



Girl Scouts of Western Ohio  
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## 2009 Compliance with Executive Limitations 2.4, 2.5, and 2.6

Management Philosophy: Management objectives provide the foundation for organizing, allocating and directing organizational resources in the most efficient and effective fashion.

1. Provide a consistent core Girl Scout experience centered on a model of personal growth and leadership development and linked to measurable program outcomes.
2. Support a volunteer management system that clearly defines accountabilities for attracting, managing and partnering with volunteers.
3. Provide continuous, flexible, and excellent learning opportunities and resources to prepare volunteer and paid staff for their roles and responsibilities.
4. Quantify, genuinely demanding performance targets in all areas (individual, functional, organizational) that are tightly aligned with the organizations aspirations and strategies.
5. Provide an organizational structure that promotes roles, reporting relationships and systems for the functional and lateral – cross functional level to promote an efficient high performing staff.
6. Attract and retain staff, leadership and volunteers that represent extraordinary diverse backgrounds, experiences and skills dedicated to contributing their time and talent to the development of girls and the communities we serve.
7. Design systems and functional integration that support the process of continual improvement and organizational growth.
8. Create highly diversified funding sources to protect the organization from financial instability and ensure plans for the future through contributed income, endowment management, sound financial management, and investment practices.
9. Utilize state of the art information technology to facilitate all aspects of operations: business systems, service and program delivery.

## **2.4: Financial Planning and Budgeting**

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from 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, he or she shall not:

Compliance: The CEO's reasonable interpretation of this policy is that all decisions concerning financial planning and budgeting are made based upon the council's goals, with the assurance that risk to fiscal jeopardy is minimized.

I am therefore reporting compliance.

1. Develop a budget without conducting a formal process for planning for the future of the organization.

Compliance: The 2009 budget used a formal process in its development, and included the use of data from the volunteer survey of culture and service delivery. In addition the Program Effectiveness survey results were used to ensure that program priorities were included.

I am therefore reporting compliance.

2. Develop a budget without employing credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosing planning assumptions.

Compliance: The 2009 planning and budgeting process used "zero based" budgeting to project revenue and expenses. A separate capital budget was developed, which reflected critical health, safety, and maintenance projected, within the constraints of a limited budget. Staff developed cash flows for the operating budget.

I am therefore reporting compliance.

3. Plan the expenditure in any fiscal year of more funds that are conservatively projected to be received in that period.

Compliance: The 2009 budget did not project a deficit. Significant cuts were made to ensure that the budget would not project a deficit, including the resting of camps, staff cuts, and backroom operations consolidation.

I am therefore reporting compliance.

4. Plan so that organizational reserves could drop below six (6) months of the current unrestricted expense budget for the current fiscal year.

Compliance: According to the GSUSA 2007 Financial Databook, Girl Scout councils are expected to ensure 6-12 months of unrestricted operating reserves to protect the council against any sort of unexpected circumstances.

Our operating reserves are approximately \$10 million, which represents six months of the current unrestricted expense budget.

I am therefore reporting compliance.

5. Plan so that an asset replacement fund is not maintained by at least the value of the current year depreciation expense and at no time will be longer than accumulated depreciation.

Compliance: The Financial Accounting Standards Board (FASB) published Statement of Financial Accounting Standards 93: Recognition of Depreciation by Not-for-Profit Organizations. This standard requires all nonprofit organizations to recognize depreciation in external financial statements. As depreciation is a required expense, GSUSA recommends that each Girl Scout council annually budget for depreciation and adopt a capitalization policy.

Girl Scouts of Western Ohio plans to grow this fund to the total depreciation amount, but we do not have the resources currently to support this effort. Only one legacy council had an active asset replacement fund based on current year depreciation expense. Girl Scouts of Western Ohio has reserves to cover current year depreciation, however the size of the fund has been impacted by the investment portfolio's performance in the past year. Current wording of the policy does not require the fund to cover accumulated depreciation.

I am therefore reporting compliance.

6. Plan in a manner that risks unacceptable financial conditions enumerated in the "Financial Condition and Activities" policy.

Compliance: The CEO's reasonable interpretation of this policy is that all decisions regarding the financial condition of the organization have been made to support the mission of the organization. In addition, no financial decisions or activity would be reasonable interpreted to be outside the scope of a typical operation of similar size and mission, minimizing the effect of jeopardy to our public image and credibility.

I am therefore reporting compliance.

7. Provide less for board prerogatives during the year than is set forth in the "Cost of Governance" policy.

Compliance: The CEO's reasonable interpretation of this policy is that the board will have sufficient resources to support its learning and business activities, as well as to support achievement of our Ends.

The 2009 budget provided \$162,157 for governance purposes. This included allocations for board meeting expenses, audit fees, committee and task group meetings and activities, the annual meeting, board development committee activity, and the national council meeting. In addition, over \$4 million was allocated to program activities that support achievement of board-developed Ends.

I am therefore reporting compliance.

## **2.5: Financial Condition and Activities**

With respect to the actual, ongoing financial condition and activities, the CEO shall now cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Ends policies. Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

Compliance: The CEO's reasonable interpretation of this policy is that all decisions regarding the financial condition of the organization have been made to support the mission of the organization. In addition, no financial decisions or activity would be reasonable interpreted to be outside the scope of a typical operation of similar size and mission, minimizing the effect of jeopardy to our public image and credibility.

I am therefore reporting compliance.

1. Expend more funds than have been received in the fiscal year to date or incur debt unless the debt can be repaid by certain, otherwise unencumbered revenues within 60 days.

Compliance: There were no debts incurred in the 2009 budget beyond the normal equipment lease agreements. I am therefore reporting compliance.

2. Use any long term reserves.

Compliance: No long term reserves are projected to be used in 2009. I am therefore reporting compliance.

3. Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, otherwise unencumbered revenues within 30 days.

Compliance: No inter-fund shifting has occurred in 2009. I am therefore reporting compliance.

4. Allow payroll obligations to be unsettled or untimely.

Compliance: *Accounting and Financial Reporting: A Guide for United Ways and Not-for-Profit Human Services Organizations* describes standard operating procedures for payroll processing. The CEO's reasonable interpretation of this policy is that processes comply with the standards set forth by this authority, which includes time sheets for hourly employees, approval by management of each time sheet, pay rates calculated for each employee and documented in journal entries, payroll journal that is balanced, and payroll summarized monthly and posted in the general ledger.

A third-party vendor, Paycor, handles the distribution of payroll checks. A centralized payroll process is in place, which has strengthened the internal controls on the management of the payroll. This process includes involvement by three individuals with separate responsibilities, as well as oversight by senior management. Any changes to pay are documented and maintained with payroll reports relating to the effective date of the payroll change. Hourly employees' approved pay rates are maintained in the third party software and the payroll software automatically calculates wages. Third party vendor computes all taxes related to earnings. Timesheets submitted for payroll are totaled and reconciled to total hours per the payroll journal and each salary amount is reviewed for reasonableness. Month-end summary reports are received from Paycor and are used to prepare the journal entry.

I am therefore reporting compliance.

5. Allow debts to be unpaid beyond a reasonable period of time or in such a way as to jeopardize the organization's ability to receive trade credit, damage its credit-worthiness, or diminish its reputation in the trades or in the community.

Compliance: The CEO's reasonable interpretation of this policy is that processes are in place to ensure payment of debts within sufficient time to meet deadlines established by trade creditors and avoid late fees.

A centralized accounts payable process has been in place for the past year, to ensure consistent compliance throughout the council. All vendors are asked to submit invoices directly to the administrative office and requests for payment, which are generated by staff making the purchase, are held until the invoices are received. Accounts payable checks are generated weekly from the administrative office and require prior approval from managers and complete documentation. Any check over \$500 requires two signatures and the check register is reviewed and signed by the CEO weekly.

There have been no instances of threats to the council's credit-worthiness or reputation in trades or the community because of unpaid debts. I am therefore reporting compliance.

6. Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.

Compliance: Tax payments have not been overdue or inaccurately filed. I am therefore reporting compliance.

7. Make a single unbudgeted purchase or commitment of greater than \$50,000. Splitting orders to avoid this limit is not acceptable.

Compliance: There have been no instances of unbudgeted expenses greater than \$50,000. I am therefore reporting compliance.

8. Make a single purchase or commitment of \$25,000 without a competitive bid process unless deemed an emergency situation. Splitting orders to avoid this limit is not acceptable.

Compliance: The CEO's reasonable interpretation of this policy is that three competitive bids will be submitted with the request for purchase for all items or services in excess of \$2,500.

100% of purchases of \$2,500 or more have documented competitive bids. A process for documentation of bids has been established and communicated to 100% of staff, through the staff intranet, which describes the requirements. All bids are stapled to the purchase requisition form and are required for payment. Evaluation of bids and decisions about acceptance of specific bids is based on cost, timeframe, and quality of work.

I am therefore reporting compliance.

9. Acquire, encumber or dispose of real property.

Compliance: The 2009 budget did not project any acquisition or disposition of real property. I am therefore reporting compliance.

10. Allow receivables to go uncollected beyond a reasonable period of time without aggressively pursuing their collection.

Compliance: The CEO's reasonable interpretation of this policy is that a process is in place to actively seek out collection of receivables and track and monitor individuals who have uncollected debt to the council.

A process is in place to manage uncollected funds. All product sales past due accounts are aggressively pursued. A tracking system is in place and information is logged on each individual who owes money.

I am therefore reporting compliance.

11. Disburse funds without following the board-appointed auditor's financial procedures.

Compliance: The CEO's reasonable interpretation of this policy is that procedures that comply with audit standards will be in place to disburse funds.

Financial controls are in place to ensure that auditor recommendations are being followed. Girl Scouts of Western Ohio received a clean audit in 2009 with no material weaknesses or significant deficiencies noted.

I am therefore reporting compliance.

12. Accept gifts and contributions that have stipulations that are contrary to board's Ends.

Compliance: There have been no gifts received by Girl Scouts of Western Ohio that have stipulations that are contrary to board's Ends. In January, 2009 the board accepted the 2008 gift list. I am therefore reporting compliance.

## **2.6: Asset Protection**

The CEO shall not allow corporate assets to be unprotected, inadequately maintained or unnecessarily risked. Further, without limiting the scope of the foregoing by this enumeration, he or she shall not:

Compliance: The CEO's reasonable interpretation of this policy is that all assets will be protected and maintained to avoid unnecessary risk. I am therefore reporting compliance.

1. Assume property or casualty risk unnecessarily, including risk against liability losses to board members, staff and the organization.

Compliance: Girl Scouts of Western Ohio has established the following coverages and has included them in the 2009 budget:

- Directors and Officers' Insurance: \$7 million.
- D&O Tail Coverage covering claims against the pre-merger councils (\$3-\$7 million, based on previous coverage in councils).
- Liability and Property Coverage with an Umbrella Policy (General Liability is \$5 million and Umbrella is \$15 million). This includes \$500,000 for Employee Dishonesty and \$500,000 for Forgery or Alteration. This policy covers volunteers, corporate officers, employees, and members of the board.

I am therefore reporting compliance.

2. Allow unbonded personnel access to material amounts of funds.

Compliance: Insurance theft coverage limits loss potential. This includes \$500,000 for Employee Dishonesty and \$500,000 for Forgery or Alteration. This policy covers volunteers, corporate officers, employees, and members of the board. I am therefore reporting compliance.

3. Subject property and equipment to improper wear and tear or insufficient maintenance.

Compliance: Property portfolios are being developed for all council properties and will be in place by the end of 2009. Budget constraints are limiting our ability to do all repairs and maintenance needed, but there are no critical instances of insufficient maintenance. I am therefore reporting compliance.

4. Unnecessarily expose the organization, its board or staff to claims of liability.

Compliance: D&O coverage limits exposure and loss potential. Processes are in place in areas such as hiring, volunteer management, safety, and asset management. I am therefore reporting compliance.

5. Make purchases: a) wherein normally prudent protection has not been given against conflict of interest; b) without having obtained comparative prices and quality; and c) without considering the balance of long term quality and cost.

Compliance: The 2009 budget provides for comparative pricing and consideration of quality and cost.

100% of staff and board members have signed a conflict of interest statement.

I am therefore reporting compliance.

6. Unnecessarily expose intellectual property, information and files to piracy, loss, theft or significant damage.

Compliance: A unified computer system that facilitates consistent data management standards and procedures has been implemented. Data is backed up daily, is password protected, and staff members with access to secure data are accountable to ensure confidentiality, as communicated in the personnel policy manual that all staff members receive upon employment. I am therefore reporting compliance.

7. Receive, process or disburse funds under controls which are contrary to the board-appointed auditor's standards.

Compliance: According to GSUSA standards, Girl Scout councils will close monthly books and prepares financial statements within ten days after month-end. Girl Scouts of Western Ohio closes its books within ten days of month-end.

A centralized process is in place to receive, process, and disburse funds. Centralized finance software ensures consistent processes.

I am therefore reporting compliance.

8. Invest or hold operating capital in insecure instruments, including uninsured checking accounts and bonds of less than AA rating at any time, or in non interest-bearing accounts except where necessary to facilitate ease in operational transactions.

Compliance: The board's investment policies are monitored with investment managers and meetings have been held with the managers of long-term investments to ensure compliance with these policies. I am therefore reporting compliance.

9. Invest funds contrary to the board-approved investment policy.

Compliance: Funds are invested, based upon the investment policies. I am therefore reporting compliance.

10. Endanger the organization's public image or credibility, particular in ways that would hinder its accomplishment of mission.

Compliance: The CEO's reasonable interpretation of this policy is that all decisions regarding the assets of the organization have been made to support the mission of the organization. In addition, no asset decisions would be reasonable interpreted to be outside the scope of a typical operation of similar size and mission, minimizing the effect of jeopardy to our public image and credibility. I am therefore reporting compliance.