

# **Girl Scouts of North East Ohio and Affiliate**

**Consolidated Financial Statements  
September 30, 2009**



CPAs and Business Advisors  
Expect More®

## 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, collectively, the "Organization") as of September 30, 2009, 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. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements, and in our report dated April 7, 2009, we expressed an unqualified opinion on those financial statements.

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, 2009, 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 5, 2010

 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

# Girl Scouts of North East Ohio and Affiliate

## Consolidated Statement of Financial Position

**September 30, 2009 (with comparative totals for 2008)**

	<u>Assets</u>	
	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 1,690,480	\$ 2,510,697
Short-term investments	1,552,031	1,696,426
Accounts receivable, net	15,339	94,209
Promises to give, net	-	32,664
Grants receivable, net	44,191	14,641
Inventories	216,074	354,486
Prepaid expenses	<u>88,759</u>	<u>74,227</u>
Total current assets	3,606,874	4,777,350
Investments (Note 3)	6,672,736	6,537,016
Property, plant, and equipment, net (Note 4)	<u>13,794,889</u>	<u>14,526,449</u>
Total assets	\$ <u>24,074,499</u>	\$ <u>25,840,815</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Current portion of long-term debt	\$ 51,078	\$ 345,432
Trade accounts payable	217,721	444,506
Accrued expenses	432,673	388,130
National membership dues	158,489	153,349
Deferred revenue, deposits, and custodial accounts	<u>31,861</u>	<u>371,829</u>
Total current liabilities	891,822	1,703,246
Long-term debt, net of current portion	<u>1,038,898</u>	<u>778,708</u>
Total liabilities	1,930,720	2,481,954
Net assets:		
Unrestricted:		
Undesignated	15,566,757	17,066,796
Board-designated	<u>3,978,442</u>	<u>4,749,917</u>
Total unrestricted	19,545,199	21,816,713
Temporarily restricted (Note 6)	1,097,539	37,725
Permanently restricted (Note 6)	<u>1,501,041</u>	<u>1,504,423</u>
Total net assets	22,143,779	23,358,861
Total liabilities and net assets	\$ <u>24,074,499</u>	\$ <u>25,840,815</u>

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, 2009 (with comparative totals for 2008)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total All Funds	2008 Total All Funds
Operating changes:					
Public support:					
Contributions	\$ 135,710	\$ -	\$ -	\$ 135,710	\$ 311,787
Foundations, trusts, and other	332,883	159,977	-	492,860	477,559
United Way allocations	<u>339,522</u>	<u>-</u>	<u>-</u>	<u>339,522</u>	<u>383,109</u>
Total public support	808,115	159,977	-	968,092	1,172,455
Revenue:					
Product sales	9,808,583	-	-	9,808,583	11,685,114
Cost of product sales	<u>(2,589,985)</u>	<u>-</u>	<u>-</u>	<u>(2,589,985)</u>	<u>(2,977,579)</u>
	7,218,598	-	-	7,218,598	8,707,535
Retail operations	793,945	-	-	793,945	830,406
Cost of retail sales	<u>(560,626)</u>	<u>-</u>	<u>-</u>	<u>(560,626)</u>	<u>(567,352)</u>
	233,319	-	-	233,319	263,054
Program and camp fees	448,620	-	-	448,620	658,960
Interest and dividends	128,574	27,083	-	155,657	262,408
Miscellaneous income	<u>40,072</u>	<u>-</u>	<u>-</u>	<u>40,072</u>	<u>241,396</u>
Total revenue	8,069,183	27,083	-	8,096,266	10,133,353
Net assets released from restrictions	<u>104,095</u>	<u>(104,095)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support, revenue, and net assets released	8,981,393	82,965	-	9,064,358	11,305,808
Expenses:					
Program services	9,403,777	-	-	9,403,777	9,207,447
Supporting services:					
Recruiting and external communications	43,360	-	-	43,360	107,801
Management services	1,564,935	-	-	1,564,935	1,606,021
Fund development	<u>423,447</u>	<u>-</u>	<u>-</u>	<u>423,447</u>	<u>364,786</u>
Total expenses	<u>11,435,519</u>	<u>-</u>	<u>-</u>	<u>11,435,519</u>	<u>11,286,055</u>
Change in net assets from operations	(2,454,126)	82,965	-	(2,371,161)	19,753
Non-operating gains and losses:					
Realized gain from sale of asset	1,156,826	-	-	1,156,826	-
Realized gains(losses) from investments	13,875	2,877	(3,382)	13,370	(4,668)
Unrealized losses from investments	<u>(14,117)</u>	<u>-</u>	<u>-</u>	<u>(14,117)</u>	<u>(1,186,592)</u>
Total non-operating changes	<u>1,156,584</u>	<u>2,877</u>	<u>(3,382)</u>	<u>1,156,079</u>	<u>(1,191,260)</u>
Change in net assets – total	(1,297,542)	85,842	(3,382)	(1,215,082)	(1,171,507)
Net assets at beginning of year	21,816,713	37,725	1,504,423	23,358,861	24,530,368
Reclassification of net assets (Note 6)	<u>(973,972)</u>	<u>973,972</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	\$ <u>19,545,199</u>	\$ <u>1,097,539</u>	\$ <u>1,501,041</u>	\$ <u>22,143,779</u>	\$ <u>23,358,861</u>

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, 2009 (with comparative totals for 2008)**

	Supporting Services					2009 Total Expenses	2008 Total Expenses
	Program Services	Recruiting and External Communications	Management Services	Fund Development	Total Supporting Services		
Personnel							
Salaries and wages	\$ 3,143,818	\$ 24,708	\$ 871,833	\$ 270,643	\$ 1,167,184	\$ 4,311,002	\$ 4,076,199
Fringe benefits and taxes	<u>797,593</u>	<u>6,597</u>	<u>213,582</u>	<u>72,271</u>	<u>292,450</u>	<u>1,090,043</u>	<u>1,051,423</u>
Total personnel	<u>3,941,411</u>	<u>31,305</u>	<u>1,085,415</u>	<u>342,914</u>	<u>1,459,634</u>	<u>5,401,045</u>	<u>5,127,622</u>
Other expenses:							
Troop and Service Unit support	1,782,107	-	-	-	-	1,782,107	2,042,666
Professional services and fees	228,412	1,631	175,420	3,271	180,322	408,734	504,183
Supplies, printing, and publications	794,847	3,298	12,410	41,080	56,788	851,635	822,735
Postage and shipping	89,334	1,752	777	2,974	5,503	94,837	131,840
Telecommunications	204,286	428	13,036	1,355	14,819	219,105	185,321
Occupancy	992,530	8	57,044	23	57,075	1,049,605	720,844
Equipment, rental, and repair	145,007	755	24,656	-	25,411	170,418	387,587
Meetings and travel	229,739	267	47,783	7,002	55,052	284,791	292,086
Assistance and grants to members	127,462	-	-	-	-	127,462	120,998
Insurance	187,532	1,918	18,668	2,876	23,462	210,994	163,466
Other	<u>141,940</u>	<u>81</u>	<u>62,068</u>	<u>949</u>	<u>63,098</u>	<u>205,038</u>	<u>173,566</u>
Total other expenses	<u>4,923,196</u>	<u>10,138</u>	<u>411,862</u>	<u>59,530</u>	<u>481,530</u>	<u>5,404,726</u>	<u>5,545,292</u>
Total expense before depreciation	8,864,607	41,443	1,497,277	402,444	1,941,164	10,805,771	10,672,914
Depreciation	<u>539,170</u>	<u>1,917</u>	<u>67,658</u>	<u>21,003</u>	<u>90,578</u>	<u>629,748</u>	<u>613,141</u>
Total	<u>\$ 9,403,777</u>	<u>\$ 43,360</u>	<u>\$ 1,564,935</u>	<u>\$ 423,447</u>	<u>\$ 2,031,742</u>	<u>\$ 11,435,519</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, 2009 (with comparative totals for 2008)**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (1,215,082)	\$ (1,171,507)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	629,748	613,141
Net realized and unrealized losses on investments	747	1,191,260
Realized gain on sale of asset	(1,156,826)	-
Write-off off uncollectible product sale receivables	35,000	-
Donated stock	-	(68,938)
Contributions restricted for long-term purposes	-	(26,296)
Change in operating assets and liabilities:		
Receivables	46,984	122,062
Inventories	138,412	(10,496)
Prepaid expenses	(14,532)	(3,071)
Accounts payable and accrued expenses	(182,242)	608,376
National membership dues	5,140	-
Deferred revenue, deposits, and custodial accounts	<u>(339,968)</u>	<u>                    </u>
Net cash (used) provided by operating activities	<u>(2,052,619)</u>	<u>1,254,531</u>
Cash flows from investing activities:		
Purchases of investments	(142,858)	(123,052)
Proceeds from sale of investments	150,786	-
Proceeds from sale of property, plant, and equipment	2,199,928	-
Purchase of property, plant, and equipment	<u>(941,290)</u>	<u>(3,220,558)</u>
Net cash provided (used) by investing activities	1,266,566	(3,343,610)
Cash flows from financing activities:		
Collection of contributions restricted to long-term purposes	-	26,296
Payments on long-term debt	(349,164)	(16,572)
Proceeds from issuance of long-term debt	<u>315,000</u>	<u>800,000</u>
Net cash (used) provided by financing activities	<u>(34,164)</u>	<u>809,724</u>
Net decrease in cash and cash equivalents	(820,217)	(1,279,355)
Cash and cash equivalents at beginning of year	<u>2,510,697</u>	<u>3,790,052</u>
Cash and cash equivalents at end of year	<u>\$ 1,690,480</u>	<u>\$ 2,510,697</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for interest	\$ 75,709	\$ 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, 2009

### Note 1: Summary of Significant Accounting Policies

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

The Girl Scouts of North East Ohio 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 is the sole beneficiary of the 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.

The Girl Scouts of North East Ohio recognizes its right to the Trust assets as an interest in the net assets of the Permanent Endowment Trust and adjusts 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

On September 30, 2009, the Organization adopted authoritative guidance issued by the Financial Accounting Standards Board (“FASB”) which establishes the FASB Accounting Standards Codification (“ASC”) as the single source of authoritative accounting principles generally accepted in the United States of America. The Organization has modified its disclosures in this report to comply with the requirements. Accordingly, references to authoritative accounting principles after the effective date will reference the codification and not the previous accounting guidance. The adoption of the guidance did not have a material effect on the Organization’s financial position, changes in net assets, or cash flows.

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 1: Summary of Significant Accounting Policies (continued)

#### Basis of Presentation (continued)

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 (undesignated)* – 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.

*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.

#### Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2008, from which the summarized information was derived.

#### 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.

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 1: Summary of Significant Accounting Policies (continued)

#### 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.

#### 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, 2009, 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. If a contribution is received in the current year with a donor-imposed restriction that is satisfied within the current year, the contribution is recorded as unrestricted. Unconditional promises to give are recognized as revenues in the period that the promise is received.

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, 2009, management estimated that no such allowance was necessary.

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 1: Summary of Significant Accounting Policies (continued)

#### 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.

#### 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 \$5,000. 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, 2009 consist of the following:

Rental incentive payment received from vendor	16,397
Other	15,464
	<u>\$ 31,861</u>

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 1: Summary of Significant Accounting Policies (continued)

#### 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 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.

In accordance with the "Income Taxes" topic of the FASB ASC, the Organization has elected to defer the implementation of the provision surrounding accounting for uncertainty in income taxes. Uncertain income tax positions are evaluated at least annually by management. The Organization's current policy is to follow the provisions of the "Contingencies" topic of the FASB ASC, when determining whether to accrue or disclose uncertain income tax positions.

#### 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, 2009 was \$115,552.

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 5, 2010, the date the financial statements were available to be issued.

### Note 2: Conditional Promises to Give

As of September 30, 2009, the Organization had received conditional promises to give of \$50,000. These conditional promises are not recognized in the financial statements until the conditions upon which the promises depend have been substantially met. The following summarizes the types of conditions placed upon these promises outstanding at September 30, 2009:

Specific performance grant	
Financial Literacy and Entrepreneurship Program	\$ 50,000

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 3: Investments

Investments are stated at fair value and consist of the following at September 30, 2009:

#### Short-term investments:

Money market funds, certificates of deposit, and cash equivalents	\$ 813,604
Mutual funds	<u>738,427</u>
	\$ <u>1,552,031</u>

#### Long-term investments:

Money market funds, certificates of deposit, and cash equivalents	\$ 1,399,421
Government securities	1,090,627
Corporate bonds	64,086
Common stock	1,959,562
Mutual funds	1,246,651
Cash surrender value of life insurance	9,424
Beneficial interest in trusts held by financial institutions	443,820
Investments held by community foundations	<u>459,145</u>
	\$ <u>6,672,736</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 \$2,432,318 (the Organization's share of this trust is \$347,474) at September 30, 2009.

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 \$1,926,911 (the Organization's share of this trust is \$96,346) at September 30, 2009.

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 \$1.3 million at September 30, 2009. 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, 2009

### Note 4: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Organization uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. 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 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for financial assets measured at fair value. There have been no changes in the methodologies used at September 30, 2009.

*Common stocks and mutual funds:* Valued at the closing price or net asset value (mutual funds) reported on the active markets upon which the individual securities are traded.

*Corporate bonds, government securities, money market funds, and certificates of deposit:* Fair value determined by comparison with similar assets traded in active markets.

*Beneficial interest in trusts and investments held at community foundation:* Valued based upon the Organization’s proportionate share of the underlying assets in which the trust or funds are invested as reported by the outside agency holding the trust or funds for the benefit of the Organization.

*Cash surrender value of life insurance:* Valuation performed by third-party insurance underwriter.

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

**September 30, 2009**

**Note 4: Fair Value Measurements (continued)**

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

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Organization has elected to not apply the provisions of topic 820, as discussed in paragraph 820-10-15-1A of the FASB ASC, to non-financial assets and liabilities, except for those items that are recognized or disclosed at fair value in an entity’s financial statements on a recurring basis.

Financial assets consisted of the following at September 30, 2009:

	Level 1	Level 2	Level 3	Total
Money market funds and cash equivalents	\$ 2,053,456	\$ -	\$ -	\$ 2,053,456
Certificates of deposit	-	159,569	-	159,569
Government securities	-	1,090,627	-	1,090,627
Corporate bonds	-	64,086	-	64,086
Common stock	1,959,562	-	-	1,959,562
Mutual funds	1,985,078	-	-	1,985,078
Cash surrender value of life insurance	-	-	9,424	9,424
Beneficial interest in trust	-	-	443,820	443,820
Investments held by community foundations	-	-	459,145	459,145
	\$ 5,998,096	\$ 1,314,282	\$ 912,389	\$ 8,224,767

The table below sets forth a summary of changes in the fair value of the Organization’s Level 3 assets for the year ended September 30, 2009:

Cash surrender value of life insurance:	
Balance, beginning of year	\$ 9,424
Interest	-
Purchases, sales, issuances, and settlements (net)	-
Change in fair market value	-
Balance, end of year	\$ 9,424
Beneficial interest in trust:	
Balance, beginning of year	\$ 464,859
Interest	13,023
Purchases, sales, issuances, and settlements (net)	(31,285)
Change in fair market value of trust	(2,777)
Balance, end of year	\$ 443,820

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 4: Fair Value Measurements (continued)

Investments held by community foundations:

Balance, beginning of year	\$ 471,566
Interest	12,684
Purchases, sales, issuances, and settlements (net)	(23,868)
Change in fair market value	<u>(1,237)</u>
Balance, end of year	\$ <u>459,145</u>

Interest earned on the Organization's Level 3 assets is included in interest and dividends in the consolidated statement of activities. Changes in the fair market value of the Organization's Level 3 assets are included in non-operating gains and losses on the consolidated statement of activities.

### Note 5: Property, Plant, and Equipment

Property, plant, and equipment consist of the following at September 30, 2009:

Land	\$ 1,210,973
Land improvements	2,522,985
Buildings and improvements	14,671,855
Leasehold improvements	320,021
Camp and office equipment	2,309,867
Automobiles and trucks	307,894
Construction in Progress	<u>92,275</u>
Property, plant, and equipment, at cost	21,435,870
Less: accumulated depreciation and amortization	<u>(7,640,981)</u>
Property, plant, and equipment, net	\$ <u>13,794,889</u>

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 6: Long-term Debt

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

	<u>2009</u>
Note payable due to a bank, secured by an investment account serviced by the bank (investment valued at \$2,121,356 on September 30, 2009), 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 5.60%.	777,713
Note payable due to a bank, secured by certain real property, payable in 59 monthly installments of \$2,948 and a balloon payment of approximately \$149,769 due in August 2014. The interest rate is fixed at 7.23%.	248,157
Note payable due to a bank, secured by an investment account serviced by the bank (investment valued at \$2,121,356 on September 30, 2009), payable in 59 monthly installments of \$1,172 and a balloon payment of approximately \$9,473 due in August 2014. The interest rate is fixed at 6.98%.	<u>64,106</u>
Total long-term debt	1,089,976
Less: current portion	<u>51,078</u>
Long-term debt, net of current portion	\$ <u><u>1,038,898</u></u>

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

2010	\$ 51,078
2011	54,514
2012	58,017
2013	737,545
2014	<u>188,822</u>
	\$ <u><u>1,089,976</u></u>

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 7: Net Assets

Board-designated net assets as of September 30, 2009 are as follows:

Camp Lejnar	\$ 832,983
Great Trails	93,935
Sensory Trail	26,627
General operating X	9,424
Scholarship X	889
Adult training	3,398
General operating XI	23,088
General operating XII	1,213
Scholarship XI	7,960
Scholarship XII	500
Western Reserve Endowment B	863,308
Western Reserve Endowment C	<u>2,115,117</u>
	\$ <u><u>3,978,442</u></u>

Temporarily restricted net assets were restricted for the following purposes as of September 30, 2009:

Time restricted within endowment fund	\$ 937,562
Financial Literacy	144,560
Roots and Wings	11,917
Scholarship	<u>3,500</u>
	\$ <u><u>1,097,539</u></u>

Temporarily restricted net assets were released from restrictions for the following purposes during the year ended September 30, 2009:

Financial Literacy	\$ 37,725
Other	<u>66,370</u>
	\$ <u><u>104,095</u></u>

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 7: Net Assets (continued)

The balances of permanently restricted net asset categories are reported below as of September 30, 2009, and the investment income earned on these balances is restricted to the following uses:

General operating and campership	\$	50,445
General operating I		105,770
General operating II		60,000
General operating III		25,000
General operating IV		12,957
Youth fund – financial assistance and programming		96,346
Youth enrichment fund		500,000
Campership		9,465
Outdoor activity fund		21,369
Wider opportunity fund		14,100
Other endowment funds held by community foundations		233,115
Maintenance and development of camp properties		347,474
Western Reserve Endowment A		25,000
	\$	<u>1,501,041</u>

### Note 8: Net Asset Classification of Endowment Funds

The Organization's endowment fund consists of collectively invested funds established to fund a variety of programs. The fund contains both donor-restricted and board-designated funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the State Prudent Management of Institutional Fund Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The investment policies of the Organization.

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

**September 30, 2009**

**Note 8: Net Asset Classification of Endowment Funds (continued)**

During the year ended September 30, 2009, the Organization had the following endowment-related activities:

	<u>Donor-Restricted Endowment Funds</u>	<u>Board-Designated Endowment Funds</u>	<u>Total</u>
Investment return			
Investment income	\$ 29,771	\$ 62,739	\$ 92,510
Net appreciation (depreciation)	<u>3,175</u>	<u>40,424</u>	<u>43,599</u>
Total investment return	32,946	103,163	136,109
Contributions to perpetual endowment	-	2,108	2,108
Amounts appropriated for expenditure	<u>(68,756)</u>	<u>(24,896)</u>	<u>(93,652)</u>
Total change in endowment funds	\$ <u><u>(35,810)</u></u>	\$ <u><u>80,375</u></u>	\$ <u><u>44,565</u></u>

Endowment Net Asset Composition by type of Fund

As of September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (11,991)	\$ 937,562	\$ 824,105	\$ 1,749,676
Board-designated endowment funds	<u>3,884,507</u>	<u>-</u>	<u>-</u>	<u>3,884,507</u>
Total funds	\$ <u><u>3,872,516</u></u>	\$ <u><u>937,562</u></u>	\$ <u><u>824,105</u></u>	\$ <u><u>5,634,183</u></u>

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

**Note 8: Net Asset Classification of Endowment Funds (continued)**

Changes in Endowment Net Assets

For the Fiscal Year Ended September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,765,513	\$ -	\$ 824,105	\$ 5,589,618
Net asset reclassification based on change in law	<u>(973,972)</u>	<u>973,972</u>	<u>-</u>	<u>-</u>
Endowment net assets after reclassification	3,791,541	973,972	824,105	5,589,618
Investment return:				
Interest income	65,427	27,083	-	92,510
Net realized and unrealized appreciation	<u>40,722</u>	<u>2,877</u>	<u>-</u>	<u>43,599</u>
Total investment return	106,149	29,960	-	136,109
Contributions	<u>2,108</u>	<u>-</u>	<u>-</u>	<u>2,108</u>
Appropriation of endowment assets for expenditure	<u>(27,282)</u>	<u>(66,370)</u>	<u>-</u>	<u>(93,652)</u>
Endowment net assets, end of year	\$ <u>3,872,516</u>	\$ <u>937,562</u>	\$ <u>824,105</u>	\$ <u>5,634,183</u>
Permanently Restricted Net Assets:				
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA				\$ <u>812,114</u>
Total endowment funds classified as permanently restricted net assets				\$ <u>824,105</u>

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$11,991 as of September 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred during the economic downturn that was experienced in the United States and worldwide.

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 8: Net Asset Classification of Endowment Funds (continued)

#### Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for the endowment fund with the understanding that those assets will be prudently invested to maximize the long-term total return of financial assets consistent with the current and future funding needs of the Organization. Assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Directors, investments of all endowment assets are directed by the Investment Committee of the Organization who is permitted to utilize investment managers to optimize the return on the assets within the established guidelines. The standard for the Investment Committee with regard to the endowment fund assets is achieving financial returns which preserve the real asset value and are competitive relative to those offered by the financial markets. Investment performance will be measured against comparative market indices including the Standard & Poor 500 Index and the Lehman Brothers Aggregate Bond Index. The performance of the overall portfolio will be monitored quarterly and compared against appropriate benchmarks.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### Spending Policy

The amount available for spending by the Organization from endowment assets will be based on a percentage of the fund's assets on a multi-year moving average basis, unless otherwise specified by the donor at the time the gift was made. The Board of Directors will oversee the annual spending rate and adjust it as deemed appropriate.

#### Reconciliation of Permanently Restricted Endowment Funds to Consolidated Statement of Financial Position As of September 30, 2009:

	<u>Permanently Restricted</u>
GSNEO-controlled	\$ 824,105
Third-party-controlled	<u>676,936</u>
Total permanently restricted endowment funds	<u>\$ 1,501,041</u>

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 9: Pension Plans

The Organization participates in the National Girl Scout Council Retirement Plan, a noncontributory defined-benefit pension plan sponsored by Girl Scouts of the USA which covers substantially all of the employees of various Girl Scout councils. Benefits are based on years of service and salary levels. The Organization's pension expense and contributions to this plan for fiscal 2009 was \$107,147. Due to the nature of the plan, it is not practicable to determine the extent to which the assets of the plan cover the actuarially computed value of vested benefits for the Organization as a stand-alone operation. In addition, because the plan is considered a multiemployer plan, it is only subject to certain minimum reporting requirements of the "Compensation – Retirement Benefits" topic of the FASB ASC. As of January 1, 2008, net plan assets available for plan benefits exceeded the actuarial present value of accumulated benefits. However, due to unfavorable market conditions, as of January 1, 2009, the actuarial present value of accumulated plan benefits exceeded net plan assets available for plan benefits.

Effective October 1, 2007, the Organization adopted a 401(k) defined contribution plan. Employees could elect to make salary reduction contributions, subject to federal limitations. In 2008, after employees had completed one year of service, employee deferrals were matched by the Organization up to the first 3% of the employee's compensation. Beginning January 1, 2009, after employees have completed one year of service, employee deferrals will be matched by the Organization up to the first 3.8% 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, 2009 was \$40,956.

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 10: Obligations under Leases

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

#### Year Ending September 30,

2010	275,766
2011	96,971
2012	79,463
2013	56,575
2014	1,800
	<u>\$ 510,575</u>

# Girl Scouts of North East Ohio and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2009

### Note 10: Obligations under Leases (continued)

Rent expense for the period ended September 30, 2009 was \$541,615. The operating lease for office space of the former Lake Erie Council extends to December 31, 2012. The Organization was permitted to terminate the lease prior to expiration of its term provided that the Organization notified the lessor by June 30, 2009 and made an early termination payment of \$175,000. With proper notice accompanying the payment, the lease will expire on June 30, 2010. The Organization provided this notice and payment to the lessor on June 4, 2009. The above schedule of future minimum payments reflects this executed early termination option.

### Note 11: 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 12: 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, 2009 with other related parties:

Purchases of product inventory	\$ 785,823
Investment management fees	\$ <u>4,761</u>
Total related-party expenses	\$ <u><u>790,584</u></u>

### Note 13: 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 80% 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.

# **Girl Scouts of North East Ohio and Affiliate**

## **Notes to Consolidated Financial Statements**

**September 30, 2009**

### **Note 13: Concentrations (continued)**

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.

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 14: Subsequent Event**

On March 9, 2010, the Organization entered into a contract for the sale of one of its camp sites. The contract requires the sale to close within 90 days of the contract date. The Organization is expected to record a gain on the sale in 2010.