE, Environment, Arts & Culture, and STEM. Nearly 4,000 girls attended one of four resident camps or three day camps in summer 2016. Girls earning their highest wards increased in every category in FY16: 1,351 girls ages 9-11 earned their Bronze Award, 141 girls ages 12-14 earned their Silver Award, and 58 girls ages 14-18 earned their Gold Award. Girls participating in Product Program decreased due to the decrease in Girl membership; however, those participating increased their Per Girl Average (PGA) in sales resulting in increased sales year over year despite the membership decline.

**4) Volunteer Experience: Position GSEP as a rewarding and sought-after volunteer experience.**

The Customer Engagement Initiative (CEI) is a nationally-led change in the Girl Scouts business model that is designed to improve the Volunteer Experience. GSEP has been preparing its staff and volunteers for this transition through communications, process changes, and staff realignment. GSEP increased human resources in the Volunteer Training and Development area, with an emphasis on added support for Service Unit and Troop volunteers. In FY17 this will continue to improve with the implementation of the new operating system, the Volunteer Toolkit, and new integrated website. More transparent communication was regularly shared with Service Unit volunteer leadership, and peer to peer training/sharing opportunities were prioritized. Numerous improvements were made to the Volunteer Training and Development experience with more planned trainings across the 9-county footprint, the elimination of ad hoc on-demand trainings, and more online training options. The Adult Awards Ceremony saw a marked increase in nominations and participation.

**GIRL SCOUTS OF EASTERN PENNSYLVANIA, INC.**  
**PROGRAM ACCOMPLISHMENTS 2016**  
**(UNAUDITED)**

**5) Financial Stability and Revenue Enhancement: Optimize revenue sources and uses.**

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 for more than five years, and contributions exceeded the FY16 budget across all areas, most notably Take the Lead. The Campaign for Girls, in its second year, raised critical multi-year commitments for ongoing outreach and innovating programs, as well as the Outdoor Program Vision capital project. The Fall Product Program, Cookie Program and Retail operation all fell short of their revenue goals in FY16 due to decreased Girl membership. Expense and budget management have improved significantly in the past two years, providing GSEP management the flexibility to make adjustments to operations during the fiscal year to ensure a positive result. Despite two staff realignments and decreased membership, GSEP was able to manage operations to a six figure surplus. These additional funds available for reinvestment create opportunities for GSEP to address much needed capital improvements in FY17 without having to draw down significantly from investment funds.