

Girl Scouts of North East Ohio and Affiliate

**Consolidated Financial Statements
September 30, 2008**



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Independent Auditors' Report

Board of Directors
Girl Scouts of North East Ohio and Affiliate


We have audited the accompanying consolidated statement of financial position of Girl Scouts of North East Ohio and Affiliate (both nonprofit organizations) as of September 30, 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Girl Scouts of North East Ohio and Affiliate as of September 30, 2008, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ciuni + Panichi, Inc.

Cleveland, Ohio
April 7, 2009

 C&P Advisors, LLC
Ciuni & Panichi, Inc.
Joel Strom Associates LLC
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com



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Girl Scouts of North East Ohio and Affiliate

Consolidated Statement of Financial Position

September 30, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 2,510,697
Short-term investments	1,696,426
Accounts receivable, net	94,209
Pledges receivable, net	32,664
Grants receivable, net	14,641
Inventories	354,486
Prepaid expenses	<u>74,227</u>
Total current assets	4,777,350

Investments (Note 3) 6,537,016

Property, plant and equipment, net (Note 4) 14,526,449

Total assets \$ 25,840,815

Liabilities and Net Assets

Current liabilities:

Current portion of long-term debt	\$ 345,432
Trade accounts payable	444,506
Accrued expenses	388,130
National membership dues	153,349
Deferred revenue, deposits and custodial accounts	<u>371,829</u>
Total current liabilities	1,703,246

Long-term debt, net of current portion 778,708

Total liabilities 2,481,954

Net assets:

Unrestricted:

Undesignated	17,066,796
Board-designated	<u>4,749,917</u>
Total unrestricted	21,816,713
Temporarily restricted (Note 6)	37,725
Permanently restricted (Note 6)	<u>1,504,423</u>
Total net assets	<u>23,358,861</u>

Total liabilities and net assets \$ 25,840,815

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

Girl Scouts of North East Ohio and Affiliate

Consolidated Statement of Activities

For the year ended September 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds
Operating changes:				
Public support:				
Contributions	\$ 285,491	\$ -	\$ 26,296	\$ 311,787
Foundations, trusts, and other	439,834	37,725	-	477,559
United Way allocations	383,109	-	-	383,109
Total public support	1,108,434	37,725	26,296	1,172,455
Revenue:				
Cookie Sales	10,770,327	-	-	10,770,327
Cost of Cookie Sales	(2,474,341)	-	-	(2,474,341)
Other Product sales	914,787	-	-	914,787
Cost of Other Product Sales	(503,238)	-	-	(503,238)
Retail operations	830,406	-	-	830,406
Cost of Retail Sales	(567,352)	-	-	(567,352)
Program and camp fees	658,960	-	-	658,960
Interest and dividends	262,408	-	-	262,408
Miscellaneous income	241,396	-	-	241,396
Total revenue	10,133,353	-	-	10,133,353
Net assets released from restrictions	346,165	(346,165)	-	-
Total public support, revenue, and net assets released	11,587,952	(308,440)	26,296	11,305,808
Expenses:				
Program services	9,207,447	-	-	9,207,447
Supporting services:				
Recruiting and External Communications	107,801	-	-	107,801
Management Services	1,606,021	-	-	1,606,021
Fund development	364,786	-	-	364,786
Total expenses	11,286,055	-	-	11,286,055
Change in net assets from operations	301,897	(308,440)	26,296	19,753
Investment gains and losses:				
Realized losses	(4,277)	-	(391)	(4,668)
Unrealized losses	(952,654)	-	(233,938)	(1,186,592)
Total non-operating changes	(956,931)	-	(234,329)	(1,191,260)
Change in net assets – total	(655,034)	(308,440)	(208,033)	(1,171,507)
Net assets at beginning of year	22,471,747	346,165	1,712,456	24,530,368
Net assets at end of year	\$ 21,816,713	\$ 37,725	\$ 1,504,423	\$ 23,358,861

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

Girl Scouts of North East Ohio and Affiliate

Consolidated Statement of Functional Expenses

For the year ended September 30, 2008

	Program Services	Supporting Services			Total Supporting Services	Total Expenses
		Recruiting and External Communications	Management Services	Fund Development		
Personnel						
Salaries and wages	\$ 3,040,920	\$ 68,445	\$ 724,433	\$ 242,401	\$ 1,035,279	\$ 4,076,199
Fringe benefits and taxes	<u>700,229</u>	<u>13,484</u>	<u>287,866</u>	<u>49,844</u>	<u>351,194</u>	<u>1,051,423</u>
Total personnel	<u>3,741,149</u>	<u>81,929</u>	<u>1,012,299</u>	<u>292,245</u>	<u>1,386,473</u>	<u>5,127,622</u>
Other expenses:						
Troop and Service Unit Support	2,042,666	-	-	-	-	2,042,666
Professional services and fees	329,226	68	172,082	2,807	174,957	504,183
Supplies, printing and publications	702,393	12,882	66,412	41,048	120,342	822,735
Postage and shipping	113,696	5,659	6,085	6,400	18,144	131,840
Telecommunications	174,284	179	10,858	-	11,037	185,321
Occupancy	716,117	-	4,647	80	4,727	720,844
Equipment, rental and repair	310,231	1,257	71,838	4,261	77,356	387,587
Meetings and travel	229,686	2,382	45,966	14,052	62,400	292,086
Assistance and grants to members	119,909	-	390	699	1,089	120,998
Insurance	147,410	-	16,056	-	16,056	163,466
Other	<u>16,835</u>	<u>-</u>	<u>156,666</u>	<u>65</u>	<u>156,731</u>	<u>173,566</u>
Total other expenses	<u>4,902,453</u>	<u>22,427</u>	<u>551,000</u>	<u>69,412</u>	<u>642,839</u>	<u>5,545,292</u>
Total expense before depreciation	8,643,602	104,356	1,563,299	361,657	2,029,312	10,672,914
Depreciation	<u>563,845</u>	<u>3,445</u>	<u>42,722</u>	<u>3,129</u>	<u>49,296</u>	<u>613,141</u>
Total	<u>\$ 9,207,447</u>	<u>\$ 107,801</u>	<u>\$ 1,606,021</u>	<u>\$ 364,786</u>	<u>\$ 2,078,608</u>	<u>\$ 11,286,055</u>

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

Girl Scouts of North East Ohio and Affiliate

Consolidated Statement of Cash Flows

For the year ended September 30, 2008

Cash flows from operating activities	
Change in net assets	\$ (1,171,507)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	613,141
Net realized and unrealized losses on investments	1,191,260
Donated stock	(68,938)
Contributions restricted for long-term purposes	(26,296)
Decrease (increase) in operating assets:	
Receivables	122,062
Inventories	(10,496)
Prepaid expenses	(3,071)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>608,376</u>
Net cash provided by operating activities	1,254,531
Cash flows from investing activities:	
Net purchases of investments	(123,052)
Purchase of property, plant and equipment	<u>(3,220,558)</u>
Net cash used by investing activities	(3,343,610)
Cash flows from financing activities:	
Collection of contributions restricted to long-term purposes	26,296
Payments on long-term debt	(16,572)
Proceeds from borrowing of additional long-term debt	<u>800,000</u>
Net cash provided by financing activities	<u>809,724</u>
Net decrease in cash and cash equivalents	(1,279,355)
Cash and cash equivalents at beginning of year	<u>3,790,052</u>
Cash and cash equivalents at end of year	\$ <u><u>2,510,697</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	\$ 30,710

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

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 1: Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Girl Scouts of North East Ohio, Inc. (GSNEO) and Western Reserve Girl Scout Organization Permanent Endowment Fund Trust (the "Affiliate"), jointly referred to as the "Organization." All significant affiliate transactions have been eliminated from the consolidated amounts.

The Girl Scouts of North East Ohio, Inc. is an Ohio not-for-profit corporation that has been issued a charter by the Girl Scouts of the USA granting it the right to develop, manage, and maintain the Girl Scout Movement in a jurisdiction established by the National Board of Directors of the Girl Scouts of the USA that includes the Trumbull, Mahoning, Ashtabula, Columbiana, Stark, Tuscarawas, Carroll, Lorain, Cuyahoga, Geauga, Lake, Summit, Portage, Medina, and Wayne Counties in the State of Ohio.

The Girl Scouts of North East Ohio, Inc. is the sole beneficiary of the Permanent Endowment Fund Trust. The Trust was established in 1987 by transferring \$353,238. Donations from other sources have also been received and added to the net assets of the Trust. The Trust is irrevocable except that the GSNEO reserves the right to alter, amend, and to free any sums of money, securities or property upon written notification, provided that such action is approved by 75% of the GSNEO's Board.

The net income from the Trust may be distributed to the GSNEO for any given fiscal year, as the Endowment Trustees deem appropriate. The Endowment Trustees consist of the chairman of the Finance Committee, the Chief Executive Officer, and three additional members who are elected by the Board of Trustees of GSNEO.

Statement of Financial Accounting Standard (SFAS) No. 136 requires that the GSNEO recognize its right to the Trust assets as an interest in the net assets of the Permanent Endowment Trust and adjust that interest for the change in net assets annually. The Permanent Endowment Fund must recognize a refundable deposit as a liability for the amount provided by the GSNEO to establish the Trust. Upon consolidation these transactions are eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets (undesigned) – Net assets that are not subject to donor-imposed or board-imposed stipulations.

Unrestricted Net Assets (board-designated) – Net assets subject to board-imposed restrictions.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. If donor-imposed restrictions are met in the same year as they are imposed, the net assets are reported as unrestricted.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Non-operating activities reflect transactions of a long-term investment or capital nature. These include contributions to be invested by the Organization to generate a return that will support future operations, contributions to be used for facilities and equipment, and realized and unrealized investment gains or losses. Interest and dividends are considered to be a part of operations.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Equivalents

The Organization considers all highly liquid unrestricted investments with remaining maturities at the time of acquisition of three months or less to be cash equivalents, excluding those held in brokerage accounts.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Receivables and Credit Policy

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days of the invoice date. Accounts receivable are stated at the amount billed to the customer. Customer account balances with invoices dated over 90 days old are considered delinquent.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At September 30, 2008, management estimated that no allowance for doubtful accounts was necessary.

Contributions and Grants Receivable

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unconditional pledges receivable are recognized as revenues in the period that the promise is received. All promises to give outstanding at September 30, 2008 are expected to be collected within one year.

Payments from United Way agencies are accounted for as exchange transactions and are recorded as revenues in the period in which the funds are received.

Management individually reviews all outstanding promises to give and grants receivable to determine the need for an allowance for uncollectible accounts. At September 30, 2008, management estimated that no such allowance was necessary.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Investment income that is temporarily restricted is presented as unrestricted investment income if the restrictions are met in the same year as the investment income is earned.

Inventories

Inventories are valued at the lower of cost (determined on a first-in, first-out basis) or net realizable value.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Property, Plant, and Equipment

Property, plant, and equipment are depreciated utilizing the straight-line method over their estimated useful lives ranging from three to forty years. Leasehold improvements are amortized utilizing the straight-line method over the remaining term of the lease. The Organization capitalizes purchases or donations of property, plant and equipment that exceed \$1,000. Purchased property, plant, and equipment are stated at cost.

Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant, and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Deferred Revenue, Deposits, and Custodial Accounts

The Organization records liabilities when it receives payment prior to the delivery of services and/or prior to the completion of the earnings process. Monies received for the benefit of others are also recorded as liabilities (custodial accounts).

Deferred revenue, deposits and custodial accounts at September 30, 2008 consists of the following:

Deposit on sale of Akron, Ohio office building	\$ 300,000
Rental incentive payment received from vendor	71,050
Other	<u>779</u>
	\$ <u>371,829</u>

National Membership Dues

The Organization collects monies from members to be remitted to the national organization, Girl Scouts of the U.S.A. As the Organization is acting as a pass-through entity, no revenue is recorded in the consolidated statement of activities related to the national membership dues.

Income Taxes

The Girl Scouts of North East Ohio, Inc. and Affiliate are tax-exempt, under Section 501(c)(3) of the Internal Revenue Code of 1986 and have been classified as organizations that are not private foundations under Section 509(a) of the Internal Revenue Code. Accordingly, GSNEO and Affiliate are not required to pay income taxes on activities related to their exempt purposes.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Advertising Fees

Advertising costs are expensed when incurred and are included in supplies, printing and publications expenses on the accompanying consolidated statement of functional expenses. Total advertising expense for the year ended September 30, 2008 was \$37,152.

Note 2: Business Combination

On October 1, 2007, GSNEO was formed through the merger of five Girl Scout Councils (Lake Erie, Western Reserve, Lake to River, Erie Shores, and Great Trail). The opening consolidated statement of financial position resulting from the combination of the accounts of the aforementioned Councils was as follows at October 1, 2007:

Cash and cash equivalents	\$ 3,790,052
Accounts, pledges, and grants receivable, net	263,576
Investments	9,232,712
Inventories	343,990
Prepaid expenses	71,156
Property, plant and equipment, net	<u>11,919,032</u>
Total assets	<u>\$ 25,620,518</u>
Accounts payable	\$ 296,020
Accrued expenses	294,650
National membership dues	27,000
Deferred revenue, deposits, and custodial accounts	131,763
Notes payable	<u>340,717</u>
Total liabilities	<u>1,090,150</u>
Unrestricted net assets	22,471,747
Temporarily restricted net assets	346,165
Permanently restricted net assets	<u>1,712,456</u>
Total net assets	<u>24,530,368</u>
Total liabilities and net assets	<u>\$ 25,620,518</u>

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 3: Investments

Investments are stated at fair value and consist of the following at September 30, 2008:

Short-term Investments:

Money market funds, certificates of deposit, and cash equivalents	\$ 849,256
Government securities	72,964
Mutual funds	<u>774,206</u>
	\$ <u>1,696,426</u>

Long-term Investments:

Money market funds, certificates of deposit, and cash equivalents	\$ 1,327,573
Government securities	594,818
Corporate bonds	948,793
Common stock	2,161,498
Mutual funds	558,486
Cash surrender value of life insurance	9,424
Beneficial interest in trusts held by financial institutions	464,859
Investments held by community foundations	<u>471,566</u>
	\$ <u>6,537,016</u>

The Organization has a one-seventh beneficial interest in a trust for which a financial institution is the trustee. As the Organization has an irrevocable interest in this trust, it has recorded its share of the trust as an asset in the consolidated statement of financial position. Income received from the trust is restricted for the maintenance and development of camp properties. The trust's fair value was \$2,538,379 (the Organization's share of this trust is \$362,626) at September 30, 2008.

The Organization also has a five-percent interest in a trust for which a financial institution is the trustee. As the Organization has an irrevocable interest in this trust, it has recorded its share of the trust as an asset in the consolidated statement of financial position. Income received from the trust is restricted first for use for financial assistance in Elyria, then programming. The trust's fair value was \$2,044,664 (the Organization's share of this trust is \$ 102,233) at September 30, 2008.

In addition to those investments listed above, the Organization is the income beneficiary of various funds held at community foundations. The amount of such funds was approximately \$1.2 million at September 30, 2008. The Organization does not control these assets and the community foundations are given variance powers in the gift instruments, as such, these investments are not recorded on the Organization's consolidated statement of financial position.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 4: Property, Plant and Equipment

Property, plant, and equipment consist of the following at September 30, 2008:

Land	\$ 1,089,889
Land improvements	2,446,625
Buildings and improvements	16,580,800
Leasehold improvements	313,421
Camp and office equipment	2,436,899
Automobiles and trucks	266,457
Construction in Progress	<u>27,590</u>
Property, plant and equipment, at cost	23,161,681
Less: accumulated depreciation and amortization	<u>(8,635,232)</u>
Property, plant, and equipment, net	\$ <u><u>14,526,449</u></u>

Note 5: Long-Term Debt

Long-term debt at September 30 consists of the following:

2008

Note payable due to a bank, secured by certain real property and an investment account serviced by the bank, payable in 59 monthly installments of \$3,500 and a balloon payment of approximately \$296,900 due in May 2010. The interest rate is fixed at 7.50%. The note is subject to prepayment penalties as stipulated in the loan agreement in the event that it is refinanced with another financial institution. At September 30, 2008, the Organization was in violation of certain restrictive covenants as a result of a former council's failure to gain bank's consent prior to merger and failure to maintain the investment account at the bank that secured the note. As such, the entire balance of this note payable has been presented as a current liability in the accompanying consolidated statement of financial position. The Organization is currently in discussions with the bank to cure the violations and/or refinance the note.

\$ 324,140

Note payable due to a bank, secured by certain real property and an investment account serviced by the bank (investment valued at \$2,079,832 on September 30, 2008), payable in 59 monthly installments of \$5,585 and a balloon payment of approximately \$681,154 due in September 2013. The interest rate is fixed at 5.6%.

800,000

Total long-term debt
Less: current portion

1,124,140
345,432

Long-term debt, net of current portion

\$ 778,708

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 5: Long-Term Debt (continued)

Future principal payments on long-term debt required to be made for the years ending September 30 are as follows:

2009	\$ 345,432
2010	24,107
2012	25,492
2013	<u>729,109</u>
	\$ <u>1,124,140</u>

Note 6: Net Assets

Board-designated net assets as of September 30, 2008 are as follows:

Camp Lejnar	\$ 842,172
Sensory Trail	26,632
General operating X	9,424
Scholarship X	500
Adult training	3,419
General operating XI	19,982
General operating XII	1,322
Scholarship XI	6,852
Scholarship XII	500
Western Reserve Endowment B	820,141
Western Reserve Endowment C	2,062,187
Youth enrichment	<u>956,786</u>
	\$ <u>4,749,917</u>

Temporarily restricted net assets were restricted for the following purposes as of September 30, 2008:

Financial Literacy	\$ 31,373
Scholarship	<u>6,352</u>
	\$ <u>37,725</u>

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 6: Net Assets (continued)

Temporarily restricted net assets were released from restrictions for the following purposes during the year ended September 30, 2008:

Capital	\$	115,459
United Way funded programs		10,554
Scouting Activities		104,507
Other		<u>115,645</u>
	\$	<u><u>346,165</u></u>

The balances of permanently restricted net asset categories are reported below as of September 30, 2008, and the investment income earned on these balances is restricted to the following uses:

General operating and campership	\$	52,456
General operating I		85,033
General operating II		74,738
General operating III		24,065
General operating IV		12,957
Youth fund – financial assistance and programming		102,233
Youth enrichment fund		500,000
Campership		9,465
Outdoor activity fund		19,167
Wider opportunity fund		13,842
Other endowment funds held by community foundations		222,841
Maintenance and development of camp properties		362,626
Western Reserve Endowment A		<u>25,000</u>
	\$	<u><u>1,504,423</u></u>

Note 7: Pension Plans

The Organization participates in the National Girl Scout Organization Retirement Plan (the Plan) covering various Girl Scout Organizations. The Plan is a non-contributory defined benefit pension plan covering substantially all employees of various Girl Scout Councils. The Plan is accounted for in accordance with Statement of Financial Accounting Standards No. 87. The rate of contribution was 3% of covered payroll during the year ended September 30, 2008. Effective January 1, 2009, the rate of contribution increased to 3.8%. Pension expense under the Plan for the year ended September 30, 2008 was \$78,411.

The former Councils maintained various defined contribution 401(k) and 403(b) plans for substantially all employees of the former Councils. Under these plans, employees could elect to make salary reduction contributions, subject to federal limitations. The Organization merged the 401(k) plans into one plan during fiscal 2008. After employees have completed one year of service, employee deferrals will be matched by the Organization up to the first 3% of the employee's compensation. An additional discretionary contribution from the Organization may be made. Total matching contributions to the Plan by the Organization for the year ended September 30, 2008 was \$36,076.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 7: Pension Plans (continued)

Effective October 1, 2007, the Organization implemented a Section 457(b) plan into which certain employees can defer compensation. Assets contributed to this nonqualified plan remain general assets of the Organization.

Note 8: Obligations under Leases

Future minimum rental payments due under non-cancellable operating leases for office space, equipment and vehicles are as follows:

<u>Year Ending September 30,</u>	
2009	\$ 310,083
2010	303,737
2011	267,152
2012	258,052
2013	<u>65,403</u>
	\$ <u><u>1,024,427</u></u>

Rent expense for the period ended September 30, 2008 was \$339,133. The operating lease for office space of the former Lake Erie Council extends to December 31, 2012. The Organization is permitted to terminate the lease prior to expiration of its term provided that the Organization notifies the lessor by June 30, 2009 and makes an early termination payment of \$175,000. With proper notice accompanying the payment, the lease will expire on June 30, 2010.

Note 9: Contingencies

In the normal course of its operation, the Organization is subjected to claims and legal actions such as employment-related disputes. In the opinion of management, based upon information presently available, there exist no outstanding claims that are material to these consolidated financial statements.

Note 10: Related Party Transactions

GSNEO is a charter Organization of Girl Scouts USA (GSUSA) and has all rights and privileges granted by GSUSA.

The Organization incurred the following expenses during the year ended September 30, 2008 with related parties:

Investment management fees	\$ <u><u>8,847</u></u>
Facilities consulting	\$ <u><u>14,998</u></u>

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2008

Note 11: Concentrations

The Organization's revenues are concentrated in the area of product sales to include the annual cookie and nut sales and their retail operations. These sales (net of costs of sales) represent 79% of the Organization's total public support and revenues as shown in the accompanying consolidated statement of activities.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash, temporary investments and investment securities.

At various times during the year, the Organization's cash in bank balances may exceed the federally insured limits. The Organization places its cash and temporary investments with creditworthy, high quality financial institutions.

The Organization holds investment securities which are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's investment account balances and the amounts reported in the consolidated statement of financial position.

Subsequent to year end, the investment and credit markets in the United States and around the world have experienced significant challenges related to liquidity, extension of credit and valuation. The results of these challenges have significantly increased volatility in the trading prices of marketable securities. As of April 7, 2009, the major securities indices have declined more than 26% from their values at September 30, 2008.

Investments are managed by investment advisors in accordance with the investment policy established by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Organization.

Note 12: Subsequent Event

On November 1, 2008 the Girls Scouts of North East Ohio sold its corporate location in Akron, Ohio after relocating its corporate offices to Macedonia, Ohio.