

Girl Scouts of Western Ohio

Accountants' Report and Financial Statements

December 31, 2008

Girl Scouts of Western Ohio
December 31, 2008

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Independent Accountants' Report

Board of Directors
Girl Scouts of Western Ohio
Cincinnati, Ohio

We have audited the accompanying statement of financial position of Girl Scouts of Western Ohio as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of Western Ohio as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

March 26, 2009

Girl Scouts of Western Ohio
Statement of Financial Position
December 31, 2008

Assets

Cash and cash equivalents	\$ 3,492,637
Accounts receivable, net of allowance for doubtful accounts of \$105,797	155,321
Contributions receivable	943,489
Inventories	301,026
Prepaid expenses and other	120,669
Investments	
Board designated	11,277,250
Permanently restricted	1,338,494
Total investments	12,615,744
Property and equipment, at cost	
Land and improvements	4,365,680
Swimming pools	896,846
Building and improvements	18,376,878
Equipment and vehicles	3,238,373
Construction in progress	306,892
	27,184,669
Less accumulated depreciation	(12,583,493)
Net property and equipment	14,601,176
Beneficial interest in perpetual trust	236,558
Total assets	\$ 32,466,620

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 258,130
Custodial funds	165,178
Deferred income	24,847
Total liabilities	448,155

Net Assets

Unrestricted	
Undesignated	464,666
Board designated	14,299,408
Property and equipment	14,601,176
	29,365,250
Temporarily restricted	1,078,163
Permanently restricted	1,575,052
Total net assets	32,018,465
Total liabilities and net assets	\$ 32,466,620

Girl Scouts of Western Ohio
Statement of Activities
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
United Way allocations	\$ 84,690	\$ 1,283,377	\$ -	\$ 1,368,067
Legacies, bequests and contributions	314,904	105,576	-	420,480
Government grants	183,404	-	-	183,404
Cookie and merchandise sales	15,032,124	-	-	15,032,124
Program fees and dues	1,057,166	-	-	1,057,166
Investment return				
Interest and dividends	544,885	-	-	544,885
Net realized losses	(429,681)	-	(56,784)	(486,465)
Net unrealized losses	<u>(2,396,089)</u>	<u>(57,286)</u>	<u>(491,746)</u>	<u>(2,945,121)</u>
Total investment return	<u>(2,280,885)</u>	<u>(57,286)</u>	<u>(548,530)</u>	<u>(2,886,701)</u>
Special event revenue	58,445	-	-	58,445
Other	98,004	-	-	98,004
Net assets released from restrictions	<u>1,710,434</u>	<u>(1,710,434)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>16,258,286</u>	<u>(378,767)</u>	<u>(548,530)</u>	<u>15,330,989</u>
Expenses				
Program services	16,354,682	-	-	16,354,682
Management and general	2,598,757	-	-	2,598,757
Fund raising	<u>245,093</u>	<u>-</u>	<u>-</u>	<u>245,093</u>
Total expenses	<u>19,198,532</u>	<u>-</u>	<u>-</u>	<u>19,198,532</u>
Change in Net Assets	<u>(2,940,246)</u>	<u>(378,767)</u>	<u>(548,530)</u>	<u>(3,867,543)</u>
Net Assets, Beginning of Year	<u>32,305,496</u>	<u>1,456,930</u>	<u>2,123,582</u>	<u>35,886,008</u>
Net Assets, End of Year	<u>\$ 29,365,250</u>	<u>\$ 1,078,163</u>	<u>\$ 1,575,052</u>	<u>\$ 32,018,465</u>

Girl Scouts of Western Ohio
Statement of Functional Expenses
Year Ended December 31, 2008

	Program Services	Management and General	Fund Raising	Total Expenses
Salaries, benefits and related taxes	\$ 5,643,775	\$ 1,470,494	\$ 156,068	\$ 7,270,337
Direct cost of cookie and merchandise sales	6,847,284	-	-	6,847,284
Occupancy	896,573	7,305	4,941	908,819
Supplies and printing	744,759	32,901	15,777	793,437
Travel	248,226	54,407	4,104	306,737
Telephone and postage	214,040	11,608	4,725	230,373
Professional services	144,830	211,055	3,834	359,719
Financial assistance to individuals	154,025	-	-	154,025
Conference fees	47,733	24,210	5,796	77,739
Insurance	10,754	370,310	28	381,092
Other	391,845	258,143	1,105	651,093
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	15,343,844	2,440,433	196,378	17,980,655
Depreciation	1,010,838	158,324	48,715	1,217,877
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 16,354,682</u>	<u>\$ 2,598,757</u>	<u>\$ 245,093</u>	<u>\$ 19,198,532</u>

Girl Scouts of Western Ohio
Statement of Cash Flows
Year Ended December 31, 2008

Operating Activities	
Change in net assets	\$ (3,867,543)
Items not requiring operating activities cash flows	
Depreciation and amortization	1,217,877
Loss on disposition of property and equipment	196,508
Bad debt allowance	89,510
Realized losses on investments	486,465
Unrealized losses on investments	2,945,121
Changes in	
Accounts receivable	9,635
Contributions receivable	278,905
Inventories, prepaid expenses and other	(11,707)
Accounts payable and accrued liabilities	(456,945)
Custodial funds	(200,755)
Deferred income	(27,628)
	<u>659,443</u>
Net cash provided by operating activities	
Investing Activities	
Purchases of property and equipment	(496,039)
Proceeds from sale of investments	12,580,720
Purchases of investments	(11,577,497)
	<u>507,184</u>
Net cash provided by investing activities	
Financing Activities	
Principal payments on line of credit	(448,051)
	<u>(448,051)</u>
Net cash used in financing activities	
Increase in Cash and Cash Equivalents	718,576
Cash and Cash Equivalents, Beginning of Year	<u>2,774,061</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,492,637</u></u>

Girl Scouts of Western Ohio

Notes to Financial Statements

December 31, 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Girl Scouts of Western Ohio (the Council), is chartered by the Girl Scouts of the United States of America (GSUSA) and is incorporated in the State of Ohio as a charitable organization. As a non-formal educational organization, the Council's mission is to help girls grow up to be caring, competent, confident women. On September 11, 2005, the National Board of Directors of Girl Scouts of the USA took action approving the Girl Scouts of the USA to develop and implement a process for a nation wide council realignment. The realignment process was designed to change councils' jurisdiction resulting in fewer councils with larger jurisdiction and higher capacity to serve girls now and in the future. Effective January 1, 2008, Girl Scouts of Buckeye Trails Council, Girl Scouts of Appleseed Ridge, Inc., Girl Scouts of Maumee Valley Council, Inc. and Girl Scouts-Great Rivers Council, Inc. merged to form Girl Scouts of Western Ohio. This business combination was accounted for in accordance with accounting principles generally accepted in the United States for not-for-profit organizations using the pooling of interest method.

Services are provided in 32 counties in western Ohio and southeast Indiana. The Council's primary method of delivery of the Girl Scout program is the troop; there are more than 3,700 troops in the Council.

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, liabilities, revenues, expenses and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The financial institutions holding the Council's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2009. At December 31, 2008, the Council's interest-bearing cash accounts exceeded federally insured limits by approximately \$91,000. Cash equivalents of approximately \$2,500,000 are comprised of overnight repurchase agreements.

Girl Scouts of Western Ohio
Notes to Financial Statements
December 31, 2008

Accounts Receivable

Accounts receivable generally consists of amounts owed from troops for product sales. The Council provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 60 days are considered delinquent. Delinquent receivables are turned over to collections and are written off based on individual credit evaluation and specific circumstances of the troop.

Inventories

Inventories consist primarily of merchandise for sale and are stated at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at the time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as temporarily restricted then released from restriction. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Council maintains pooled investment accounts. Realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the endowments based on the relationship or the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deduction from those accounts.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Council has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Council in perpetuity.

Girl Scouts of Western Ohio
Notes to Financial Statements
December 31, 2008

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment, and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. A substantial number of volunteers have donated significant amounts of their time to the Council's programs and supporting services. However, such services are not reflected in the accompanying financial statements.

Income Taxes

The Council is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Council is subject to federal income tax on any unrelated business taxable income.

Uncertain Tax Positions

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Council has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ended December 31, 2009. The Council has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

Girl Scouts of Western Ohio
Notes to Financial Statements
December 31, 2008

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on the direct identification and other methods.

Note 2: Contributions Receivable

Contributions receivable, which include United Way allocations, consisted of the following:

Due within one year	\$	869,152
Due in one to five years		74,337
	\$	943,489

Note 3: Investments

Investments consisted of the following:

Money market funds	\$	1,779,917
U.S. Treasury and agency securities		976,643
Certificates of deposit		213,507
Equity securities		4,462,136
Fixed income securities		5,183,541
	\$	12,615,744

Investment return is reported net of investment fees of approximately \$95,000.

Note 4: Beneficial Interest in Trust

The Council is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the Council has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$236,558, which represents the fair value of the trust assets at December 31, 2008. The income from this trust for 2008 was \$26,606.

Girl Scouts of Western Ohio
Notes to Financial Statements
December 31, 2008

Note 5: Net Assets

Temporarily restricted net assets at December 31, 2008 are available for various program activities. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors for various program activities.

Permanently restricted net assets at December 31, 2008 are restricted to investment in perpetuity, the income of which is expendable to support the general activities of the Council.

Note 6: Endowment

The Council's endowment consists of two individual funds established for a variety of purposes. The endowment may include both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2008, all endowment funds consisted of permanently restricted funds of \$1,575,052.

Changes in permanently restricted endowment net assets for the year ended December 31, 2008 were as follows:

Endowment net assets, beginning of year	\$ <u>2,123,582</u>
Investment return:	
Investment income	26,606
Net appreciation (depreciation)	<u>(548,530)</u>
Total investment return	<u>(521,924)</u>
Contributions	—
Appropriation of endowment assets for expenditure	<u>(26,606)</u>
Endowment net assets, end of year	\$ <u><u>1,575,052</u></u>

Girl Scouts of Western Ohio
Notes to Financial Statements
December 31, 2008

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Council is required to retain as a fund of perpetual duration pursuant to donor stipulation. At December 31, 2008, the Council had no deficiencies in its endowment funds.

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Council must hold in perpetuity. Under the Council's policies, endowment assets are invested in a manner that is intended to produce results that exceed the rate of inflation while assuming a low level of investment risk.

To satisfy its long-term rate of return objectives, the Council relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Council 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.

The Council's endowment fund accounted for as a beneficial interest in a perpetual trust consists of funds held and managed by an outside trustee. The trustee determines the annual distribution paid to the Council. For the other endowment fund held and managed by the Council, 50% of the realized and unrealized gains and losses are retained as permanently restricted net assets. This is consistent with the Council's objective to maintain the purchasing power of endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Note 7: Cookie and Other Merchandise Sales

Sales of cookies and other merchandise, including nuts and candy, and the related direct costs, which includes cost of purchases, troop and individual incentive awards and uncollectible expenses are comprised of the following:

	Gross Sales	Direct Costs	Net Sales
Cookie Sales	\$ 13,441,625	\$ 5,950,500	\$ 7,491,125
Nut and Candy Sales	795,154	396,206	398,948
Council Store	795,345	500,578	294,767
	<u>\$ 15,032,124</u>	<u>\$ 6,847,284</u>	<u>\$ 8,184,840</u>

Girl Scouts of Western Ohio
Notes to Financial Statements
December 31, 2008

Note 8: Operating Leases

The Council has various operating lease agreements for office equipment expiring in various years through 2014. Future minimum lease payments at December 31, 2008 were:

2009	\$	88,616
2010		78,729
2011		74,224
2012		73,634
2013		70,684
Thereafter		<u>3,516</u>
	\$	<u><u>389,403</u></u>

Rental expense for all operating leases amounted to approximately \$116,600.

Note 9: Retirement Plan

The Council participates in the National Girl Scout Council Retirement Plan (the Plan) covering various Girl Scout Councils. The Plan is a non-contributory defined benefit pension plan, covering substantially all employees of various Girl Scout Councils. The Plan is accounted for in accordance with the Statement of Financial Accounting Standards No. 87. Effective January 1, 2009, the rate of contribution is 3.8% of covered payroll. The prior rate of contribution was 3.0%. The amounts charged to the Council pension expense and contributed to the Plan in 2008 were \$139,080.

The Council also has a 403(b) Thrift plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of the Council's contributions to the plan. There were no Council contributions in 2008.

Note 10: Troop Funds Held In Trust

Bank accounts for each troop are established under the Council's employee identification number. All troop funds are maintained for the beneficial interest of the girls within the respective troop. Management has estimated troop funds total approximately \$1,980,000 at December 31, 2008. These funds are not available for use by the Council and have not been included in the financial statements.

Girl Scouts of Western Ohio

Notes to Financial Statements

December 31, 2008

Note 11: Significant Contingencies

The Council is subject to certain claims and legal proceedings covering certain matters that arise in the ordinary course of its business activities. These matters are subject to various uncertainties. However, management believes that any liability that may ultimately result from the resolutions of these matters will not have a material adverse effect on its financial position or results of operations.

Note 12: Current Economic Conditions

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets and declines in contributions and grants. The financial statements have been prepared using values and information currently available to the Council.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for receivables that could negatively impact the Council's ability to maintain sufficient liquidity. Subsequent to year end a significant decline in the stock market occurred reducing the market value of the Council's investments.

Note 13: Disclosures about Fair Value of Assets and Liabilities

Effective January 1, 2008, the Council adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Girl Scouts of Western Ohio
Notes to Financial Statements
December 31, 2008

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, certificates of deposit, equity securities and mutual funds (including equity and bond funds). If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include U.S. Treasury and agency securities and fixed income securities.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2008:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 12,615,744	\$ 7,710,420	\$ 4,905,324	\$ -
Beneficial interest in perpetual trust	\$ 236,558	\$ -	\$ 236,558	\$ -