

Girl Scouts of Eastern Washington and Northern Idaho

Financial Statements and
Independent Auditors' Reports

September 30, 2007

Girl Scouts of Eastern Washington and Northern Idaho

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Girl Scouts of Eastern Washington and Northern Idaho
Spokane, Washington

We have audited the accompanying statement of financial position of Girl Scouts of Eastern Washington and Northern Idaho (the Girl Scouts) as of September 30, 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Girl Scout's management. 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 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 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 Eastern Washington and Northern Idaho as of September 30, 2007, and 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.

As described in note 2 to the financial statements, the net assets of Girl Scouts Mid-Columbia Council were acquired by Girl Scouts Inland Empire Council effective May 1, 2007. In connection with the acquisition, the name of the organization was changed to Girl Scouts of Eastern Washington and Northern Idaho.



Spokane, Washington
March 10, 2008

Girl Scouts of Eastern Washington and Northern Idaho

Statement of Financial Position

September 30, 2007

Assets

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,384,718
Accounts receivable	8,112
Inventory	71,089
Prepaid expenses	4,076
Current portion of pledges receivable, net of allowance for doubtful accounts of \$3,131	<u>150,867</u>
Total current assets	1,618,862

PLEDGES RECEIVABLE 21,596

INVESTMENTS 257,478

PROPERTY AND EQUIPMENT, net 3,493,920

\$ 5,391,856

Liabilities and Net Assets

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 44,075
Membership dues payable	32,690
Cookie dough	129,273
Scholarships	58,108
Deferred revenue	<u>13,981</u>
Total current liabilities	278,127

COMMITMENTS

NET ASSETS:

Unrestricted	\$ 4,764,587
Permanently restricted	<u>349,142</u>
Total net assets	<u>5,113,729</u>

\$ 5,391,856

See accompanying notes to financial statements.

Girl Scouts of Eastern Washington and Northern Idaho

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
		Donor	Mutual	
		Restricted	Fund	
<i>PUBLIC SUPPORT AND REVENUE:</i>				
Public support:				
Annual giving	\$ 33,972	\$ -	\$ -	\$ 33,972
Grants and contributions, operating	241,632	-	20,308	261,940
Grants and contributions, capital	465,637	-	-	465,637
Contribution received in the acquisition of Girl Scouts Mid-Columbia Council	509,379	22,784	-	532,163
In-kind donations	26,227	-	-	26,227
United Way allocation:				
Spokane County	112,802	-	-	112,802
Other counties	102,761	-	-	102,761
Total public support	<u>1,492,410</u>	<u>22,784</u>	<u>20,308</u>	<u>1,535,502</u>
Revenue:				
Cookie sales, net of costs of \$582,879	745,912	-	-	745,912
QSP fund raiser	7,877	-	-	7,877
Camping fees	142,681	-	-	142,681
Training and program	60,344	-	-	60,344
Retail sales, net of costs of \$95,233	56,828	-	-	56,828
Special events, net of costs of \$8,830	27,526	-	-	27,526
Investment income and interest earned	77,593	-	-	77,593
Rental income	5,226	-	-	5,226
Gain on sale of land	1,050,693	-	300,000	1,350,693
Miscellaneous income	22,944	-	-	22,944
Total revenue	<u>2,197,624</u>	<u>-</u>	<u>300,000</u>	<u>2,497,624</u>
Net assets released from restrictions:				
Satisfaction of time and use restrictions	54,428	(30,310)	(24,118)	-
Total public support and revenue	<u>3,744,462</u>	<u>(7,526)</u>	<u>296,190</u>	<u>4,033,126</u>
<i>EXPENSES:</i>				
Total program services	<u>1,496,255</u>	<u>-</u>	<u>-</u>	<u>1,496,255</u>
Supporting services:				
Management and general	130,453	-	-	130,453
Fund raising	149,190	-	-	149,190
Total supporting services	<u>279,643</u>	<u>-</u>	<u>-</u>	<u>279,643</u>
Total expenses	<u>1,775,898</u>	<u>-</u>	<u>-</u>	<u>1,775,898</u>
<i>CHANGE IN NET ASSETS</i>	1,968,564	(7,526)	296,190	2,257,228
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>2,796,023</u>	<u>7,526</u>	<u>52,952</u>	<u>2,856,501</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 4,764,587</u>	<u>\$ -</u>	<u>\$ 349,142</u>	<u>\$ 5,113,729</u>

See accompanying notes to financial statements.

Girl Scouts of Eastern Washington and Northern Idaho

Statement of Functional Expenses

Year Ended September 30, 2007

	Program Services	Supporting Services		Totals
		Management and General	Fund Raising	
<i>EXPENSES FROM OPERATIONS:</i>				
Salaries:				
Office staff	\$ 793,705	\$ 60,826	\$ 63,080	\$ 917,611
Camp staff	26,584	-	-	26,584
Employees' health, life, and retirement plan	100,552	4,202	8,395	113,149
Payroll taxes and workers' compensation	69,631	9,061	5,222	83,914
Total salaries and related expenses	<u>990,472</u>	<u>74,089</u>	<u>76,697</u>	<u>1,141,258</u>
Professional fees	7,536	(846)	572	7,262
Supplies	81,164	993	969	83,126
Telephone	27,686	1,334	1,447	30,467
Postage	12,630	1,356	917	14,903
Occupancy	94,303	2,421	3,993	100,717
Rental and maintenance of equipment	28,171	2,174	1,495	31,840
Printing and publication	24,178	1,737	-	25,915
Travel	47,225	8,643	1,566	57,434
Staff, Board, and volunteer training and conferences	2,117	4,561	638	7,316
Financial assistance	42,121	-	-	42,121
Membership dues	1,250	45	453	1,748
Interest	-	295	-	295
Insurance	28,007	1,949	2,116	32,072
Recruitment and relocation	3,127	2,792	2,102	8,021
Miscellaneous	6,359	17,018	587	23,964
<i>EXPENSES FROM CAPITAL-RELATED ACTIVITIES:</i>				
In-kind donations	-	-	3,831	3,831
Interest	-	-	3,322	3,322
Media and capital campaigns	-	-	44,439	44,439
Total expenses before depreciation and amortization	<u>1,396,346</u>	<u>118,561</u>	<u>145,144</u>	<u>1,660,051</u>
Depreciation and amortization expense	<u>99,909</u>	<u>11,892</u>	<u>4,046</u>	<u>115,847</u>
Total expenses including depreciation and amortization	<u>\$ 1,496,255</u>	<u>\$ 130,453</u>	<u>\$ 149,190</u>	<u>\$ 1,775,898</u>

See accompanying notes to financial statements.

Girl Scouts of Eastern Washington and Northern Idaho

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 2,257,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	115,847
Gain on sale of land	(1,350,693)
Unrealized loss on investments held to maturity	164
Contribution from acquisition of Girl Scouts Mid-Columbia Council	(532,163)
Decrease (increase) in assets:	
Accounts receivable	19,953
Pledges receivable	(24,034)
Inventory	(5,171)
Prepaid expenses	12,660
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(99,608)
Membership dues payable	14,907
Cookie dough and scholarships	72,250
Deferred revenue	(62,284)
Other current liabilities	(6,852)
Net cash provided by operating activities	<u>412,204</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	\$ (106,000)
Maturity of investments	49,849
Proceeds from sale of land	1,357,293
Cash received in the acquisition of Girl Scouts Mid-Columbia Council	625,988
Purchase of property and equipment	(1,233,887)
Payments received on note receivable	<u>2,939</u>
Net cash provided by investing activities	<u>696,182</u>

INCREASE IN CASH AND CASH EQUIVALENTS 1,108,386

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 276,332

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,384,718

See accompanying notes to financial statements.

Supplemental Disclosures of Cash Flows Information:

Interest paid	\$ 3,618
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Noncash Investing and Financing Activities:

Girl Scouts Inland Empire Council acquired Girl Scouts Mid-Columbia Council with no payment to Girl Scouts Mid-Columbia Council. In conjunction with the acquisition, liabilities were assumed and a contribution was received from Girl Scouts Mid-Columbia Council as follows:

Fair value of assets acquired	\$ 700,384
Liabilities assumed	<u>(168,221)</u>

Net contribution received in the acquisition of Girl Scouts Mid-Columbia Council	<u>\$ 532,163</u>
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Girl Scouts of Eastern Washington and Northern Idaho

Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Girl Scouts of Eastern Washington and Northern Idaho (the Girl Scouts) is a nonprofit Washington organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Girl Scouts oversee Girl Scout troops in eastern Washington and northern Idaho. As discussed in note 2, the Girl Scouts changed its name from Girl Scouts Inland Empire Council during 2007. The Girl Scouts provide the following program services for members: camping, membership development, and program and adult education. The primary purpose of the Girl Scouts is to offer girls residing within its jurisdiction an opportunity to participate in the Girl Scout program, which is to inspire girls with the highest ideals of character, conduct, patriotism, and service that they may become happy and resourceful citizens and, to that end, to develop, manage, and maintain Girl Scouting throughout the area of its jurisdiction. The Girl Scouts are affiliated with Girl Scouts of the United States of America.

Summary of Significant Accounting Policies:

- a. *Basis of presentation* – Financial statement presentation follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Girl Scouts are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.
- b. *Cash and cash equivalents* – For purposes of reporting the statements of cash flows, the Girl Scouts consider all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with original maturities of three months or less, to be cash equivalents.
- c. *Pledges receivable* – Revenue and the related receivables are recorded when an unconditional promise to give is received, less an estimate for doubtful receivables. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free rates applicable to the years in which the promises are due to be received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as revenue until the conditions are substantially met.
- d. *Inventory* – Inventory, consisting principally of Girl Scout supplies including uniforms, badges, and handbooks, is carried at the lower of cost (first-in, first-out) or market.
- e. *Property and equipment* – Property and equipment are stated at cost. Such assets are recorded when the cost exceeds the minimum threshold for capitalization. Depreciation is computed by the straight-line method over the assets' estimated useful lives.
- f. *Temporarily and permanently restricted net assets* – Temporarily restricted net assets are those whose use by the Girl Scouts has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity, the income from which is expendable.

Girl Scouts of Eastern Washington and Northern Idaho

Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

- g. *Donor-restricted gifts* – Donor-restricted gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

To the extent that donor restrictions are met within the same reporting period that the contributions are received, the gifts are reported as unrestricted support during that period.

- h. *Functional expenses* – Costs are charged to program services, management and general, and fund-raising functions based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on square footage or full-time equivalency.
- i. *Concentrations of credit risk* – Financial instruments which potentially expose the Girl Scouts to credit risk include cash and cash equivalents. The Girl Scouts maintain cash and cash equivalents with major financial institutions. At times, the amounts on deposit may exceed Federal Deposit Insurance Corporation insured limits.
- j. *Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 – ACQUISITION OF GIRL SCOUTS MID-COLUMBIA COUNCIL:

On April 21, 2007, the delegates of Girl Scouts Mid-Columbia Council approved a resolution to transfer its net assets, at no cost, to Girl Scouts Inland Empire Council and the subsequent dissolution of Girl Scouts Mid-Columbia Council on May 1, 2007. The delegates of Girl Scouts Inland Empire Council approved a similar resolution approving the acquisition of such net assets. The transfer of the net assets was effective May 1, 2007. Also on April 21, 2007, the delegates of Girl Scouts Inland Empire Council approved an amendment to the Articles of Incorporation to change its name to Girl Scouts of Eastern Washington and Northern Idaho.

Girl Scouts of Eastern Washington and Northern Idaho

Notes to Financial Statements

NOTE 2 – ACQUISITION OF GIRL SCOUTS MID-COLUMBIA COUNCIL (continued):

The above transaction has been reported in the accompanying financial statements using the acquisition (purchase) method of accounting. Accordingly, the assets acquired and liabilities assumed were reported at their estimated fair values at the acquisition date. Management determined that such amounts approximated the balances reported in the audited balance sheet of Girl Scouts Mid-Columbia Council as of April 30, 2007. No identifiable intangibles or goodwill were deemed to have been acquired. Following is a summary of the net assets acquired:

Assets acquired:	
Cash	\$625,988
Other current assets	65,748
Equipment	<u>8,648</u>
Total assets acquired	700,384
Liabilities assumed:	
Accounts payable and accrued liabilities	\$111,752
Deferred revenue	<u>56,469</u>
Total liabilities assumed	<u>168,221</u>
Net assets acquired by contribution:	
Unrestricted	509,379
Temporarily restricted	<u>22,784</u>
Total net assets acquired	<u>\$532,163</u>

The accompanying statements of activities and changes in net assets, functional expenses, and cash flows present the activities and cash flows of Girl Scouts Inland Empire Council (only) for the period from October 1, 2006, through April 30, 2007, and the combined entity's activities and cash flows from May 1, 2007, through September 30, 2007.

NOTE 3 – PLEDGES RECEIVABLE:

Pledges receivable at September 30, 2007, consisted of the following:

Gross pledges receivable	\$178,723
Less allowance for uncollectible pledges	<u>3,131</u>
	175,592
Less discount to reflect pledges at estimated fair value	<u>3,129</u>
Estimated fair value of pledges receivable	172,463
Less current portion	<u>150,867</u>
Balance, noncurrent pledges receivable	<u>\$ 21,596</u>

Pledges receivable are expected to be collected over periods ranging up to five years. Fair value has been estimated using a discount rate of 5%.

Girl Scouts of Eastern Washington and Northern Idaho

Notes to Financial Statements

NOTE 4 – INVESTMENTS:

Investments at September 30, 2007, are reported at fair market value as determined by quoted market prices.

	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposit, current maturities	\$ 206,000	\$ 207,658
Certificates of deposit, noncurrent maturities	<u>50,000</u>	<u>49,820</u>
	\$ 256,000	\$ 257,478
	<u>=====</u>	<u>=====</u>

Investments in certificates of deposit are classified as noncurrent assets, as management does not expect to expend such assets currently.

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at September 30, 2007:

Land and improvements	\$ 605,577
Buildings and improvements	3,451,021
Equipment	674,420
Vehicles	<u>84,501</u>
	4,815,519
Less accumulated depreciation and amortization	<u>1,321,599</u>
	\$ 3,493,920
	<u>=====</u>

NOTE 6 – COOKIE DOUGH:

The Girl Scouts have an incentive program for cookie sales. Girl Scouts selling cookies are rewarded with cookie dough based on the number of cookies sold. Cookie dough may be used for camping fees, badges, uniforms, or any other Girl Scouting activity or supplies for three subsequent years. Unused cookie dough as of September 30, 2007, totaled \$129,273 and is shown as a liability on the statement of financial position.

Girl Scouts of Eastern Washington and Northern Idaho

Notes to Financial Statements

NOTE 7 – LINE OF CREDIT:

At September 30, 2007, the Girl Scouts had a revolving unsecured line-of-credit agreement with Inland Northwest Bank that provides for borrowings up to \$125,000 through June 2008. Borrowings are subject to interest at the bank's prime rate (7.25% at September 30, 2007). The line had no outstanding balance at September 30, 2007.

NOTE 8 – FOUNDATION NORTHWEST:

Foundation Northwest (the Foundation), an unaffiliated organization, holds certain assets for investment in an endowment fund that is designated for the benefit of the Girl Scouts. The total market value of the fund was \$111,841 as of September 30, 2007. The majority of this balance (\$110,250 as of September 30, 2007) represents assets that were transferred by the Girl Scouts to the Foundation and related earnings thereon. At the time the funds were transferred, the Foundation was granted variance power to designate an alternative beneficiary. The Girl Scouts do not have legal ownership or direct access to the fund and management considers the fund to be immaterial to its financial statements. Accordingly, the Girl Scouts' beneficial interest in the fund is not reflected as an asset in its financial statements.

The Girl Scouts normally receive an annual distribution of investment earnings from the Foundation. This income is classified as unrestricted contribution income when it is received.

NOTE 9 – EMPLOYEE BENEFIT PLAN:

The Girl Scouts participate in the National Girl Scout Council Retirement Plan (the Plan). The Plan is a noncontributory defined benefit plan for full-time administrative and program staff. The Plan defines full-time staff as any employee who meets the minimum service requirements and works greater than 1,000 hours during the Plan year. In this multi-employer plan, which is available to all Girl Scout Councils, the accumulated benefits and Plan assets are not determined or allocated separately by individual employer. Funding is based on a percentage of gross earnings. The percentage in effect was 3% of gross earnings for the year ended September 30, 2007. The Girl Scouts' accounting policy is to fund all accrued benefits on a current basis. Pension expense was \$18,671 in 2007.

The Girl Scouts also offer a tax-deferred annuity program to all employees. Required employee contributions depend upon the investment chosen. There are no employer contributions to this plan.

Girl Scouts of Eastern Washington and Northern Idaho

Notes to Financial Statements

NOTE 10 – LEASING ACTIVITIES:

The Girl Scouts lease office space and equipment under operating lease arrangements. Related expense for the year ended September 30, 2007, was \$45,780. Future lease commitments are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2008	\$ 46,251
2009	44,194
2010	40,065
2011	<u>19,353</u>
	\$ 149,863
	<u><u> </u></u>

On October 8, 2007, the Girl Scouts entered into an operating lease agreement with WHC841 LLC to rent space in the Red Lion Hotel Richland Hanford House. The lease, which ends October 7, 2010, calls for monthly payments of \$1,726.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

Board of Directors
Girl Scouts of Eastern Washington and Northern Idaho
Spokane, Washington

Our audit was made for the purpose of forming an opinion on the basic financial statements for the year ended September 30, 2007, taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information for the year ended September 30, 2007, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "LeMaster & Daniels PLLC".

Spokane, Washington
March 10, 2008

Girl Scouts of Eastern Washington and Northern Idaho

Analysis of Income from Cookie Sale Campaign

Year Ended September 30, 2007

Cookie sale receipts	\$ 1,330,181
Less retention by troops and service units	171,686
Total receipts to Council	<u>1,158,495</u>
Miscellaneous and event revenue	2,054
Cost of cookies	(284,065)
Gross profit	<u>876,484</u>
Expense of sale:	
Idaho sales tax	20,465
Miscellaneous and uncollectible	1,559
	<u>22,024</u>
Net income before cookie dough	854,460
Cookie dough and cookie sale awards provided, net	<u>108,548</u>
Net income from cookie sales	<u><u>\$ 745,912</u></u>

See accompanying independent auditors' report on supplemental information.