

Girl Scouts of North East Ohio and Affiliate

**Consolidated Financial Statements
September 30, 2010**



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Independent Auditors' Report

To the 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, 2010, 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 2009 consolidated financial statements, and in our report dated April 5, 2010, we expressed an unqualified opinion on those consolidated 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 examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes 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, 2010, 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, P.C.

Cleveland, Ohio
January 27, 2011

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Girl Scouts of North East Ohio and Affiliate

Consolidated Statement of Financial Position

September 30, 2010 (with comparative totals for 2009)

	<u>Assets</u>	
	2010	2009
Current assets:		
Cash and cash equivalents	\$ 2,987,071	\$ 1,690,480
Short-term investments	160,594	1,552,031
Accounts receivable, net	42,017	15,339
Grants receivable, net	20,607	44,191
Inventories	283,471	216,074
Prepaid expenses	<u>49,531</u>	<u>88,759</u>
Total current assets	3,543,291	3,606,874
Investments (Note 2)	7,137,532	6,672,736
Property, plant, and equipment, net (Note 4)	<u>13,217,618</u>	<u>13,794,889</u>
Total assets	\$ <u>23,898,441</u>	\$ <u>24,074,499</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Current portion of long-term debt	\$ 54,514	\$ 51,078
Trade accounts payable	376,655	217,721
Accrued expenses	383,680	432,673
National membership dues	55,964	158,489
Deferred revenue, deposits, and custodial accounts	<u>31,005</u>	<u>31,861</u>
Total current liabilities	901,818	891,822
Long-term debt, net of current portion	<u>984,391</u>	<u>1,038,898</u>
Total liabilities	1,886,209	1,930,720
Net assets:		
Unrestricted:		
Undesignated	14,768,946	15,566,757
Board-designated	<u>4,517,762</u>	<u>3,978,442</u>
Total unrestricted	19,286,708	19,545,199
Temporarily restricted (Note 6)	1,064,863	1,097,539
Permanently restricted (Note 6)	<u>1,660,661</u>	<u>1,501,041</u>
Total net assets	<u>22,012,232</u>	<u>22,143,779</u>
Total liabilities and net assets	\$ <u>23,898,441</u>	\$ <u>24,074,499</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, 2010 (with comparative totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total All Funds</u>	<u>2009 Total All Funds</u>
Operating changes:					
Public support:					
Contributions	\$ 253,124	\$ -	\$ 3,000	\$ 256,124	\$ 179,236
Foundations, trusts, and other	420,151	90,860	-	511,011	492,860
United Way allocations	<u>312,130</u>	<u>-</u>	<u>-</u>	<u>312,130</u>	<u>339,522</u>
Total public support	985,405	90,860	3,000	1,079,265	1,011,618
Revenues:					
Product sales	11,235,552	-	-	11,235,552	9,808,583
Cost of product sales	<u>(2,985,183)</u>	<u>-</u>	<u>-</u>	<u>(2,985,183)</u>	<u>(2,589,985)</u>
	8,250,369	-	-	8,250,369	7,218,598
Retail sales	796,331	-	-	796,331	793,945
Cost of retail sales	<u>(489,662)</u>	<u>-</u>	<u>-</u>	<u>(489,662)</u>	<u>(560,626)</u>
	306,669	-	-	306,669	233,319
Program and camp fees	534,391	-	-	534,391	405,094
Interest and dividends	78,050	29,086	-	107,136	155,657
Miscellaneous income	<u>66,126</u>	<u>-</u>	<u>-</u>	<u>66,126</u>	<u>40,072</u>
Total revenues	9,235,605	29,086	-	9,264,691	8,052,740
Net assets released from restrictions	<u>225,006</u>	<u>(225,006)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support, revenues, and net assets released	10,446,016	(105,060)	3,000	10,343,956	9,064,358
Expenses:					
Program services	9,455,706	-	-	9,455,706	9,403,777
Supporting services:					
Recruiting and external communications	90,699	-	-	90,699	43,360
Management services	1,364,332	-	-	1,364,332	1,564,935
Fund development	<u>288,626</u>	<u>-</u>	<u>-</u>	<u>288,626</u>	<u>423,447</u>
Total expenses	<u>11,199,363</u>	<u>-</u>	<u>-</u>	<u>11,199,363</u>	<u>11,435,519</u>
Change in net assets from operations	(753,347)	(105,060)	3,000	(855,407)	(2,371,161)
Non-operating gains and losses:					
Realized gain from sale of property	439,047	-	-	439,047	1,156,826
Gains (losses) from investments, net	<u>216,516</u>	<u>50,066</u>	<u>18,231</u>	<u>284,813</u>	<u>(747)</u>
Total non-operating changes	<u>655,563</u>	<u>50,066</u>	<u>18,231</u>	<u>723,860</u>	<u>1,156,079</u>
Change in net assets – total	(97,784)	(54,994)	21,231	(131,547)	(1,215,082)
Net assets at beginning of year	19,545,199	1,097,539	1,501,041	22,143,779	23,358,861
Reclassification of net assets (Note 7)	<u>(160,707)</u>	<u>22,318</u>	<u>138,389</u>	<u>-</u>	<u>-</u>
Net assets at end of year	\$ <u>19,286,708</u>	\$ <u>1,064,863</u>	\$ <u>1,660,661</u>	\$ <u>22,012,232</u>	\$ <u>22,143,779</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, 2010 (with comparative totals for 2009)

	Supporting Services				Total Supporting Services	2010 Total Expenses	2009 Total Expenses
	Program Services	Recruiting and External Communications	Management Services	Fund Development			
Personnel:							
Salaries and wages	\$ 2,830,900	\$ 41,911	\$ 758,499	\$ 159,330	\$ 959,740	\$ 3,790,640	\$ 4,311,002
Fringe benefits and taxes	<u>913,074</u>	<u>12,866</u>	<u>210,000</u>	<u>33,028</u>	<u>255,894</u>	<u>1,168,968</u>	<u>1,090,043</u>
Total personnel	<u>3,743,974</u>	<u>54,777</u>	<u>968,499</u>	<u>192,358</u>	<u>1,215,634</u>	<u>4,959,608</u>	<u>5,401,045</u>
Support for Troops & Members:							
Troop and Service Unit support	2,127,030	-	-	-	-	2,127,030	1,782,107
Incentives to Troops and Members	446,970	-	-	-	-	446,970	312,664
Assistance and Grants to Members	<u>191,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,548</u>	<u>127,462</u>
Total support for Troops & Members	<u>2,765,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,765,548</u>	<u>2,222,233</u>
Other expenses:							
Professional services and fees	235,603	18,231	154,647	1,250	174,128	409,731	440,686
Supplies, printing, and publications	585,030	4,860	11,357	59,615	75,832	660,862	613,485
Postage and shipping	107,887	307	2,411	16,212	18,930	126,817	94,836
Telecommunications	171,925	1,938	19,354	2,749	24,041	195,966	219,105
Occupancy	615,797	551	8,580	1,516	10,647	626,444	1,007,703
Equipment, rental, and repair	169,455	2,480	3,131	313	5,924	175,379	170,418
Meetings and travel	199,941	1,589	22,307	5,559	29,455	229,396	284,791
Interest	-	-	65,447	-	65,447	65,447	75,709
Insurance	180,732	3,755	13,999	1,683	19,437	200,169	210,994
Other	<u>108,895</u>	<u>-</u>	<u>62,421</u>	<u>-</u>	<u>62,421</u>	<u>171,316</u>	<u>65,892</u>
Total other expenses	<u>2,375,265</u>	<u>33,711</u>	<u>363,654</u>	<u>88,897</u>	<u>486,262</u>	<u>2,861,527</u>	<u>3,182,493</u>
Total expense before depreciation	8,884,787	88,488	1,332,153	281,255	1,701,896	10,586,683	10,805,771
Depreciation	<u>570,919</u>	<u>2,211</u>	<u>32,179</u>	<u>7,371</u>	<u>41,761</u>	<u>612,680</u>	<u>629,748</u>
Total expenses	<u>\$ 9,455,706</u>	<u>\$ 90,699</u>	<u>\$ 1,364,332</u>	<u>\$ 288,626</u>	<u>\$ 1,743,657</u>	<u>\$ 11,199,363</u>	<u>\$ 11,435,519</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, 2010 (with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ (131,547)	\$ (1,215,082)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	612,680	629,748
Net realized and unrealized (gains) losses on investments	(284,813)	747
Realized gain on sale of property	(439,047)	(1,156,826)
Write-off of uncollectible product sale receivables	106,217	35,000
Write-off of abandoned leasehold improvements	1,771	-
Contributions restricted for long-term purposes	(3,000)	-
Change in operating assets and liabilities:		
Receivables	(109,311)	46,984
Inventories	(67,397)	138,412
Prepaid expenses	39,228	(14,532)
Accounts payable and accrued expenses	109,941	(182,242)
National membership dues	(102,525)	5,140
Deferred revenue, deposits, and custodial accounts	<u>(856)</u>	<u>(339,968)</u>
Net cash used by operating activities	(268,659)	(2,052,619)
Cash flows from investing activities:		
Purchases of investments	(502,818)	(142,858)
Proceeds from sale of investments	1,714,272	150,786
Proceeds from sale of property, plant, and equipment	501,493	2,199,928
Purchase of property, plant, and equipment	<u>(99,626)</u>	<u>(941,290)</u>
Net cash provided by investing activities	1,613,321	1,266,566
Cash flows from financing activities:		
Collection of contributions restricted for long-term purposes	3,000	-
Payments on long-term debt	(51,071)	(349,164)
Proceeds from issuance of long-term debt	<u>-</u>	<u>315,000</u>
Net cash used by financing activities	<u>(48,071)</u>	<u>(34,164)</u>
Net increase (decrease) in cash and cash equivalents	1,296,591	(820,217)
Cash and cash equivalents at beginning of year	<u>1,690,480</u>	<u>2,510,697</u>
Cash and cash equivalents at end of year	\$ <u><u>2,987,071</u></u>	\$ <u><u>1,690,480</u></u>

Supplemental disclosures of cash flow information:

Cash paid during the year for interest	\$ 65,447	\$ 75,709
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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, 2010

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, Erie, Sandusky, Seneca, Huron, 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 Directors 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

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, 2010

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.

Summarized Comparative Information

The consolidated 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 consolidated financial statements for the year ended September 30, 2009, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior-year summarized comparative information have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

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.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

Cash and Equivalents

The Organization considers all highly liquid unrestricted, undesignated 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, 2010, management estimated that an allowance for doubtful accounts of \$15,380 was required.

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.

Payments from foundations are accounted for as exchange transactions and are recorded in the period in which the funds are received if:

- The intent of the grant proposal was to seek specific resources in exchange for specified benefits;
- The grantors asserted that they were transferring resources in exchange for specified benefits being provided;
- The time of delivery was specified in the grant agreement and is not at the discretion of GSNEO; and
- The payment of the grantor equaled the program costs specified in the grant agreement

Management individually reviews all outstanding promises to give and grants receivable to determine the need for an allowance for uncollectible accounts. At September 30, 2010, management estimated that no such allowance was required.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

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, 2010 consist of the following:

Program fees collected for programs not yet held	\$ 15,747
Other	<u>15,258</u>
	\$ <u><u>31,005</u></u>

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

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 USA. 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

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.

During the year ended September 30, 2010, the Organization adopted the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. As of September 30, 2010, the Organization has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

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, 2010 was \$67,984.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 27, 2011, the date the consolidated financial statements were available to be issued.

Note 2: Investments

Investments are stated at fair value and consist of the following at September 30, 2010:

Short-term investments:

Money market funds and cash equivalents	\$ 125,822
Certificates of deposit	<u>34,772</u>
	\$ <u>160,594</u>

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 2: Investments (continued)

Long-term investments:

Money market funds and cash equivalents	\$ 1,441,700
Government securities	1,321,787
Corporate bonds	62,692
Common stocks	2,029,809
Mutual funds – equities	706,114
Mutual funds – fixed income	638,817
Beneficial interest in trusts held by financial institutions	450,836
Investments held by community foundations	<u>485,777</u>
	\$ <u>7,137,532</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 \$2,440,075 (the Organization's share of this trust is \$348,582) at September 30, 2010.

The Organization also has a 5% 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 \$2,045,076 (the Organization's share of this trust is \$102,254) at September 30, 2010.

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 \$1.1 million at September 30, 2010. 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.

Note 3: Fair Value Measurements

In accordance with the "Fair Value Measurements" topic of the FASB ASC, the Company 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.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 3: Fair Value Measurements (continued)

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, 2010.

Money market funds, cash equivalents, and certificates of deposit: Valued at face value which approximates fair value.

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 bond and government securities: Fair value determined by comparison with similar assets traded in active markets.

Beneficial interest in trusts and investments held at community foundations: 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.

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.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 3: Fair Value Measurements (continued)

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 presented at fair value on a recurring basis consisted of the following at September 30, 2010:

	Level 1	Level 2	Level 3	Total
Money market funds and cash equivalents \$	1,567,522	\$ -	\$ -	\$ 1,567,522
Certificates of deposit	34,772	-	-	34,772
Government securities	-	1,321,787	-	1,321,787
Corporate bonds	-	62,692	-	62,692
Common stocks	2,029,809	-	-	2,029,809
Mutual funds – equities	706,114	-	-	706,114
Mutual funds – fixed income	638,817	-	-	638,817
Beneficial interest in trusts	-	-	450,836	450,836
Investments held by community foundations	-	-	485,777	485,777
	\$ <u>4,977,034</u>	\$ <u>1,384,479</u>	\$ <u>936,613</u>	\$ <u>7,298,126</u>

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, 2010:

Beneficial interest in trusts:	
Balance, beginning of year	\$ 443,820
Change in fair market value of trust	<u>7,016</u>
Balance, end of year	\$ <u>450,836</u>
Investments held by community foundations:	
Balance, beginning of year	\$ 459,145
Change in fair market value	<u>26,632</u>
Balance, end of year	\$ <u>485,777</u>

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.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 4: Property, Plant, and Equipment

Property, plant, and equipment consist of the following at September 30, 2010:

Land	\$ 1,151,978
Land improvements	2,509,484
Buildings and improvements	14,704,006
Camp and office equipment	2,416,337
Automobiles and trucks	307,894
Construction in progress	<u>65,349</u>
Property, plant, and equipment, at cost	21,155,048
Less: accumulated depreciation and amortization	<u>7,937,430</u>
Property, plant, and equipment, net	\$ <u>13,217,618</u>

During the year ended September 30, 2010, GSNEO sold two camp properties (Lycopedia and Singing River). These sales resulted in a gain of \$439,047 as recognized on the accompanying statement of activities. The funds from the gain have been designated by the Board of Directors as General Operating Fund XII (Note 6).

Note 5: Long-term Debt

Long-term debt at September 30, 2010 consists of the following:

Note payable due to a bank, secured by an investment account serviced by the bank (investment valued at \$2,267,380 on September 30, 2010), 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%.	\$ 754,250
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%.	230,386
Note payable due to a bank, secured by an investment account serviced by the bank (investment valued at \$2,267,380 on September 30, 2010), 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>54,269</u>
Total long-term debt	1,038,905
Less: current portion	<u>54,514</u>
Long-term debt, net of current portion	\$ <u>984,391</u>

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

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:

2011	\$	54,514
2012		58,017
2013		737,545
2014		<u>188,829</u>
	\$	<u><u>1,038,905</u></u>

Note 6: Net Assets

Board-designated net assets as of September 30, 2010 are as follows:

Board-designated endowment funds:		
Camp Lejnar	\$	860,320
Great Trails		106,784
Sensory Trail		27,389
General Operating IX		1,199
Adult training		2,881
General operating XII		20,062
Scholarship XI		8,010
Western Reserve Endowment B		915,776
Western Reserve Endowment C		<u>2,136,294</u>
Total board-designated endowment funds		4,078,715
Board-designated funds – other (General Operating XIII)		<u>439,047</u>
Total board-designated net assets	\$	<u><u>4,517,762</u></u>

Temporarily restricted net assets were restricted for the following purposes as of September 30, 2010:

Time restricted within Endowment Fund	\$	970,132
Financial Literacy		90,860
Roots and Wings		<u>3,871</u>
	\$	<u><u>1,064,863</u></u>

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 6: Net Assets (continued)

Temporarily restricted net assets were released from restrictions for the following purposes during the year ended September 30, 2010:

Financial Literacy	\$ 144,560
Other	<u>80,446</u>
	\$ <u>225,006</u>

The balances of permanently restricted net asset categories are reported below as of September 30, 2010, and the investment income earned on these balances is restricted to the following purposes:

General operating and campership	\$ 53,445
General operating I	25,000
General operating II	105,531
General operating III	60,000
General operating IV	12,956
Youth fund – financial assistance and programming	102,254
Youth enrichment fund	500,000
Campership	9,464
Outdoor activity fund	21,609
Wider opportunity fund	14,100
Other endowment funds held by community foundations	244,331
Maintenance and development of camp properties	348,582
Western Reserve Endowment A	<u>163,389</u>
	\$ <u>1,660,661</u>

Note 7: 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:

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 7: Net Asset Classification of Endowment Funds (continued)

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

During the year ended September 30, 2010, 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:			
Interest and dividend income	\$ 29,086	\$ 66,460	\$ 95,546
Net realized and unrealized appreciation	<u>42,017</u>	<u>207,472</u>	<u>249,489</u>
Total investment return	71,103	273,932	345,035
Contributions to perpetual endowment	3,000	50	3,050
Endowment assets appropriated for expenditure	(68,900)	(35,320)	(104,220)
Redetermination of restrictions on gifts received in prior years	<u>160,707</u>	<u>(138,389)</u>	<u>22,318</u>
Total change in endowment funds	\$ <u>165,910</u>	\$ <u>100,273</u>	\$ <u>266,183</u>

Endowment net asset composition by type of fund as of September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (20,040)	\$ 970,132	\$ 965,494	\$ 1,915,586
Board-designated endowment funds	<u>4,078,715</u>	<u>-</u>	<u>-</u>	<u>4,078,715</u>
Total funds	\$ <u>4,058,675</u>	\$ <u>970,132</u>	\$ <u>965,494</u>	\$ <u>5,994,301</u>

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Notes to Consolidated Financial Statements

September 30, 2010

Note 7: Net Asset Classification of Endowment Funds (continued)

Changes in endowment net assets
for the fiscal year ended September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,966,451	\$ 937,562	\$ 824,105	\$ 5,728,118
Investment return:				
Interest and dividend income	66,460	29,086	-	95,546
Net realized and unrealized appreciation	<u>199,423</u>	<u>50,066</u>	<u>-</u>	<u>249,489</u>
Total investment return	265,883	79,152	-	345,035
Contributions to perpetual endowment	50	-	3,000	3,050
Appropriations of endowment assets for:				
Investment fees and other expenditures	(35,320)	(24,420)	-	(59,740)
Acquisition of equipment	<u>-</u>	<u>(44,480)</u>	<u>-</u>	<u>(44,480)</u>
Total appropriations of endowment assets	(35,320)	(68,900)	-	(104,220)
Redetermination of restrictions on gifts received in prior years	<u>(138,389)</u>	<u>22,318</u>	<u>138,389</u>	<u>22,318</u>
Endowment net assets, end of year	\$ <u>4,058,675</u>	\$ <u>970,132</u>	\$ <u>965,494</u>	\$ <u>5,994,301</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

\$ 945,454

Total endowment funds classified as permanently restricted net assets

\$ 965,494

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 \$20,040 as of September 30, 2010. 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, 2010

Note 7: 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.

The following is a reconciliation of permanently restricted endowment funds to the consolidated statement of financial position as of September 30, 2010:

	<u>Permanently Restricted</u>
GSNEO-controlled	\$ 965,494
Third-party-controlled	<u>695,167</u>
Total permanently restricted endowment funds	\$ <u>1,660,661</u>

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 8: Pension Plans

GSNEO 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. GSNEO's pension expense and contributions to this plan for fiscal year ended September 30, 2010 was \$249,975. The National Board of the Girl Scouts of the USA voted to freeze future benefits under the Plan effective July 31, 2010. 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 GSNEO 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 (715-80-50). Due to unfavorable market conditions, as of January 1, 2010, the actuarial present value of accumulated plan benefits exceeded net plan assets available for plan benefits.

The Organization also maintains a 401(k) defined contribution plan. Employees can elect to make salary reduction contributions, subject to federal limitations. After an employee completes one year of service, employee deferrals are matched by the Organization up to the first 2% 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, 2010 was \$45,483.

The Organization has 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 9: Obligations under Leases

Future minimum rental payments due under non-cancellable operating leases for office space, equipment, and vehicles are as follows for the years ending September 30:

2011	\$ 96,971
2012	79,463
2013	56,575
2014	<u>1,800</u>
	\$ <u>234,809</u>

Rent expense for the year ended September 30, 2010 was \$277,732.

Note 10: 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.

Girl Scouts of North East Ohio and Affiliate

Notes to Consolidated Financial Statements

September 30, 2010

Note 11: Related Party Transactions

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

GSNEO incurred the following expenses during the year ended September 30, 2010 with related parties:

Purchases of product inventory (GSUSA)	\$ 479,354
Investment management fees	<u>240</u>
Total related-party expenses	\$ <u>479,594</u>

Note 12: Concentrations

The Organization's revenues are concentrated in the area of product sales to include the annual cookie and nut sales and retail operations. These sales (net of costs of sales) represent 83% 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.

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.