

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011)



GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONTENTS
September 30, 2012

	Page
INDEPENDENT AUDITOR'S REPORT	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 21

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 (the "Council") as of September 30, 2012, 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 2011 financial statements, and in our report dated February 21, 2012, 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, 2012, 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

Los Angeles, California
February 6, 2013

GIRL SCOUTS OF GREATER LOS ANGELES

(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)

STATEMENT OF FINANCIAL POSITION

September 30, 2012

(with Comparative Totals for September 30, 2011)

ASSETS		
	2012	2011
Current assets		
Cash and cash equivalents	\$ 4,095,092	\$ 5,817,385
Accounts and pledges receivable, net	533,203	288,693
Inventory	478,962	357,114
Short-term investments	3,176,585	3,099,617
Prepaid expenses and other assets	579,026	452,416
Total current assets	8,862,868	10,015,225
Long-term assets		
Long-term investments	6,469,715	5,720,246
Property and equipment, net	9,689,303	8,800,000
Total assets	\$ 25,021,886	\$ 24,535,471
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 905,913	\$ 590,665
Accrued expenses	951,883	826,172
Custodial funds, held for others	58,586	205,434
Deferred rent	772,440	803,231
Deferred revenue	301,034	161,480
Mortgages payable, current portion	99,456	91,565
Capital lease payable, current portion	171,401	168,659
Total current liabilities	3,260,713	2,847,206
Long-term liabilities		
Mortgages payable, net of current portion	472,176	575,125
Capital leases payable, net of current portion	103,005	271,250
Total liabilities	3,835,894	3,693,581
Commitments and contingencies (Note 8)		
Net assets		
Unrestricted	20,430,929	20,067,877
Temporarily restricted	613,497	632,447
Permanently restricted	141,566	141,566
Total net assets	21,185,992	20,841,890
Total liabilities and net assets	\$ 25,021,886	\$ 24,535,471

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, 2012
(with Comparative Totals for the Year Ended September 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Support and revenue					
Public support	\$ 771,165	\$ 842,706	\$ -	\$ 1,613,871	\$ 1,642,215
Product sales, net of direct costs	11,673,691	-	-	11,673,691	11,015,670
Merchandise sales, net of direct costs	600,078	-	-	600,078	481,542
Program fees	1,214,896	-	-	1,214,896	949,952
Property and equipment use fee	76,794	-	-	76,794	79,860
Interest and dividend income, net of fees	197,901	-	-	197,901	203,670
Realized and unrealized (loss) gain on investments, net	632,795	-	-	632,795	(429,132)
Other income	80,707	-	-	80,707	215
Net assets released from restriction	861,656	(861,656)	-	-	-
Total support and revenue	16,109,683	(18,950)	-	16,090,733	13,943,992
Functional expenses					
Program expenses	13,239,034	-	-	13,239,034	12,058,856
Management and general expenses	1,922,730	-	-	1,922,730	1,982,939
Fundraising expenses	584,867	-	-	584,867	789,074
Total functional expenses	15,746,631	-	-	15,746,631	14,830,869
Change in net assets	363,052	(18,950)	-	344,102	(886,877)
Net assets, beginning of year	20,067,877	632,447	141,566	20,841,890	21,728,767
Net assets, end of year	\$ 20,430,929	\$ 613,497	\$ 141,566	\$ 21,185,992	\$ 20,841,890

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, 2012
(with Comparative Totals for the Year Ended September 30, 2011)

	Program	Management and General	Fundraising	2012 Total	2011 Total
Expenditures					
Assistance and grants	\$ 182,370	\$ 45	\$ 3	\$ 182,418	\$ 204,017
Depreciation	616,812	93,018	22,231	732,061	646,758
Equipment	276,155	42,608	4,367	323,130	362,854
Insurance	157,039	81,606	5,440	244,085	240,981
Interest expense	13,940	10,053	670	24,663	35,184
Occupancy	1,339,907	156,805	41,465	1,538,177	1,528,145
Other expense	155,843	18,122	5,413	179,378	122,669
Personnel expenses	8,027,243	1,168,510	413,535	9,609,288	8,815,808
Postage and shipping	40,553	4,304	15,479	60,336	57,527
Printing and promotion	201,487	14,455	20,726	236,668	255,551
Professional services and fees	687,514	230,191	30,643	948,348	882,904
Staff, volunteer and business development	20,231	9,982	1,791	32,004	35,106
Supplies	1,123,150	28,567	13,884	1,165,601	1,190,256
Telecommunications	102,937	49,768	5,706	158,411	162,479
Travel	293,853	14,696	3,514	312,063	290,630
Total functional expenses	<u>\$ 13,239,034</u>	<u>\$ 1,922,730</u>	<u>\$ 584,867</u>	<u>\$ 15,746,631</u>	<u>\$ 14,830,869</u>
	84.1%	12.2%	3.7%	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, 2012
(with Comparative Totals for the Year Ended September 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 344,102	\$ (886,877)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	732,061	646,758
Bad debt expense	32,081	25,875
Net realized and unrealized loss (gain) on investments	(632,795)	429,132
Loss on disposal of properties	17,694	6,385
Change in operating assets and liabilities		
Accounts and pledges receivable	(276,591)	(87,577)
Inventory	(121,848)	169,486
Prepaid expenses and other assets	(126,610)	(118,273)
Accounts payable	315,248	139,612
Accrued expenses	125,711	119,855
Custodial funds, held for others	(146,848)	(139,594)
Deferred rent	(30,791)	30,987
Deferred revenue	<u>139,554</u>	<u>122,033</u>
Net cash provided by operating activities	<u>370,968</u>	<u>457,802</u>
Cash flows from investing activities		
Acquisitions of property and equipment	(1,639,058)	(1,346,664)
Proceeds from sale of properties	-	36,748
Purchases of investments	(3,670,432)	5,326,101
Proceeds from sales of investments	<u>3,476,790</u>	<u>(5,512,088)</u>
Net cash used in investing activities	(1,832,700)	(1,495,903)
Cash flows from financing activities		
Payments on mortgage and capital lease payables	<u>(260,561)</u>	<u>(222,912)</u>
Decrease in cash and cash equivalents	(1,722,293)	(1,261,013)
Cash and cash equivalents, beginning of year	<u>5,817,385</u>	<u>7,078,398</u>
Cash and cash equivalents, end of year	<u>\$ 4,095,092</u>	<u>\$ 5,817,385</u>
Supplemental disclosure of cash flow information		
Interest paid during the year	<u>\$ 52,616</u>	<u>\$ 33,223</u>

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, 2012

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 43,000 girls (grades K–12) in partnership with more than 23,000 volunteers from the many diverse communities of Los Angeles County and parts of Kern, San Bernardino and Ventura counties. GSGLA is the largest girl-serving nonprofit agency in Southern California and maintains seven service centers, 14 program centers and four 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. Therefore, GSGLA provides financial assistance in traditional scouting programs for 5,000 girls, as well as providing afterschool programs for more than 6,000 girls in underserved communities.

In 2012, Girl Scouts celebrated its 100th anniversary and reinvigorated its mission to empower girls and young women, including the national launch of the ToGetHerThere campaign dedicated to transforming the leadership landscape and breaking down the barriers that hinder girls from achieving success. GSGLA also held the inaugural Girltopia event at the Los Angeles Convention Center where over 12,000 Girl Scouts participated in a day full of live performances, engaging activities and fun learning opportunities in each of our six program areas. Our annual Gold Award Ceremony celebrated 267 Gold Award Girl Scouts—the most girls to earn the Gold Award by one council in a year. The Gold Award is the highest honor a girl can achieve in Girl Scouting, and it takes high school Girl Scouts over 80 hours of community service and leadership application to earn this prestigious award.

More than 30,000 girls participated in the council’s 2012 Girl Scout Cookie and Fall Product programs, which developed and reinforced the valuable life skills of decision-making, money management, goal-setting, marketing and customer service. Troops used these funds to support their year-round activities, that ranged from participating in field trips to cultural or historical locations to implementing community service projects.

The Cookie Program and Fall Product Program also provide critical funding for several Council priorities. Offering Girl Scouting to low-income girls is one of the Council’s top priorities and the programs help provide financial support for uniforms, camp and program activities. The programs also help the Council maintain the upkeep on camps, service centers and program centers.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 – DESCRIPTION OF COUNCIL (Continued)

For a century Girl Scouts has engaged and inspired generations of leaders. 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 such as Madeline Albright, Laura Bush, Hilary Rodham Clinton, Barbara Walters and Vera Wang have proudly worn the Girl Scout trefoil. GSGLA continues in this grand tradition, providing girls and young women with the values, life skills and tools they need to discover who they can be, what they can do and how each can change the world.

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.

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, 2011, from which the summarized information was derived.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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. 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, 2012 and 2011.

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.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Program Fees (Continued)

Deferred revenue consists of revenue collected for events that have not yet occurred and property and equipment rental income 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 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, 2012 and 2011.

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.

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 39 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 SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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.

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 for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statements No. 109, "Accounting for Income Taxes," 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 year ended September 30, 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).

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Fair Value Measurements (Continued)

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.

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.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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, 2012 and 2011, approximately 73% and 79% 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, 2012, 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.

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.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Recently Issued Accounting Pronouncements

In May 2011, the 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 US 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 US 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 will not have a material impact on the financial statements.

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 is in the process of assessing the effect that the guidance will have on its financial statements.

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

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

	<u>2012</u>			<u>2011</u>
	<u>Accounts Receivable</u>	<u>Pledges Receivable</u>	<u>Total</u>	<u>Total</u>
Gross amount	\$ 137,874	\$ 415,255	\$ 553,129	\$ 303,019
Reserve for uncollectible amounts	<u>(19,926)</u>	<u>-</u>	<u>(19,926)</u>	<u>(14,326)</u>
Total	<u>\$ 117,948</u>	<u>\$ 415,255</u>	<u>\$ 533,203</u>	<u>\$ 288,693</u>

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – INVESTMENTS

As of September 30, 2012, the Council's investments were classified by level within the valuation hierarchy as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>% of Total</u>
Cash and cash equivalents	\$ 551,417	\$ -	\$ -	\$ 551,417	6
CDs and other investments	71,163	22,803	-	93,966	1
Domestic equities	2,492,038	-	-	2,492,038	26
International equities	247,021	-	-	247,021	3
Exchange traded fund equities	765,743	-	-	765,743	8
Mutual funds	136,225	-	-	136,225	1
Taxable fixed income bonds	5,262,223	-	-	5,262,223	54
Miscellaneous fixed income bonds	<u>97,657</u>	<u>-</u>	<u>-</u>	<u>97,657</u>	1
Total investments	<u>\$9,623,497</u>	<u>\$ 22,803</u>	<u>\$ -</u>	<u>\$9,646,300</u>	
Short-term investments				\$3,176,585	
Long-term investments				<u>6,469,715</u>	
Total investments				<u>\$9,646,300</u>	

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – INVESTMENTS (Continued)

Net investment gain (loss) activity for the years ended September 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 260,983	\$ 269,927
Investment fees	<u>(63,082)</u>	<u>(66,257)</u>
Interest and dividends income, net of fees	197,901	203,670
Net realized and unrealized (loss) gains	<u>632,795</u>	<u>(429,132)</u>
	<u>\$ 830,696</u>	<u>\$ (225,462)</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 5,008,239	\$ 4,789,590
Buildings and improvements, including leasehold improvements	9,028,168	8,201,174
Furniture, fixtures and equipment	1,555,438	1,440,722
Computer hardware and software	911,711	943,904
Construction in progress	<u>421,826</u>	<u>267,940</u>
	16,925,382	15,643,330
Less accumulated depreciation	<u>7,236,079</u>	<u>6,843,330</u>
	<u>\$ 9,689,303</u>	<u>\$ 8,800,000</u>

Depreciation expense for the years ended September 30, 2012 and 2011 was \$732,061 and \$646,758, respectively.

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 \$779,183 and is included in property and equipment. As of September 30, 2012, the accumulated depreciation on the assets is \$485,657.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 6 – CAPITAL LEASES PAYABLE (Continued)

Future minimum lease payments under the leases at September 30, 2012 were as follows:

Year Ending <u>September 30,</u>	
2013	\$ 183,258
2014	102,730
2015	<u>2,970</u>
Total minimum lease payments	288,958
Less imputed interest	<u>14,552</u>
Present value minimum lease obligation	<u>\$ 274,406</u>
Current portion	\$ 171,401
Long-term portion	<u>103,005</u>
	<u>\$ 274,406</u>

NOTE 7 – MORTGAGES PAYABLE

As of September 30, 2012, the balances the Council owed on two mortgages payable are \$282,233 and \$289,399, 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 7.5% annually through the year 2015, respectively.

Future minimum maturities payments under the mortgage agreement at September 30, 2012 were as follows:

Year Ending <u>September 30,</u>	
2013	\$ 99,456
2014	108,030
2015	117,346
2016	24,693
2017	17,843
Thereafter	<u>204,264</u>
Total payments	<u>\$ 571,632</u>

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 7 – MORTGAGES PAYABLE (Continued)

Current portion	\$ 99,456
Long-term portion	<u>472,176</u>
Total	<u>\$ 571,632</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Council leases four properties under noncancelable lease agreements with expiration dates ranging between 2015 and 2021. Total rent expense for the year ended September 30, 2012 was \$763,723.

The Council signed an amendment for the lease agreement for the headquarters location on August 27, 2012 with the commencement date of October 1, 2012.

Future minimum lease payments at September 30, 2012 were as follows under the leases:

<u>Year Ending</u> <u>September 30,</u>	
2013	\$ 832,878
2014	857,820
2015	866,472
2016	858,188
2017	883,973
Thereafter	<u>2,745,835</u>
Total	<u>\$ 7,045,166</u>

In connection with rent discounts and incentives offered by the landlords at multiple locations, the Council has a deferred rent liability of \$772,440 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, 2012.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 9 – NET ASSETS

Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
Camperships	\$ 119,472	\$ 145,518
Capital	6,418	111,831
Camporee	1,559	-
Financial assistance	10,936	33,149
Membership extension	37,786	159,681
Scholarship	18,343	10,862
Science, Technology, Engineering & Math (STEM)	29,388	151,038
ToGetHerThere Luncheon	376,536	-
Other	<u>13,059</u>	<u>20,368</u>
	<u>\$ 613,497</u>	<u>\$ 632,477</u>

Temporarily restricted net assets are available for, among other things, membership extension, afterschool programs, and campership grants for underserved communities.

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, 2012, as shown below.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 10 – ENDOWMENT (Continued)

At September 30, 2012, 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:

	<u>2012</u>	<u>2011</u>
General endowment	\$ 87,299	\$ 72,029
Scholarships	<u>78,779</u>	<u>79,778</u>
Total	<u>\$ 166,078</u>	<u>\$ 151,807</u>

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

	<u>2012</u>	<u>2011</u>
Investments (permanently restricted)	\$ 141,566	\$ 141,566
Investments (temporarily restricted)	<u>24,512</u>	<u>10,241</u>
Total endowment	<u>\$ 166,078</u>	<u>151,807</u>

For the year ended September 30, 2012, the Council's endowment net assets changed as follows:

	<u>2012</u>			<u>2011</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 10,241	\$ 141,566	\$ 151,807	\$ 144,159
Investment income	14,271	-	14,271	7,623
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>
Balance, end of year	<u>\$ 24,512</u>	<u>\$ 141,566</u>	<u>\$ 166,078</u>	<u>\$ 151,807</u>

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, 2012.

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 10 – ENDOWMENT (Continued)

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 product and merchandise sales, shown on the financial statement for the year ended September 30, 2012, are as follows:

	<u>2012</u>			<u>2011</u>
	<u>Product Sales</u>	<u>Merchandise Sales</u>	<u>Total</u>	<u>Total</u>
Gross revenue	\$ 20,689,976	\$ 1,710,360	\$22,400,336	\$ 20,849,160
Direct costs	<u>9,016,285</u>	<u>1,110,282</u>	<u>10,126,567</u>	<u>9,351,948</u>
Product and merchandise sales, net	<u>\$ 11,673,691</u>	<u>\$ 600,078</u>	<u>\$12,273,769</u>	<u>\$ 11,497,212</u>

GIRL SCOUTS OF GREATER LOS ANGELES
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 12 – PENSION PLAN

The Council participates in the National Girl Scout Council Retirement Plan (“NGSCR”), a noncontributory defined benefit pension plan sponsored by 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. 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 in fiscal year 2012 and 2011 are \$484,028 and \$446,796, respectively.

NOTE 13 – SUBSEQUENT EVENTS

In December, 2012, the Organization entered into a \$2,000,000 Line of Credit facility which bears interest at LIBOR (0.22% at September 30, 2012) plus 2%. The loan is secured by the Organization’s investments and expires April 3, 2014.

Management evaluated all activity through February 6, 2013 (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.