# GIRL SCOUTS OF GREATER LOS ANGELES

**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**
**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED**
**SEPTEMBER 30, 2010**
**(WITH COMPARATIVE TOTALS FOR THE**
**YEAR ENDED SEPTEMBER 30, 2009)**

# GIRL SCOUTS OF GREATER LOS ANGELES
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**
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**September 30, 2010**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
Girl Scouts of Greater Los Angeles

We have audited the accompanying statement of financial position of Girl Scouts of Greater Los Angeles as of September 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Girl Scouts of Greater Los Angeles' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2009 financial statements, and in our report dated March 17, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Girl Scouts of Greater Los Angeles as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
February 10, 2011

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# GIRL SCOUTS OF GREATER LOS ANGELES

**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**
**STATEMENT OF FINANCIAL POSITION**
**September 30, 2010**
**(with Comparative Totals for September 30, 2009)**

**ASSETS**

| | 2010 | 2009 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | $ 7,078,398 | $ 3,127,316 |
| Accounts and pledges receivable, net | 226,991 | 431,805 |
| Inventory | 526,600 | 408,942 |
| Short-term investments | 3,073,832 | 3,000,271 |
| Prepaid expenses and other assets | 334,143 | 192,897 |
| Total current assets | 11,239,964 | 7,161,231 |
| **Long-term assets** | | |
| Property and equipment, net | 8,143,227 | 10,624,554 |
| Long-term investments | 5,989,176 | 5,535,814 |
| **Total assets** | **$ 25,372,367** | **$ 23,321,599** |

**LIABILITIES AND NET ASSETS**

| | 2010 | 2009 |
|---|---|---|
| **Current liabilities** | | |
| Accounts payable | $ 451,053 | $ 263,287 |
| Accrued expenses | 706,317 | 467,306 |
| Custodial funds, held for others | 345,028 | 326,339 |
| Deferred rent | 772,244 | 624,697 |
| Deferred revenue | 39,447 | 51,273 |
| Mortgages payable, current portion | 84,303 | 77,811 |
| Capital lease payable, current portion | 151,648 | 142,795 |
| Total current liabilities | 2,550,040 | 1,953,508 |
| **Long-term liabilities** | | |
| Mortgages payable, net of current portion | 670,622 | 758,952 |
| Capital leases payable, net of current portion | 422,938 | 570,666 |
| Total liabilities | 3,643,600 | 3,283,126 |
| **Commitments and contingencies (Note 8)** | | |
| **Net assets** | | |
| Unrestricted | 21,130,948 | 19,455,627 |
| Temporarily restricted | 456,278 | 442,030 |
| Permanently restricted | 141,541 | 140,816 |
| Total net assets | 21,728,767 | 20,038,473 |
| **Total liabilities and net assets** | **$ 25,372,367** | **$ 23,321,599** |

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, 2010**
**(with Comparative Totals for September 30, 2009)**

| | Unrestricted Operating | Temporarily Restricted | Permanently Restricted | 2010 Total | 2009 Total |
|---|---|---|---|---|---|
| **Support and revenue** | | | | | |
| Public support | $ 445,766 | $ 608,894 | $ 725 | $ 1,055,385 | $ 777,244 |
| Product sales, net of direct costs | 9,837,026 | - | - | 9,837,026 | 8,330,709 |
| Merchandise sales, net of direct costs | 443,045 | - | - | 443,045 | 271,228 |
| Program fees | 834,358 | 6,890 | - | 841,248 | 665,158 |
| Property and equipment use fee | 65,504 | - | - | 65,504 | 56,318 |
| Interest and dividends income, net of fees | 196,420 | 4,208 | - | 200,628 | 218,040 |
| Realized and unrealized gain on investments, net | 378,308 | - | - | 378,308 | 817,248 |
| Other income | 20,352 | - | - | 20,352 | 4,010 |
| Net assets released from restrictions | 605,744 | (605,744) | - | - | - |
| Total support and revenue | 12,826,523 | 14,248 | 725 | 12,841,496 | 11,139,955 |
| **Functional expenses** | | | | | |
| Program expenses | 10,345,872 | - | - | 10,345,872 | 8,896,600 |
| Management and general expenses | 1,910,260 | - | - | 1,910,260 | 1,626,198 |
| Fundraising expenses | 631,932 | - | - | 631,932 | 535,416 |
| Total functional expenses | 12,888,064 | - | - | 12,888,064 | 11,058,214 |
| **Change in net assets before extraordinary items** | (61,541) | 14,248 | 725 | (46,568) | 81,741 |
| Extraordinary gain on insurance recovery (Note 4) | 768,415 | - | - | 768,415 | - |
| Extraordinary gain on disposition of assets (Note 4) | 968,447 | - | - | 968,447 | - |
| **Change in net assets** | 1,675,321 | 14,248 | 725 | 1,690,294 | 81,741 |
| **Net assets, beginning of year** | 19,455,627 | 442,030 | 140,816 | 20,038,473 | 19,956,732 |
| **Net assets, end of year** | **$ 21,130,948** | **$ 456,278** | **$ 141,541** | **$ 21,728,767** | **$ 20,038,473** |

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**
**(with Comparative Totals for the Year Ended September 30, 2009)**

| | Programs | Management and General | Fundraising | 2010 Total | 2009 Total |
|---|---|---|---|---|---|
| **Expenditures** | | | | | |
| Personnel expenses | $ 6,291,906 | $ 1,174,621 | $ 453,061 | $ 7,919,588 | $ 7,085,103 |
| Occupancy | 1,000,624 | 113,704 | 38,339 | 1,152,667 | 860,347 |
| Professional services and fees | 443,041 | 223,671 | 27,102 | 693,814 | 670,746 |
| Supplies | 941,576 | 34,444 | 15,693 | 991,713 | 617,461 |
| Insurance (except WC & UI) | 158,944 | 93,336 | 8,926 | 261,206 | 310,346 |
| Equipment | 198,992 | 32,098 | 6,713 | 237,803 | 303,789 |
| Travel | 193,114 | 16,470 | 6,654 | 216,238 | 172,934 |
| Telecommunications | 90,757 | 68,530 | 6,718 | 166,005 | 160,320 |
| Assistance and grants | 220,946 | - | - | 220,946 | 105,784 |
| Printing and promotion | 120,248 | 12,074 | 7,263 | 139,585 | 91,210 |
| Staff, volunteer and business development | 28,505 | 11,442 | 5,895 | 45,842 | 48,485 |
| Postage and shipping | 34,739 | 5,838 | 4,150 | 44,727 | 45,439 |
| Interest expense | 10,992 | 30,664 | 1,984 | 43,640 | 19,050 |
| Other expense | 71,636 | 27,128 | 27,719 | 126,483 | 112,057 |
| Depreciation | 539,852 | 66,240 | 21,715 | 627,807 | 455,143 |
| **Total functional expenses** | **$10,345,872** | **$ 1,910,260** | **$ 631,932** | **$12,888,064** | **$11,058,214** |
| | **80.3%** | **14.8%** | **4.9%** | **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, 2010**

**(with Comparative Totals for the Year Ended September 30, 2009)**

| | 2010 | 2009 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ 1,690,294 | $ 81,741 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 627,807 | 455,143 |
| Bad debt expense | 1,118 | 44,307 |
| Net realized and unrealized gain on investments | (378,308) | (817,248) |
| Extraordinary gain on sale of property | (968,447) | - |
| Extraordinary gain on insurance recovery | (768,415) | - |
| Loss on disposal of properties | 32,533 | 7,906 |
| Change in operating assets and liabilities | | |
| Accounts and pledges receivable | 275,512 | 212,805 |
| Inventory | (117,658) | (82,241) |
| Prepaid expenses and other assets | (141,247) | 13,168 |
| Accounts payable | 187,766 | 92,543 |
| Accrued expenses | 239,012 | 172,829 |
| Custodial funds, held for others | 18,689 | 194,853 |
| Deferred rent | 147,547 | 299,510 |
| Deferred revenue | (11,826) | 37,984 |
| Other liabilities | - | 1,944 |
| Net cash provided by operating activities | 834,377 | 715,244 |
| **Cash flows from investing activities** | | |
| Acquisitions of property and equipment | (585,473) | (701,933) |
| Proceeds from sale of properties | 3,332,673 | - |
| Proceeds from insurance recovery | 738,833 | - |
| (Purchases of) / proceeds from investments, net | (148,615) | 1,122,450 |
| Net cash provided by investing activities | 3,337,418 | 420,517 |
| **Cash flows from financing activities** | | |
| Payments on mortgage and capital lease payables | (220,713) | (115,878) |
| Increase in cash and cash equivalents | 3,951,082 | 1,019,883 |
| **Cash and cash equivalents, beginning of year** | 3,127,316 | 2,107,433 |
| **Cash and cash equivalents, end of year** | **$ 7,078,398** | **$ 3,127,316** |

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

## NOTE 1 – DESCRIPTION OF ORGANIZATION

Girl Scouts of Greater Los Angeles ("GSGLA" or the "Council") is a nonprofit corporation chartered by Girl Scouts of USA ("GSUSA") to extend the Girl Scout program throughout Los Angeles County and parts of San Bernardino, Kern and Ventura Counties. Girl Scouts is a values-based educational program that promotes self-esteem, leadership skills, good citizenship and community service.

As the largest girl-serving nonprofit in Southern California, GSGLA builds girls of courage, confidence and character, who make the world a better place. Girl Scouts is more than just cookies, camping and crafts; Girl Scouts is about leadership, life skills and community service. And through its program focus areas of Business Smarts, Arts & Culture, Environment & Outdoor Adventure, Science & Technology (STEM), and Wellness & Healthy Living, GSGLA provides hundreds of opportunities for girls to reach new heights, make new friends and discover themselves. With help from over 23,000 volunteers and in collaborations with schools and nonprofit organizations, the Council serves over 40,000 girls in grades K–12 throughout its jurisdiction.

Today, more than ever, all girls need positive role models and a safe, inclusive environment. With the support of GSGLA, a girl's leadership blooms among other girls, where she can express herself freely and try new things. GSGLA's core programs engage young women in challenging themselves, connecting with others and making the world a better place. Its seven service centers, fourteen program centers and four campsites serve girls and support GSGLA volunteers. The Council is committed to helping every girl access life-changing Girl Scout experiences, regardless of her economic situation. Therefore, GSGLA provides financial assistance to over 5,000 girls participating in traditional scouting programs, and full financial aid to over 6,000 girls enrolled in the Council's afterschool programs for underserved communities.

For nearly 100 years, Girl Scouts has engaged and inspired generations of future leaders. Nationally, GSUSA's tried and proven programs have helped develop the leadership skills of more than 50 million women who have gone on to shape the course of our nation's history. In addition to shattering barriers and transforming culture, women like Madeline Albright, Laura Bush, Hilary Rodham Clinton, Barbara Walters, Vera Wang and Sally Ride have proudly worn the Girl Scout trefoil. GSGLA continues in this grand tradition, providing girls and young women with the tools they need to discover who they can be, what they can do and how each can change the world.

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.

**NOTE 1 – DESCRIPTION OF ORGANIZATION (Continued)**

Girl Scout Troop Activity (Continued)
If a troop or group is about to disband, the troop may use any remaining funds to pay for lifetime memberships in GSUSA, to pay for a final group activity, to donate to groups or projects they consider worthwhile, or to donate to the Juliette Low Fund or to the GSGLA's financial assistance funds. If a troop or group disbands without making a determination as to the final distribution of funds, the funds will revert to the Council for holding for a period of 12 months in case the troop re-forms or members of the troop join other troops. If, after this time, funds are not claimed, they will be considered a donation to the GSGLA girl financial assistance fund. During the year ended September 30, 2010, donations of this kind totaled $14,007. Annually, troops and groups are required to report to GSGLA the balance in their accounts and the sources and uses of funds since the last reporting date.

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.

**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.

**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, 2009, from which the summarized information was derived.

On December 1, 2008, the former councils known as Angeles Girl Scout Council, Girl Scouts of Greater Long Beach, San Fernando Valley Girl Scout Council and Spanish Trails Girl Scout Council merged into and with Girl Scouts – Mt. Wilson Vista Council ("MWVC"), the surviving entity, which continued its existence and organization under the laws of the State of California as GSGLA. Accordingly, the 2009 comparative financial statements presented herein consist of two months (October 1 through November 30, 2008) of MWVC activity and ten months (December 1, 2008 through September 30, 2009) of GSGLA activity.

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 their use is restricted by explicit donor-imposed stipulations.

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. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

Pledges Receivable (Continued)
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, 2010 and 2009.

Product Sales
Girl Scout product sale activities help girls learn invaluable skills such as decision-making, money management and delivering on a promise. Each troop or group that sells products earns money for its treasury and plans how to spend that money to achieve its goals. The Council's share of the proceeds from the product sale activities helps to provide the financial assistance needed to make Girl Scouting available for all girls, to fund special events and other program activities, to keep event and camp fees for all members to a minimum, to improve and maintain camp and other activity sites, to recruit and train volunteer leaders, and to pay Council operating expenses. Revenue is recognized when delivery of the products has occurred, the price is fixed and determinable, and collectibility is reasonably assured.

Merchandise 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.

Program Fees
Program fees consist of camp fees and other related 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 rental income collected prior to the 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

Donated Goods and Services
Donated goods are 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. For the years ended September 30, 2010 and 2009, in-kind contributions amounted to $14,258 and $29,385, respectively.

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. Donated inventory is recorded at estimated fair value at date of receipt.

Property and Equipment
Property and equipment are stated at cost or at fair value at the date of the gift if received as a donation. The assets are being depreciated on a straight-line basis over their useful lives of three to thirty-nine 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.

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.

Income Taxes
The Council is exempt from Federal income and California state franchise taxes under section 501(c)(3) of the Internal Revenue Code and corresponding California Revenue and Taxation Code Sections.

In accordance with FASB ASC Topic No. 740, “Uncertainty in Income Taxes” (formerly FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109”), the Council’s policy is to recognize 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

Income Taxes (Continued)
To date, the Council has not recorded any uncertain tax positions. The policy of the Council is to recognize potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended September 30, 2010 and 2009, respectively, the Council performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status. Accordingly, no provision or benefits for federal or state income taxes is recorded in the accompanying financial statements.

Estimated Fair Value of Financial Instruments
As defined in FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820") (formerly SFAS No. 157, "Fair Value Measurements"), fair value is 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 determining fair value, the Council uses the market or income approach. Based on this approach, the Council utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Council utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Council is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments that would generally be included in Level 1 include listed securities and the Council's investment account, which is comprised entirely of securities and taxable bonds with quoted market prices in active markets.

Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1. Fair value is determined through observable trading activity reported at net asset value or through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by the Council. The types of instruments that would generally be included in this category include debt and equity securities issued by private entities, and real estate.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

Estimated Fair Value of Financial Instruments (Continued)
The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal year ended September 30, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Financial instruments included in the Council's statement of financial position include cash and cash equivalents, accounts and pledges receivable, investments, accounts payable and accrued expenses. The following is a description of the valuation methodologies used for instruments measured at fair value:

For cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity. Pledges receivable have been discounted using applicable market rates to approximate fair value. Investments are reflected at estimated fair value.

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.

Risk and Uncertainties
In the normal course of business, the Council is subject to certain risks and uncertainties:

- For the year ended September 30, 2010 and 2009, approximately 77% and 75% of support and revenue was derived from net cookie, nut and magazine sales.

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, 2010, the Council maintained cash balances that exceeded $250,000, the normal FDIC insurance limit. 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.

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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

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.

Recently Adopted Accounting Pronouncements
On December 30, 2008, FASB ASC Topic No. 715, "Compensation – Retirement Benefits" ("ASC 715") (formerly FASB Staff Position ("FSP") FAS 132R-1, "Employers' Disclosures about Postretirement Benefit Plan Assets"), was issued. ASC 715 significantly expands the disclosures required by employers for postretirement plan assets. The amended postretirement benefit plan disclosure requirements in ASC 715 require plan sponsors to provide extensive new disclosures about assets in defined benefit postretirement benefit plans as well as any concentrations of associated risks. In addition, the amended postretirement benefit plan disclosure requirements in ASC 715 require new disclosures similar to those in FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820") (formerly SFAS 157, "Fair Value Measurements"), in terms of the three-level fair value hierarchy, including a reconciliation of the beginning and ending balances of plan assets that fall within Level 3 of the hierarchy. The amended postretirement benefit plan disclosure requirements in ASC 715 are effective for periods ending after December 15, 2009. The Council's adoption of ASC 715 for its year ended September 30, 2010 had no material impact on the financial statements.

In January 2010, the FASB issued Accounting Standards Update 2010-06, "Fair Value Measurements and Disclosures (Topic 820)" ("ASU 2010-06"). This guidance amends the disclosure requirements related to recurring and nonrecurring fair value measurements and requires new disclosures on the transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a rollforward of activities on purchases, sales, issuance and settlements of the assets and liabilities measured using Level 3 measurements. The guidance is effective for the reporting period beginning July 1, 2010, except for the disclosure on the rollforward activities for Level 3 fair value measurements, which will become effective for the reporting period beginning July 1, 2011. The Council's management has not yet assessed the impact of ASU 2010-06, but does not believe it will have a material effect on its financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)**

Recently Adopted Accounting Pronouncements (Continued)
In January 2010, the FASB issued Accounting Standards Update 2010-07, "Not-for-Profit Entities: Mergers and Acquisitions (Topic 958)" ("ASU 2010-07"). This guidance amends and clarifies the requirements under ASC 958-805, which establishes principles and requirements for how a not-for-profit entity accounts for and discloses mergers and acquisitions. It also amends SFAS No. 142, "Goodwill and Other Intangible Assets," to make it fully applicable to not-for-profit entities. ASC 958-805 is effective for mergers occurring on or after December 15, 2009, and acquisitions for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. The Council's management is currently assessing the impact of ASU 2010-07 and ASC 958-805, but does not believe they will have a material effect on its financial statements.

**NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE**

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

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | Accounts Receivable | Pledges Receivable | Total | Total |
| Gross amount | $ 215,019 | $ 22,227 | $ 237,246 | $ 459,390 |
| Reserve for uncollectible amounts | (9,400) | (855) | (10,255) | (27,585) |
| **Total** | **$ 205,619** | **$ 21,372** | **$ 226,991** | **$ 431,805** |

As of September 30, 2010, all accounts and pledges receivable balances are current and payable within one year.

**NOTE 4 – INVESTMENTS**

As of September 30, 2010, the Council's investments were classified by level within the valuation hierarchy as follows:

| | Level 1 | Level 2 | Level 3 | Total | % of Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 226,055 | $ - | $ - | $ 226,055 | 2% |
| Bonds | 5,168,286 | - | - | 5,168,286 | 57% |
| Equities | 2,692,165 | - | - | 2,692,165 | 30% |
| Mutual funds | 857,450 | - | - | 857,450 | 10% |
| CDs and other investments | 95,542 | 23,510 | - | 119,052 | 1% |
| **Total investments** | **$ 9,039,498** | **$ 23,510** | **$ -** | **$ 9,063,008** | |
| Short-term investments | | | | $ 3,073,832 | |
| Long-term investments | | | | 5,989,176 | |
| **Total investments** | | | | **$ 9,063,008** | |

**NOTE 4 – INVESTMENTS (Continued)**

Net investment income from these investments amounted to $578,936 for the year ended September 30, 2010 and $1,035,288 for the year ended September 30, 2009, and is summarized as follow:

| | 2010 | 2009 |
|---|---|---|
| Interest and dividends | $ 200,628 | $ 218,040 |
| Net realized and unrealized gain | 378,308 | 817,248 |
| | **$ 578,936** | **$ 1,035,288** |

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at September 30:

| | 2010 | 2009 |
|---|---|---|
| Land and land improvements | $ 4,463,677 | $ 5,778,900 |
| Buildings and improvements, including leasehold improvements | 7,816,415 | 9,308,174 |
| Furniture, fixtures and equipment | 1,173,144 | 1,316,551 |
| Computer hardware and software | 906,490 | 1,086,705 |
| Construction in progress | 76,288 | - |
| | 14,436,014 | 17,490,330 |
| Less accumulated depreciation | 6,292,787 | 6,865,776 |
| | **$ 8,143,227** | **$ 10,624,554** |

Depreciation expense for the years ended September 30, 2010 and 2009 was $627,807 and $455,143, respectively.

On August 11, 2010, the Council sold its land and office facilities located in Santa Monica, California with a depreciated cost at that date of $2,364,226 for $3,332,673. A gain of $968,447 from the sale of land and building was reported as an extraordinary item for the year ended September 30, 2010, because the Council disposed of these assets within two years of the combination under the pooling of interests method.

On January 8, 2010, the dining hall at the Council's Camp Lakota burned to the ground. Insurance proceeds totaling $810,649 were received toward the restoration and replacement costs of the capital asset and personal property. The insurance recoveries were reported net of the loss on the impaired capital asset of $42,234 as an extraordinary gain of $768,415 for the year ended September 30, 2010.

## NOTE 6 – CAPITAL LEASES PAYABLE

The Council has four capital leases due in monthly installments with interest as given below. The total cost of the equipment leased is $761,141 and is included in property and equipment. As of September 30, 2010, the accumulated depreciation on the assets is $201,470.

Future minimum lease payments under the leases at September 30, 2010 were as follows:

| Year Ending September 30, | |
|---|---|
| 2011 | $ 184,631 |
| 2012 | 182,411 |
| 2013 | 176,201 |
| 2014 | 98,182 |
| 2015 | 2,970 |
| Total minimum lease payments | 644,395 |
| Less imputed interest | 69,809 |
| **Present value minimum lease obligation** | **$ 574,586** |
| Current portion | 151,648 |
| Long-term portion | 422,938 |
| | **$ 574,586** |

## NOTE 7 – MORTGAGES PAYABLE

As of September 30, 2010 the balances the Council owed on two mortgages payable are $306,437 and $448,488. 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 7.5% annually through the year 2015, respectively.

Future minimum maturities payments under the mortgage agreement at September 30, 2010 were as follows:

| Year Ending September 30, | |
|---|---|
| 2011 | $ 84,303 |
| 2012 | 91,565 |
| 2013 | 99,456 |
| 2014 | 108,030 |
| 2015 | 117,346 |
| Thereafter | 254,225 |
| **Total payments** | **$ 754,925** |
| Current portion | 84,303 |
| Long-term portion | 670,622 |
| **Total** | **$ 754,925** |

## NOTE 8 – COMMITMENTS AND CONTINGENCIES

***Lease Commitments***
The Council leases four properties under noncancelable lease agreements. Total rent expense for the year ended September 30, 2010 was $457,734.

Future minimum lease payments at September 30, 2010 were as follows under the leases:

| Year Ending September 30, | |
|---|---|
| 2011 | $ 537,426 |
| 2012 | 486,024 |
| 2013 | 508,398 |
| 2014 | 523,596 |
| 2015 | 517,741 |
| Thereafter | 1,323,852 |
| **Total** | **$ 3,897,037** |

In connection with rent discounts and incentives offered by the landlord at the Los Angeles location, the Council has a deferred rent liability of $772,244 that will be amortized against rent expense over the life of the lease.

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, 2010.

## NOTE 9 – NET ASSETS

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

| | 2010 | 2009 |
|---|---|---|
| Science, Technology, Engineering & Math (STEM) | $ 29,333 | $ 71,237 |
| Camperships | 204,087 | 292,764 |
| Community outreach | 57,664 | 29,015 |
| GSUSA Membership Development | 14,022 | 23,060 |
| Capital campaign | 25,912 | 11,409 |
| Scholarship funds | 6,856 | 5,484 |
| Financial assistance | 33,880 | 1,533 |
| Skyland Ranch Trees or Animals | 75,000 | - |
| Other | 9,524 | 7,528 |
| | **$ 456,278** | **$ 442,030** |

Temporarily restricted net assets are available for, among other things, providing outreach programs to underserved communities and sponsoring camperships.

## NOTE 10 – ENDOWMENT

Through December 31, 2008, the California Uniform Management of Institutional Funds Act ("UMIFA") governed the management and use of donor-restricted endowment funds held by charitable institutions in the state of California. Under UMIFA, the Council classified as permanently restricted net assets the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction, if any, of the applicable donor gift instrument. Accumulated earnings of donor-restricted endowment funds were classified as unrestricted net assets, funds available for operations in accordance with donor specifications.

Effective January 1, 2009, the state of California adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which replaces UMIFA. In August of 2008, the FASB issued FSP 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." (This is referred to under the new codification as ACS 958-205.) The disclosure provisions of ACS 958-205 were applied by the Council during the year ended September 30, 2010, as shown below.

At September 30, 2010, 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.

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

| | 2010 | 2009 |
|---|---|---|
| General endowment | $ 68,412 | $ 67,852 |
| Scholarships | 75,747 | 72,964 |
| **Total** | **$ 144,159** | **$ 140,816** |

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

| | 2010 | 2009 |
|---|---|---|
| Investments (permanently restricted) | $ 141,541 | $ 140,816 |
| Investments income (temporarily restricted) | 2,618 | - |
| **Total endowment** | **$ 144,159** | **$ 140,816** |

**NOTE 10 – ENDOWMENT (Continued)**

For the year ended September 30, 2010, the Council's endowment net assets changed as follows:

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | Temporarily Restricted | Permanently Restricted | Total | Total |
| Balance, beginning of year | $ - | $ 140,816 | $ 140,816 | $ 140,766 |
| Investment income | 2,618 | - | 2,618 | 1,570 |
| Withdrawals from endowment | - | - | - | (1,570) |
| Contributions | - | 725 | 725 | 50 |
| **Balance, end of year** | **$ 2,618** | **$ 141,541** | **$ 144,159** | **$ 140,816** |

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, 2010.

Return Objectives and Risk Parameters
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. Endowment assets include those assets of donor-restricted funds that the Council must hold in perpetuity. 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.

Strategies Employed for Achieving Objectives
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 11 – PROGRAM-RELATED SALES

The gross revenue and expense of the program-related cookie and equipment sales, shown on the financial statement for the year ended September 30, 2010, are as follows:

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | Product Sales | GSUSA Merchandise Sales | Total | Total |
| Gross revenue | $ 17,490,962 | $ 1,197,826 | $ 18,688,788 | $ 14,740,927 |
| Product costs | 7,653,936 | 754,774 | 8,408,710 | 6,138,990 |
| **Product and merchandise sales, net** | **$ 9,837,026** | **$ 443,052** | **$ 10,280,078** | **$ 8,601,937** |

## NOTE 12 – PENSION PLAN

The council participates in the National Girl Scout Council Retirement Plan, a noncontributory defined benefit pension plan sponsored by GSUSA which covers substantially all of the employees of various Girl Scout councils. Benefits are based on years of service and salary levels. The Council's pension expense and contributions to this plan for the fiscal year ended September 30, 2010 and 2009 was $385,051 and $153,614 respectively. The National Board of the GSUSA voted to freeze future benefits under the Plan effective July 31, 2010. Due to the nature of the plan, it is not practicable to determine the extent to which the assets of the plan cover the actuarially computed value of vested benefits for the Council as a standalone operation. In addition, because the plan is considered a multiemployer plan, it is only subject to certain minimum reporting requirements of the FASB Accounting Standards Code Section 715-80.

Due to unfavorable market conditions, as of January 1, 2010, the actuarial present value of accumulated plan benefits exceeded net plan assets available for plan benefits.