

Girl Scouts of Greater Los Angeles

**Financial Statements and
Independent Auditor's Report**

September 30, 2014

Girl Scouts of Greater Los Angeles

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Independent Auditor's Report

To the Board of Directors
Girl Scouts of Greater Los Angeles

We have audited the accompanying financial statements of Girl Scouts of Greater Los Angeles, which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of Greater Los Angeles as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Los Angeles, California
January 29, 2015

Girl Scouts of Greater Los Angeles

Statement of Financial Position September 30, 2014

Assets

Current assets:	
Cash and cash equivalents	\$ 2,378,914
Accounts and pledges receivables, net	663,207
Inventory	332,197
Prepaid expenses and other	442,922
Total current assets	3,817,240
Investments	11,549,897
Property and equipment, net	8,895,004
Total	<u>\$ 24,262,141</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 307,293
Accrued expenses	686,397
Custodial funds, held for others	116,910
Deferred revenue	126,861
Notes payable, current portion	126,824
Capital lease obligations, current portion	131,366
Total current liabilities	1,495,651
Deferred rent	875,263
Notes payable, net of current portion	235,616
Capital lease obligations, net of current portion	355,815
Total liabilities	<u>2,962,345</u>
Commitments and contingencies	
Net assets:	
Unrestricted	20,063,769
Temporarily restricted	1,094,461
Permanently restricted	141,566
Total net assets	<u>21,299,796</u>
Total	<u>\$ 24,262,141</u>

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Activities Year Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and support:				
Public support	\$ 827,728	\$ 607,281	\$ -	\$ 1,435,009
Product sales, net of direct costs	11,366,839	-	-	11,366,839
Merchandise sales, net of direct costs	618,091	-	-	618,091
Program fees	1,376,469	-	-	1,376,469
Property and equipment use fees	85,344	-	-	85,344
Interest and dividends, net of fees	218,199	-	-	218,199
Realized and unrealized gains on investments, net	1,023,713	21,535	-	1,045,248
Loss on disposal of property and equipment	(197,073)	-	-	(197,073)
Other income	360,273	-	-	360,273
Net assets released from restriction	474,540	(474,540)	-	-
Total revenues and support	<u>16,154,123</u>	<u>154,276</u>	<u>-</u>	<u>16,308,399</u>
Expenses:				
Program expenses	12,759,012	-	-	12,759,012
Management and general expenses	1,891,368	-	-	1,891,368
Fundraising expenses	545,760	-	-	545,760
Total expenses	<u>15,196,140</u>	<u>-</u>	<u>-</u>	<u>15,196,140</u>
Change in net assets	957,983	154,276	-	1,112,259
Net assets, beginning of year	<u>19,105,786</u>	<u>940,185</u>	<u>141,566</u>	<u>20,187,537</u>
Net assets, end of year	<u><u>\$ 20,063,769</u></u>	<u><u>\$ 1,094,461</u></u>	<u><u>\$ 141,566</u></u>	<u><u>\$ 21,299,796</u></u>

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Functional Expenses Year Ended September 30, 2014

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 7,617,736	\$ 1,143,706	\$ 330,020	\$ 9,091,462
Assistance and grants	161,414	-	-	161,414
Equipment	243,510	36,560	10,549	290,619
Insurance	278,787	41,856	12,078	332,721
Occupancy	1,243,218	186,653	53,859	1,483,730
Other expense	251,001	37,684	10,874	299,559
Printing and promotion	164,174	24,649	7,112	195,935
Professional services and fees	745,135	111,873	32,281	889,289
Supplies and recognitions	958,122	143,850	41,508	1,143,480
Telecommunications	115,915	17,403	5,022	138,340
Travel	199,633	29,972	8,649	238,254
Depreciation and amortization	780,367	117,162	33,808	931,337
	<u>\$ 12,759,012</u>	<u>\$ 1,891,368</u>	<u>\$ 545,760</u>	<u>\$ 15,196,140</u>
Totals				
Percent of total expenses	84.0%	12.4%	3.6%	100.0%

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Statement of Cash Flows Year Ended September 30, 2014

Operating activities:	
Change in net assets	\$ 1,112,259
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	931,337
Bad debt expense	30,448
Net realized and unrealized gains on investments	(1,045,248)
Loss on disposal of property and equipment	197,073
Deferred rent	(73,651)
Changes in operating assets and liabilities:	
Accounts and pledges receivables	(262,129)
Inventory	6,247
Prepaid expenses and other	(2,686)
Accounts payable	21,187
Accrued expenses	(53,206)
Custodial funds, held for others	25,034
Deferred revenue	(41,936)
Net cash provided by operating activities	<u>844,729</u>
Investing activities:	
Purchases of investments	(1,870,335)
Proceeds from sale of investments	1,633,449
Acquisition of property and equipment	(305,555)
Net cash used in investing activities	<u>(542,441)</u>
Financing activities:	
Proceeds from notes payable	262,300
Principal payments on notes payable	(368,973)
Principal payments on capital lease obligations	(141,825)
Net cash used in financing activities	<u>(248,498)</u>
Net increase in cash and cash equivalents	53,790
Cash and cash equivalents, beginning of year	<u>2,325,124</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,378,914</u></u>
Supplemental disclosure of cash flow information:	
Interest paid during the year	<u><u>\$ 57,403</u></u>
Supplemental disclosure of noncash investing and financing activities:	
Equipment acquired under capital lease obligations	<u><u>\$ 221,562</u></u>

See Notes to Financial Statements.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2014

Note 1 - Business activity and summary of significant accounting policies

Business activity

Girl Scouts of Greater Los Angeles ("GSGLA" or the "Council") is a not-for-profit corporation chartered by Girl Scouts of the USA ("GSUSA") to build girls of courage, confidence and character who make the world a better place. GSGLA serves more than 40,000 girls (grades K-12) in partnership with more than 20,000 volunteers from the many diverse communities of Los Angeles County and parts of Kern, San Bernardino, and Ventura Counties. As the largest girl-serving nonprofit agency in Southern California, GSGLA maintains 7 service centers, 10 program centers, and 4 campsites. The Council's programs engage girls in the areas of Leadership, Arts & Culture, Business Smarts & Financial Literacy, Environment & Outdoor Adventure, STEM (Science, Technology, Engineering & Math), and Wellness & Healthy Living.

Today, more than ever, all girls need positive role models and a safe, inclusive environment to learn and develop, and GSGLA is focused on expanding its efforts to reach more girls. The Council is committed to helping every girl access life-changing Girl Scout experiences, regardless of her economic situation. Annually, GSGLA provides financial assistance in traditional Girl Scouting programs for 5,000 girls, as well as providing afterschool programs for more than 6,000 girls in underserved communities.

The national ToGetHerThere campaign, dedicated to transforming the leadership landscape and breaking down the barriers that hinder girls from achieving success, is gaining momentum in Greater Los Angeles and across the country. The campaign is also serving as the identity of our Movement-wide fundraising campaign to support the girl-impact goal.

Our annual Gold Award Ceremony celebrated 343 Gold Award Girl Scouts - the highest number of girls to earn the Gold Award by a Council in a year. The Gold Award is the highest honor a girl can earn in Girl Scouting and it takes high school Girl Scouts over 80 hours of community service and leadership application to earn this prestigious award.

About 30,000 girls participated in Product sales, which includes the iconic Girl Scout Cookie Program and the Fall Product Program, developing and reinforcing the valuable life skills of decision-making, money management, goal setting, business ethics and customer service.

The funds earned from the cookie program are used to support a variety of programs and outreach. Troops use 22% of the cookie sales to support their year-round activities, which may include community service, camping or robotics competitions; or building cultural awareness by visiting museums or traveling; or discovering themselves by making new friends and experiencing new skills, activities and ideas. Another 20% of cookie program funds go toward financial assistance and outreach to low-income girls for camp and program activities, as well as to recruit, develop, train and support thousands of volunteers. About 34% is dedicated to providing high quality programs and maintaining camps and program sites, and the remaining 24% covers product costs and logistics.

Girl Scouts across the country has engaged and inspired generations of leaders. Today the Council's tried and proven programs have helped develop the leadership skills in more than 50 million women, and many of them are shaping the course of our nation's history. GSGLA continues in this grand tradition, providing girls and young women with the values, life skills and tools they need to build courage, confidence and character in order to make the world a better place.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2014

Basis of accounting

The financial statements of GSGLA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation

The Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, which are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board.

Temporarily restricted - Net assets whose use by the Council is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Council or that expire by the passage of time.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that must be maintained permanently by the Council and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions, which limit the use of the donated assets, are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as unrestricted support.

Unconditional promises to give with payments due in future periods are reported as restricted contributions when the promises are received. Gifts of land, buildings and equipment are reported as unrestricted contributions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2014

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid investments with an initial maturity date of purchase of three months or less.

Accounts and pledges receivable

Accounts and pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on those pledges receivable due in greater than one year. The Council provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the customer to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Inventories

Purchased supplies and merchandise inventories are stated at the lower of cost, using the average cost method, or market. No reserve for obsolescence was deemed necessary.

Investments

Investments are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Investment income is reported net of investment expense of \$69,717 for the year ended September 30, 2014, which is included in interest and dividends, net of fees.

Property and equipment

Property and equipment are stated at cost if purchased or fair value on the date of donation less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from three to thirty-nine years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets

Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Council periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. No impairments were recorded during the year ended September 30, 2014.

Fair value of financial instruments

The Council's financial instruments consist of cash and cash equivalents, short-term receivables, investments in securities and short-term and long-term payables. The carrying value for all such instruments, considering the terms, approximates fair value at September 30, 2014.

Custodial funds

Custodial funds consist primarily of membership fees collected that will be remitted to GSUSA and other fees collected for the future use of members.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2014

Merchandise and product sales

Merchandise sales consist primarily of sales of Girl Scout-related equipment and supplies. Sales occur primarily at the Council's retail stores. Proceeds from merchandise sales help to defer the cost of maintaining the Council retail stores as a service to members. Revenue is recognized at the time of the sale. Product sales consist of sales of nuts, magazines and cookies by troops. Product revenue is net of proceeds to troops and costs of sales and is recognized at the time of the sale.

Program fees

Program fees consist of camp fees and other programs for girls that are held throughout the year to develop a sense of accomplishment and increase self-confidence and leadership skills in girls and young women. Revenue from program fees are recorded at the time of the program or when earned.

Deferred revenue consists of revenue collected for events that have not yet occurred and property and equipment rental income for programs collected prior to the actual related rental period.

Donated goods and services

Donated goods are historically included in "public support" in the accompanying statement of activities at their estimated fair values at the date of receipt. Support arising from donated services is recognized if the services received require specialized skills, are provided by the individuals possessing those skills and would typically need to be purchased if not provided by donation. No in-kind contributions were recorded for the year ended September 30, 2014.

A substantial number of volunteers have donated significant amounts of their time to GSGLA's program services and fundraising activities; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Girl Scout troop activity

Cash held in troops and groups accounts operate under GSGLA's Federal identification number but not under its control. The Council has no signature authority over and will not access the funds as long as a troop or group is functioning according to Girl Scout policy and procedure. Individual troops and groups have the responsibility to use funds in their control for the purposes of Girl Scouting as determined by the members and adult volunteers. The accompanying financial statements do not include financial data for individual Girl Scout troops and other groups such as service units, committees and volunteer-led camps.

Deferred rent

The Council records rent expense under their operating leases on a straight-line basis over the lease terms. Deferred rent results from the difference between increasing monthly cash rent payments and the straight-line expense. In addition, the Council sometimes receives up-front tenant allowances upon entering certain lease agreements. Such allowances are recorded as a deferred rent liability in the accompanying statement of financial position, and amortized as a reduction to rent expense on a straight-line basis over the lease terms.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2014

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair value measurements

The Council values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Income taxes

The Council is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of California. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Council has no unrecognized tax benefits at September 30, 2014.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Council has evaluated the impact of subsequent events through January 29, 2015, which is the date the financial statements were available to be issued.

Note 2 - Concentrations

Financial instruments that potentially subject the Council to concentrations of credit risk consist primarily of cash and cash equivalents at financial institutions. The Council maintains its cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed Federally insured limits.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2014

The Council's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Council's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

At September 30, 2014, approximately 29% of the Council's accounts and pledges receivable is due from one donor.

For the year ended September 30, 2014, approximately 78% of support and revenue was derived from net cookie, nut and magazine sales.

Note 3 - Accounts and pledges receivable

At September 30, 2014, accounts and pledges receivables consist of the following:

	Accounts Receivable	Pledges Receivable	Total
Gross amount	\$ 82,129	\$ 606,092	\$ 688,221
Present value discount	-	-	-
Reserve for uncollectible amounts	(19,014)	(6,000)	(25,014)
Totals	<u>\$ 63,115</u>	<u>\$ 600,092</u>	<u>\$ 663,207</u>

At September 30, 2014, gross undiscounted pledges receivable due in less than one year is \$606,092. At September 30, 2014, the Council has provided for an allowance for uncollectible pledges of \$6,000. All other amounts are considered fully collectible.

Note 4 - Investments

At September 30, 2014, investments consist of the following:

Mutual funds - equities	\$ 2,404,487
Corporate bonds	3,226,906
Equities:	
Domestic	4,395,816
International	233,672
Mid-Cap	698,728
Small-Cap	567,917
Annuity	22,371
	<u>\$ 11,549,897</u>

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2014

Note 5 - Fair value measurements

Financial assets carried at fair value at September 30, 2014 are classified in the table below in one of the three categories described in Note 1:

	Level 1	Level 2	Level 3	Total
Mutual funds - equities	\$ 2,404,487	\$ -	\$ -	\$ 2,404,487
Corporate bonds	3,226,906	-	-	3,226,906
Equities:				
Domestic	4,395,816			4,395,816
International	233,672			233,672
Mid-Cap	698,728	-	-	698,728
Small-Cap	567,917	-	-	567,917
Annuity	-	22,371	-	22,371
Totals	\$11,527,526	\$ 22,371	\$ -	\$11,549,897

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets, and are valued on a recurring basis. Financial assets valued using level 2 inputs are based on the present value of expected cash flows. For the year ended September 30, 2014, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Council 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.

Note 6 - Property and equipment

At September 30, 2014, property and equipment consist of the following:

Land and land improvements	\$ 4,921,832
Building and improvements, including leasehold improvements	9,111,498
Furniture, fixtures and equipment	1,657,633
Computer hardware and software	911,115
	16,602,078
Less accumulated depreciation and amortization	8,049,404
	8,552,674
Construction in progress	342,330
	\$ 8,895,004

Depreciation and amortization expense for the year ended September 30, 2014 was \$931,337.

Girl Scouts of Greater Los Angeles

**Notes to Financial Statements
September 30, 2014**

Note 7 - Notes payable

At September 30, 2014, notes payable consist of the following:

Note payable, bank, payable in monthly installments of \$2,447 including interest at LIBOR plus 2%, secured by investments held at the bank, due July 2019.	\$ 258,288
Note payable, bank, payable in monthly installments of \$9,008 including interest at 7.5%, secured by real estate, due October 2015.	104,152
	362,440
Less current portion	126,824
	\$ 235,616

The following is a schedule by years of the future minimum principal payments on the Council's notes payable:

<u>Year Ending September 30,</u>	
2015	\$ 126,824
2016	25,273
2017	24,820
2018	25,393
2019	160,130
	\$ 362,440

Note 8 - Commitments and contingencies

Operating leases

The Council leases five properties under noncancelable operating leases expiring through May 2022. Certain leases contain renewal options and escalation clauses. Total rent expense under the leases was \$820,299 for the year ended September 30, 2014.

The following is a schedule of the Council's minimum lease requirements under the non-cancelable leases:

<u>Year Ending September 30,</u>	
2015	\$ 885,669
2016	911,106
2017	855,491
2018	922,815
2019	974,801
Thereafter	806,178
	\$ 5,356,060

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Notes to Financial Statements September 30, 2014

Capital leases

The Council has certain equipment which are accounted for as capital leases. At September 30, 2014, the net balance of equipment under capital leases is as follows:

Equipment	\$ 745,092
Less accumulated depreciation	440,576
Net balance of assets under capital lease	<u>\$ 304,516</u>

Minimum future lease payments under the capital lease as of September 30, 2014 are as follows:

<u>Year Ending September 30,</u>	
2015	\$ 144,709
2016	141,739
2017	141,739
2018	71,232
2019	19,340
Net minimum lease payments	518,759
Less amount representing interest	31,578
	487,181
Less current portion	131,366
	<u>\$ 355,815</u>

Contingencies

The Council is subject to certain claims that arise out of the normal operations of the Council. In the opinion of management, the Council has sufficient liability insurance to cover any such claims, and these matters will not have a material effect on the financial position of the Council if disposed of unfavorably.

Note 9 - Temporarily restricted net assets

At September 30, 2014, temporarily restricted net assets consist of the following:

Camperships	\$ 155,234
Capital	268,386
Community engagement	105,077
Scholarships	35,200
Science, Technology, Engineering & Math (STEM)	134,002
ToGetHerThere Luncheon	329,625
Other	66,937
	<u>\$ 1,094,461</u>

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Notes to Financial Statements September 30, 2014

Note 10 - Program related sales

The gross revenue and expense of the program-related product and merchandise sales for the year ended September 30, 2014 are as follows:

	Product Sales	Merchandise Sales	Total
Gross revenue	\$ 20,966,297	\$ 1,454,026	\$ 22,420,323
Troop proceeds	(4,089,156)	-	(4,089,156)
Direct costs	(5,510,302)	(835,935)	(6,346,237)
Product and merchandise sales, net	\$ 11,366,839	\$ 618,091	\$ 11,984,930

Note 11 - Endowment

The Council's endowment consists of individual funds established for a variety of purposes. The endowment consists of donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Council has interpreted the State of California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Council and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Council, and (7) the Council's investment policies.

Investment return objectives, risk parameters and strategies

The Council has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost rate of return which exceeds the annual distribution with acceptable levels of risk.

Girl Scouts of Greater Los Angeles

Notes to Financial Statements September 30, 2014

Spending policy

The Council has a policy of appropriating for distribution each year up to 5% of its donor-restricted endowment fund's average fair value of the prior 12 quarters through the preceding fiscal year in which the distribution is planned. In establishing this policy, the Council considered long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Council expects the current spending policy to allow its endowment funds to grow at a nominal average rate annually. This is consistent with the Council's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of September 30, 2014 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Camperships	\$ 5,615	\$ 16,414	\$ 22,029
General endowment	17,362	50,752	68,114
Scholarships	25,493	74,400	99,893
Total Endowment	<u>\$ 48,470</u>	<u>\$ 141,566</u>	<u>\$ 190,036</u>

Changes in endowment net assets for the year ended September 30, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 34,969	\$ 141,566	\$ 176,535
Investment income	21,535	-	21,535
Appropriation	<u>(8,034)</u>	<u>-</u>	<u>(8,034)</u>
Balance, end of year	<u>\$ 48,470</u>	<u>\$ 141,566</u>	<u>\$ 190,036</u>

As of September 30, 2014, there were no deficiencies of donor-restricted endowment funds.

Note 12 - Employee pension plan

The Council participates in the National Girl Scout Council Retirement Plan (the "Plan"), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA. The National Board of Girl Scouts of the USA voted to freeze the Plan to new entrants and to freeze future benefit accruals for all current participants under the Plan effective July 31, 2010. The Plan covers substantially all of the employees of various Girl Scout Councils who were eligible to participate in the Plan prior to the Plan freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels.

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Although net Plan assets grew during the year, net Plan assets available for Plan benefits continue to be less than the actuarial present value of accumulated Plan benefits as of January 1, 2014. Based on the April 18, 2014 conditional approval by the Internal Revenue Service, all existing amortization bases in the Plan's funding standard account as of January 1, 2013 were combined into one base and the resulting amortization period for that single base was extended to 10 years. Approval applies as long as at a minimum, beginning with the January 1, 2013 calendar year, \$30,000,000 is remitted to the Plan. The \$30,000,000 calendar year minimum applies for each succeeding calendar year until the Plan is fully funded based upon the requirements of the Pension Protection Act of 2006. Aggregate contributions made in fiscal year 2014 are \$34,500,000. The Council made contributions of \$540,896 for the year ended September 30, 2014. Aggregate contributions made in fiscal 2015 are expected to be \$34,500,000.

In addition, the Council maintains a 403(b) Thrift Plan (the "Thrift Plan") for eligible employees. Under the provisions of the Thrift Plan, the Council can make discretionary contributions for the benefit of eligible employees. For the year ended December 31, 2013, the Council did not make a contribution to the Thrift Plan.