

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)



GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONTENTS
September 30, 2013

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 23

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
Girl Scouts of Greater Los Angeles

Report on the Financial Statements

We have audited the accompanying financial statements of Girl Scouts of Greater Los Angeles (the "Council") which comprise the statement of financial position as of September 30, 2013, 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 of 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 Council'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 Council'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, 2013 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Girl Scouts of Greater Los Angeles' 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 6, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "SingerLewak LLP". The signature is written in a cursive, flowing style.

SingerLewak LLP

Los Angeles, California
February 24, 2014

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
September 30, 2013
(with Comparative Totals for September 30, 2012)

ASSETS		
	2013	2012
Current assets		
Cash and cash equivalents	\$ 2,325,124	\$ 4,095,092
Accounts and pledges receivables, net	465,371	533,203
Inventory	338,444	478,962
Short-term investments	-	3,176,585
Prepaid expenses and other assets	440,236	579,026
Total current assets	3,569,175	8,862,868
Long-term assets		
Long-term investments	10,233,918	6,469,715
Property and equipment, net	9,496,297	9,689,303
Total assets	\$ 23,299,390	\$ 25,021,886
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 286,106	\$ 905,913
Accrued expenses	739,603	951,883
Custodial funds, held for others	91,876	58,586
Deferred rent	948,914	772,440
Deferred revenue	168,797	301,034
Mortgages payable, current portion	108,030	99,456
Capital leases payable, current portion	113,922	171,401
Total current liabilities	2,457,248	3,260,713
Long-term liabilities		
Mortgages payable, net of current portion	361,083	472,176
Capital leases payable, net of current portion	293,522	103,005
Total liabilities	3,111,853	3,835,894
Commitments and contingencies (Note 9)		
Net assets		
Unrestricted	19,105,786	20,430,929
Temporarily restricted	940,185	613,497
Permanently restricted	141,566	141,566
Total net assets	20,187,537	21,185,992
Total liabilities and net assets	\$ 23,299,390	\$ 25,021,886

The accompanying notes are an integral part of these financial statements.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013
(with Comparative Totals for the Year Ended September 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Support and revenue					
Public support	\$ 944,247	\$ 878,904	\$ -	\$ 1,823,151	\$ 1,613,871
Product sales, net of direct costs	10,705,519	-	-	10,705,519	11,673,691
Merchandise sales, net of direct costs	580,338	-	-	580,338	600,078
Program fees	1,296,715	-	-	1,296,715	1,214,896
Property and equipment use fees	86,395	-	-	86,395	76,794
Interest and dividend income, net of fees	201,495	-	-	201,495	197,901
Realized and unrealized gain on investments, net	396,058	-	-	396,058	632,795
Other income	18,854	-	-	18,854	80,707
Net assets released from restriction	552,216	(552,216)	-	-	-
Total support and revenue	<u>14,781,837</u>	<u>326,688</u>	<u>-</u>	<u>15,108,525</u>	<u>16,090,733</u>
Functional expenses					
Program expenses	13,346,308	-	-	13,346,308	13,239,034
Management and general expenses	2,177,200	-	-	2,177,200	1,922,730
Fundraising expenses	583,472	-	-	583,472	584,867
Total functional expenses	<u>16,106,980</u>	<u>-</u>	<u>-</u>	<u>16,106,980</u>	<u>15,746,631</u>
Change in net assets	(1,325,143)	326,688	-	(998,455)	344,102
Net assets, beginning of year	<u>20,430,929</u>	<u>613,497</u>	<u>141,566</u>	<u>21,185,992</u>	<u>20,841,890</u>
Net assets, end of year	<u>\$ 19,105,786</u>	<u>\$ 940,185</u>	<u>\$ 141,566</u>	<u>\$ 20,187,537</u>	<u>\$ 21,185,992</u>

The accompanying notes are an integral part of these financial statements.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2013
(with Comparative Totals for the Year Ended September 30, 2012)

	Program	Management and General	Fundraising	2013 Total	2012 Total
Expenditures					
Personnel expenses	\$ 8,633,382	\$ 1,061,141	\$ 385,582	\$ 10,080,105	\$ 9,609,288
Assistance and grants	178,420	-	-	\$ 178,420	\$ 182,418
Equipment	148,521	44,361	5,134	198,016	323,130
Insurance	177,802	79,311	3,647	260,760	244,085
Interest expense	10,265	9,785	525	20,575	24,663
Occupancy	1,123,930	186,155	59,515	1,369,600	1,538,177
Other expense	98,350	21,316	8,595	128,261	179,378
Postage and shipping	39,441	3,253	6,607	49,301	60,336
Printing and promotion	169,312	9,243	52,026	230,581	236,668
Professional services and fees	529,451	196,781	12,237	738,469	948,348
Staff, volunteer and business development	14,928	9,007	873	24,808	32,004
Supplies	1,119,784	24,485	13,769	1,158,038	1,165,601
Telecommunications	92,746	50,896	3,311	146,953	158,411
Travel	246,628	14,467	2,442	263,537	312,063
Misappropriation of assets	-	329,090	-	329,090	-
Depreciation	763,348	137,909	29,209	930,466	732,061
Total functional expenses	\$ 13,346,308	\$ 2,177,200	\$ 583,472	\$ 16,106,980	\$ 15,746,631
	82.9%	13.5%	3.6%	100.0%	

The accompanying notes are an integral part of these financial statements.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2013
(with Comparative Totals for the Year Ended September 30, 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (998,455)	\$ 344,102
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	930,466	732,061
Reserve for uncollectible receivables	(13,012)	32,081
Net realized and unrealized gain on investments	(396,058)	(632,795)
Loss (gain) on disposal of properties	(4,305)	17,694
Change in operating assets and liabilities		
Accounts and pledges receivables	80,844	(276,591)
Inventory	140,518	(121,848)
Prepaid expenses and other assets	138,790	(126,610)
Accounts payable	(619,807)	315,248
Accrued expenses	(212,280)	125,711
Custodial funds, held for others	33,290	(146,848)
Deferred rent	176,474	(30,791)
Deferred revenue	(132,237)	139,554
Net cash provided by (used in) operating activities	(875,772)	370,968
Cash flows from investing activities		
Acquisitions of property and equipment	(425,260)	(1,639,058)
Purchases of investments	(5,936,078)	(3,670,432)
Proceeds from sales of investments	5,744,518	3,476,790
Net cash used in investing activities	(616,820)	(1,832,700)
Cash flows from financing activities		
Payments on mortgages and capital leases payables	(277,376)	(260,561)
Net cash used in financing activities	(277,376)	(260,561)
Decrease in cash and cash equivalents	(1,769,968)	(1,722,293)
Cash and cash equivalents, beginning of year	4,095,092	5,817,385
Cash and cash equivalents, end of year	\$ 2,325,124	\$ 4,095,092
Supplemental disclosure of cash flow information		
Interest paid during the year	\$ 58,646	\$ 52,616
Capital lease obligations incurred for use of equipment	\$ 307,895	\$ -

The accompanying notes are an integral part of these financial statements.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 – DESCRIPTION OF COUNCIL

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. Girl Scouts of Greater Los Angeles 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, 14 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 here 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 298 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.

GSGLA held its Girltopia 2013 event at the Los Angeles Convention Center where about 10,000 Girl Scouts participated in a day full of fun learning, creating, and exploring engaging activities in six villages related to GSGLA’s program areas.

About 30,000 girls participated in the 2013 Girl Scout Cookie and Fall Product programs, which developed and reinforced the valuable life skills of decision-making, money management, goal-setting, business ethics, and customer service.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 – DESCRIPTION OF COUNCIL (Continued)

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 organization'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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with standards generally accepted in the United States of America. This includes a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Unrestricted Net Assets: Unrestricted net assets are comprised of assets that are for operating purposes or assets that are not subject to donor-imposed restrictions and are general in nature.

Temporarily Restricted Net Assets: Temporarily restricted net assets are those assets whose use by the Council is subject to donor-imposed stipulations that can be fulfilled by actions of the Council pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets: Permanently restricted net assets are those assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Council. Generally, the donors of these assets permit the Council to use all or part of the investment return on these assets for unrestricted purposes.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Comparative Amounts

The financial statements include certain prior-year, summarized, comparative information in total. 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 Council's financial statements for the year ended September 30, 2012, from which the summarized information was derived.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash on demand and are subject to an insignificant risk of changes in fair value.

Investments

The Council accounts for all its investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 958-320, "Not-for-Profit Entities, Investments – Debt and Equity Securities." As such, investments are measured at fair value in the statements of financial position. Investment income or loss (including interest, dividends, realized gains or losses and unrealized gains or losses on investments) is included in the accompanying statement of activities as unrestricted income, unless its use is restricted by explicit donor-imposed stipulations.

Accounts and Pledges Receivable

In accordance with FASB ASC Topic No. 958-605-25, "Not-for-Profit Entities Revenue Recognition," unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, net of allowance for uncollectible accounts. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received, determined to be 3% in the current year. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Council accrues an allowance for potentially uncollectible amounts in accounts and pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management of the Council believes such allowance is adequate to reflect the realizable value of accounts and pledges receivable as of September 30, 2013 and 2012.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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.

Public Support

Contributions of cash and other assets are recognized as revenue when they are received or pledged and are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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." Absent explicit donor stipulations about the use of contributions, the Council reports them as unrestricted support.

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 years ended September 30, 2013 and 2012.

Additionally, a substantial number of volunteers have donated a significant amount of time to GSGLA program services and fundraising activities. The financial statements do not reflect the value of these contributed services, because they do not meet the revenue recognition criteria.

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.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Property and Equipment

Property and equipment is stated at cost or at fair value at the date of the gift if received as a donation. The assets are depreciated on a straight-line basis over their useful lives as follows:

Computer hardware and software	3 years
Furniture, fixtures and equipment	7 years
Leasehold improvements	Shorter of 15 years or the term of the lease
Land improvements	15 years
Building improvements	15 - 25 years
Buildings	30 years

It is the policy of the Council to capitalize improvements that extend the life of the asset and to expense repairs and maintenance.

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 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.

Functional Expenses

The Council allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly to the natural expenditure classification. Other expenses that are common to several functions are allocated using various allocation methods deemed appropriate by management.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Misappropriation of Assets

The Council encountered an employee dishonesty matter related to the period ended September 30, 2013. The total amount of damages as of the date of this report is estimated at \$329,090 and has been recorded as misappropriation of assets expense in GSGLA's financial statements as of and for the year ended September 30, 2013. See further discussion included in note 14.

Income Taxes

The Council is a not-for-profit organization that is 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 the State of California. Accordingly, no provisions for income taxes or related credits are included in these financial statements.

The Council also applies the provisions of FASB ASC Topic No. 740, "Accounting for Uncertainty in Income Taxes" ("ASC 740"). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return. To date, the Council has not recorded any uncertain tax positions. In accordance with ASC 740, the Council recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position.

During the years ended September 30, 2013 and 2012, the Council did not recognize any amount in potential interest and penalties associated with uncertain tax positions. The Council's income tax returns remain subject to examination for all tax years ended on or after September 30, 2008 with regard to all tax positions and results reported.

Fair Value Measurements

As defined in FASB ASC Topic No. 820, "Fair Value Measurements" ("ASC 820"), fair value is the amount 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 (i.e., the exit price).

ASC 820 requires enhanced disclosures about financial instruments that are measured and reported at fair value. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Fair Value Measurements (Continued)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – Include other inputs that are directly or indirectly observable in the marketplace
- Level 3 – Unobservable inputs which are supported by little or no market activity

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement.

The Council's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument. Cash and investments are financial instruments that are classified within Level 1 and Level 2, because these accounts were valued primarily using quoted market prices utilizing market-observable inputs. The carrying values of accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses approximate fair values due to the short maturity of these instruments. Pledges receivable have been discounted using applicable market rates to approximate fair value. The carrying amount reported for mortgage payables approximates fair value due to the effective interest rate of these obligations reflecting the Council's current borrowing rate.

Impairment of Long-lived Assets

The Council reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to future cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

Concentration of Revenue

In the normal course of business, the Council is subject to certain risks and uncertainties. For the year ended September 30, 2013 and 2012, approximately 71% and 73% of support and revenue was derived from net cookie, nut and magazine sales.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Council to concentration of credit risk consist principally of cash and cash equivalents, investments and receivables. The Council places its cash and cash equivalents and investments with high-quality financial institutions.

The Council maintains cash balances at financial institutions located in California. During the fiscal year ended September 30, 2013, the Council maintained cash balances that exceeded \$250,000, the normal FDIC insurance limit on interest-bearing accounts. However, the Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Approximately 49% of the Council's accounts receivable is due from three donors as of September 30, 2013. There were no significant concentrations of receivables as of September 30, 2012. With respect to receivables, the Council has an extensive donor base, and it performs ongoing evaluations of the receivables and maintains an adequate reserve for the uncollectible amounts.

Use of Estimates

In preparation of the financial statement, in conformity with accounting principles generally accepted in the United States of America, management of the Council has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Reclassification

Certain prior-year account balances have been reclassified to conform to the current year's presentation and have had no significant impact on the financial statements.

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") FASB issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). This guidance affects all entities that are required or permitted to measure or disclose the fair value of an asset, liability or instrument classified in a reporting entity's equity in the financial statements. ASU 2011-04 changed the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Amendments under ASU 2011-04 will be effective for annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on the financial statements.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Recently Issued Accounting Pronouncements

In October 2012, the FASB issued ASU No. 2012-05, “Not-for-Profit Entities (‘NFP’): Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows” (“ASU 2012-05”), which require an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case, those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated securities should be classified as cash flows from investing activities by the NFP. ASU 2012-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. The Council does not believe the adoption of ASU 2012-05 will have a material impact on the financial statements.

In July 2013, the FASB issued ASU No. 2013-06, “Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate (a consensus of the FASB Emerging Issues Task Force)” (“ASU 2013-06”), which requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient of a not-for-profit. ASU 2013-06 is effective prospectively for fiscal years beginning after June 15, 2014. The Council does not believe the adoption of ASU 2013-06 will have a material impact on the financial statements.

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLES

Accounts and pledges receivables consisted of the following as of September 30:

	2013			2012
	Accounts Receivable	Pledges Receivable	Total	Total
Gross amount	\$ 88,912	\$ 384,668	\$ 473,580	\$ 553,129
Present value discount	-	(1,295)	(1,295)	-
Reserve for uncollectible amounts	(6,914)	-	(6,914)	(19,926)
Total	<u>\$ 81,998</u>	<u>\$ 383,373</u>	<u>\$ 465,371</u>	<u>\$ 533,203</u>

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLES (Continued)

Pledges expected to be received are as follows:

Within one year	\$ 339,993
Within two to three years	<u>44,675</u>
	384,668
Less present value discount	<u>(1,295)</u>
Net pledges receivable	<u>\$ 383,373</u>

NOTE 4 – INVESTMENTS

As of September 30, 2013, the Council's investments were classified by level within the valuation hierarchy as follows:

	Level 1	Level 2	Level 3	Total	% of Total
Bonds	\$ 3,179,439	\$ -	\$ -	\$ 3,179,439	31 %
Equities	6,896,718	-	-	6,896,718	67
Mutual funds	135,390	-	-	135,390	1
Annuity	<u>-</u>	<u>22,371</u>	<u>-</u>	<u>22,371</u>	1
Total investments	<u>\$10,211,547</u>	<u>\$ 22,371</u>	<u>\$ -</u>	<u>\$10,233,918</u>	

All of the investments are considered long-term. Net investment gain activity for the years ended September 30, 2013 and 2012 is as follows:

	2013	2012
Interest and dividends	\$ 268,610	\$ 260,983
Investment fees	<u>(67,115)</u>	<u>(63,082)</u>
Interest and dividends income, net of fees	201,495	197,901
Net realized and unrealized gains	<u>396,058</u>	<u>632,795</u>
	<u>\$ 597,553</u>	<u>\$ 830,696</u>

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

	2013	2012
Land and land improvements	\$ 5,024,657	\$ 5,008,239
Buildings and improvements, including leasehold improvements	9,197,168	9,028,168
Furniture, fixtures and equipment	1,726,674	1,555,438
Computer hardware and software	836,071	911,711
Construction in progress	354,532	421,826
	17,139,102	16,925,382
Less accumulated depreciation	7,642,805	7,236,079
Total	\$ 9,496,297	\$ 9,689,303

Depreciation expense for the years ended September 30, 2013 and 2012 was \$930,466 and \$732,061, respectively.

NOTE 6 – LINE OF CREDIT

In December 2012, the Council signed an agreement with a financial institution for a \$2,000,000 line of credit, which expires in April 2014. Interest is LIBOR plus 2%, which was 2.209% as of September 30, 2013. The line of credit is secured by the Council's investments. As of September 30, 2013, no amounts were outstanding on the line of credit.

NOTE 7 – CAPITAL LEASES PAYABLE

The Council has three capital leases due in monthly installments with interest as given below. The total cost of the equipment leased is \$768,554 and is included in property and equipment. As of September 30, 2013, the accumulated depreciation on the assets is \$301,653.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 7 – CAPITAL LEASES PAYABLE (Continued)

Future minimum lease payments under the leases at September 30, 2013 were as follows:

Year Ending <u>September 30,</u>	
2014	\$ 124,799
2015	96,935
2016	93,965
2017	93,965
2018	<u>24,411</u>
Total minimum lease payments	434,075
Less imputed interest	<u>26,631</u>
Present value minimum lease obligation	<u>\$ 407,444</u>
Current portion	\$ 113,922
Long-term portion	<u>293,522</u>
	<u>\$ 407,444</u>

NOTE 8 – MORTGAGES PAYABLE

As of September 30, 2013, the balances the Council owed on two mortgages payable was \$268,804 and \$200,309, respectively. The mortgages payable are due in monthly installments of \$2,730 and \$9,008, respectively, including interest at 7% annually through the year 2025 and interest at 8.5% annually through the year 2015, respectively. Future minimum maturities payments under the mortgage agreements at September 30, 2013 were as follows:

Year Ending <u>September 30,</u>	
2014	\$ 108,030
2015	117,346
2016	24,693
2017	17,843
2018	19,133
Thereafter	<u>182,068</u>
Total payments	<u>\$ 469,113</u>

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 8 – MORTGAGES PAYABLE (Continued)

Current portion	\$ 108,030
Long-term portion	<u>361,083</u>
Total	<u>\$ 469,113</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Council leases five properties under noncancelable lease agreements with expiration dates ranging between 2015 and 2021. Future minimum lease payments at September 30, 2013 were as follows under the leases:

<u>Year Ending</u> <u>September 30,</u>	
2014	\$ 851,358
2015	859,818
2016	851,334
2017	800,652
2018	922,347
Thereafter	<u>1,797,097</u>
Total	<u>\$6,082,606</u>

Total rent expense for the year ended September 30, 2013 was \$814,855.

In connection with rent discounts and incentives offered by the landlords at multiple locations, the Council has a deferred rent liability of \$948,914 that will be amortized against rent expense over the life of the leases.

Legal Proceedings

In the normal course of business, the Council may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a material impact on the financial statements of the Council as of September 30, 2013.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2013</u>	<u>2012</u>
Afterschool	\$ 65,616	\$ -
Camperships	64,642	119,472
Capital	267,826	6,418
Camporee	-	1,559
Financial assistance	-	10,936
Girltopia	332,179	-
Membership extension	44,304	37,786
Scholarship	23,839	18,343
Science, Technology, Engineering & Math (STEM)	44,794	29,388
ToGetHerThere Luncheon	-	376,536
Other	<u>96,985</u>	<u>13,059</u>
	<u>\$ 940,185</u>	<u>\$ 613,497</u>

NOTE 11 – ENDOWMENT

Effective January 1, 2009, the State of California adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which replaces the Uniform Management of Institutional Funds Act (“UMIFA”). In August of 2008, the FASB issued ASC Topic 958, “Not-for-Profit Entities” (“ASC 958”). The disclosure provisions of ACS 958-205 were applied by the Council during the year ended September 30, 2013, as shown below.

At September 30, 2013, the composition of the Council’s endowment by net asset class was comprised entirely of donor-restricted endowment funds with no board-designated endowment funds. Endowment assets include those assets of donor-restricted funds that the Council must hold in perpetuity.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 11 – ENDOWMENT (Continued)

The Council's endowment summarized by purpose consisted of the following at September 30:

	2013			2012
	Temporarily Restricted	Permanently Restricted	Total	Total
Campership	\$ 4,050	\$ 16,371	\$ 20,421	\$ 19,209
General endowment	12,564	50,752	63,316	59,567
Scholarships	18,355	74,443	92,798	87,302
Total endowment	\$ 34,969	\$ 141,566	\$ 176,535	\$ 166,078

The Council's endowment net assets changed as follows for the year ended September 30:

	2013			2012
	Temporarily Restricted	Permanently Restricted	Total	Total
Balance, beginning of year	\$ 24,512	\$ 141,566	\$ 166,078	\$ 151,807
Investment income	13,173	-	13,173	14,271
Appropriation	(2,716)	-	(2,716)	-
Balance, end of year	\$ 34,969	\$ 141,566	\$ 176,535	\$ 166,078

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 UPMIFA requires the Council to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2013.

Investment Policy

The Council has adopted investment and spending policies for endowment assets that attempt to provide funding for activities supported by its endowment while maintaining the purchasing power of the endowment assets. Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner to earn, over the long-term, an annualized return (net of investment management fees) that i) is above inflation and ii) meets or outperforms the return of appropriate benchmark indices. Actual returns in any given year may vary from these amounts.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 11 – ENDOWMENT (Continued)

Investment Policy (Continued)

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 capital appreciation (realized and unrealized) and current yield (interest and dividend). 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Council policy is to make available for distribution, on a cumulative basis, the earnings of its endowment funds which exceed the growth in assets necessary to maintain purchasing power, as measured by changes in the Consumer Price Index.

NOTE 12 – PROGRAM-RELATED SALES

The gross revenue and expense of the program-related product and merchandise sales, shown on the financial statement for the year ended September 30, 2013, are as follows:

	2013		2012	
	Product Sales	Merchandise Sales	Total	Total
Gross revenue	\$ 19,504,980	\$ 1,492,164	\$20,997,144	\$ 22,400,336
Troop proceeds	(3,818,633)	-	(3,818,633)	(4,008,877)
Direct costs	(4,980,828)	(911,826)	(5,892,654)	(6,117,690)
Product and merchandise sales, net	<u>\$ 10,705,519</u>	<u>\$ 580,338</u>	<u>\$11,285,857</u>	<u>\$ 12,273,769</u>

NOTE 13 – PENSION PLAN

The Council participates in the National Girl Scout Council Retirement Plan (“NGSCR”), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA (“GSUSA”). The National Board of GSUSA 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.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE 13 – PENSION PLAN (Continued)

Although Plan assets grew during the year, the impact of a decline in interest rates used to value Plan liabilities more than offset the asset growth and increased the excess accumulated benefits over net plan assets as of January 1, 2012 relative to January 1, 2011. Contributions made during the year ended September 30, 2013 and 2012 were \$481,334 and \$484,028, respectively. As of January 1, 2014, contributions will increase an average of 40% over 2013 contributions as the impact of a further decline in interest rates used to value Plan liabilities more than offset the asset growth, further increasing the excess accumulated benefits over net plan assets. Legislative and regulatory solutions are being explored to reduce the minimum required contributions.

NOTE 14 – SUBSEQUENT EVENTS

On October 18, 2013, in the course of a review of major properties vendors, the Council's chief financial officer identified irregularities involving a properties vendor for work authorized by the Council's director of properties, Channing Smack ("Smack"). Internal investigation, with the aid of a private investigation firm and outside counsel, revealed that Smack secretly operated this vendor. On November 7, 2013, outside counsel contacted the United States Attorney's Office ("USAO") for the Central District of California. FBI investigation ensued with the Council's cooperation. On December 16, 2013, law enforcement executed seizure orders on bank accounts controlled by Smack. Later that day, GSGLA terminated Smack's employment. On December 17, 2013, the FBI arrested Channing Smack on criminal charges filed that day by the USAO of money laundering, mail fraud and aggravated identity theft, and the FBI executed a search warrant on Smack's residence. On January 29, 2014, Channing Smack pled guilty to one count of mail fraud and one count of money-laundering. According to the plea agreement, Smack will pay restitution to the Council estimated at \$370,000, of which \$245,803 is believed to be immediately recoverable upon sentencing, as it has been recovered by the investigating agencies. Smack's sentencing hearing is set for May 27, 2014. The Council has notified its insurance carrier and is awaiting the results of an internal forensic audit and restitution results before proceeding to proof of claim of the loss. The Council expects to recover its loss from a combination of the restitution and insurance policy.

The total amount of damages related to this fiscal year is estimated at \$329,090 and has been recorded as misappropriation of assets expense in the Council's financial statements as of and for the year ended September 30, 2013.

Management evaluated all activity through February 24, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events, other than that disclosed above, have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.