MEMO

Attachment E

girl scouts
building girls of courage
confidence and character

Date: April 17, 2014

To: Board of Directors

From: Jody Wainscott, Chair

Subject: Executive Limitations Policy Recommendation

Since our merger in 2008, the board has annually noted that the council is out of compliance with Policy 2.4.5 which states the following:

> *Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not plan an asset replacement fund that is not increased each fiscal year by at least the value of the current year depreciation expenses. At no time may this fund be larger than accumulated depreciation.*

In 2013, this fund represented 43.3% of accumulated depreciation and was valued at $7,009,747. This amount of funding is sufficient to meet the needs that the council might incur. After several years of noting this lack of compliance, the audit committee reviewed the wording of the policy. There is general consensus that the fund is over-funded and excessive; however no specific dollar amount was identified that could be considered reasonably adequate. After further discussion, the following change in wording is recommended by the committee:

> *Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not plan an asset replacement fund that is less than 35% nor greater than 50% of accumulated depreciation. This fund shall be evaluated at least bi-annually to determine if the fund continues to be reasonably adequate, but not excessive, to meet its stated purpose.*

Revision to this policy will recognize that:

1. it is not financially feasible to continue to add to this fund
2. outside funders consider this fund to be excessive and it may inhibit our ability to generate additional revenue to support our mission.

Motion:

> That the board revises Policy 2.4.5 as follows: Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not plan an asset replacement fund that is less than 35% nor greater than 50% of accumulated depreciation. This fund shall be evaluated at least bi-annually to determine if the fund continues to be reasonably adequate, but not excessive, to meet its stated purpose.