

Girl Scouts of Eastern Washington & Northern Idaho

Financial Statements and
Independent Auditors' Reports

September 30, 2008



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Girl Scouts of Eastern Washington & Northern Idaho

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Bellevue
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Girl Scouts of Eastern Washington & Northern Idaho (the Girl Scouts) as of September 30, 2008, 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 Scouts' 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 & Northern Idaho as of September 30, 2008, 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.

LeMaster & Daniels PLLC

Spokane, Washington
January 7, 2009

Girl Scouts of Eastern Washington & Northern Idaho

Statement of Financial Position

September 30, 2008

Assets

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,136,913
Short-term investments	2,339
Accounts receivable	13,803
Inventory	104,901
Prepaid expenses	11,426
Current portion of pledges receivable, net of allowance for doubtful accounts of \$3,131	93,306
Total current assets	<u>1,362,688</u>

PLEDGES RECEIVABLE 5,500

INVESTMENTS 375,541

PROPERTY AND EQUIPMENT, net 3,430,106

\$ 5,173,835

Liabilities and Net Assets

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 117,860
Membership dues payable	23,905
Cookie dough	156,262
Scholarships	37,626
Deferred revenue	7,604
Total current liabilities	<u>343,257</u>

COMMITMENTS

NET ASSETS:

Unrestricted	\$ 4,462,476
Temporarily restricted	32,430
Permanently restricted	<u>335,672</u>
Total net assets	<u>4,830,578</u>

\$ 5,173,835

See accompanying notes to financial statements.

Girl Scouts of Eastern Washington & Northern Idaho

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u> Donor <u>Restricted</u>	<u>Permanently Restricted</u> Mutual <u>Fund</u>	<u>Totals</u>
<i>PUBLIC SUPPORT AND REVENUE:</i>				
Public support:				
Grants and contributions, operating	\$ 127,350	\$ 59,249	\$ -	\$ 186,599
Grants and contributions, capital	53,308	-	-	53,308
In-kind donations	17,556	-	-	17,556
United Way allocation:				
Spokane County	20,808	-	-	20,808
Other counties	93,927	-	-	93,927
Total public support	<u>312,949</u>	<u>59,249</u>	<u>-</u>	<u>372,198</u>
Revenue:				
Cookie sales, net of costs of \$868,595	1,261,196	-	-	1,261,196
Nut sales, net of costs of \$123,898	58,046	-	-	58,046
QSP fund raiser, net of costs of \$39,566	14,146	-	-	14,146
Training and program	209,721	-	-	209,721
Retail sales, net of costs of \$141,321	66,261	-	-	66,261
Special fund raising events, net of costs of \$48,643	47,833	-	-	47,833
Investment income (loss) and interest earned	22,950	-	(8,263)	14,687
Rental income	13,064	-	-	13,064
Loss on sale of equipment	(2,833)	-	-	(2,833)
Miscellaneous income	8,475	-	-	8,475
Total revenue	<u>1,698,859</u>	<u>-</u>	<u>(8,263)</u>	<u>1,690,596</u>
Total public support and revenue	<u>2,011,808</u>	<u>59,249</u>	<u>(8,263)</u>	<u>2,062,794</u>
<i>NET ASSETS RELEASED FROM RESTRICTIONS:</i>				
Satisfaction of time and use restrictions	32,026	(26,819)	(5,207)	-
<i>EXPENSES:</i>				
Total program services	<u>1,884,481</u>	<u>-</u>	<u>-</u>	<u>1,884,481</u>
Supporting services:				
Management and general	276,546	-	-	276,546
Fund raising	184,918	-	-	184,918
Total supporting services	<u>461,464</u>	<u>-</u>	<u>-</u>	<u>461,464</u>
Total expenses	<u>2,345,945</u>	<u>-</u>	<u>-</u>	<u>2,345,945</u>
<i>CHANGE IN NET ASSETS</i>	(302,111)	32,430	(13,470)	(283,151)
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>4,764,587</u>	<u>-</u>	<u>349,142</u>	<u>5,113,729</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 4,462,476</u>	<u>\$ 32,430</u>	<u>\$ 335,672</u>	<u>\$ 4,830,578</u>

See accompanying notes to financial statements.

Girl Scouts of Eastern Washington & Northern Idaho

Statement of Functional Expenses

Year Ended September 30, 2008

	Program Services	Supporting Services		Totals
		Management and General	Fund Raising	
<i>EXPENSES FROM OPERATIONS:</i>				
Salaries:				
Office staff	\$ 959,896	\$ 174,968	\$ 114,325	\$ 1,249,189
Camp staff	36,705	-	-	36,705
Employees' health, life, and retirement plan	141,393	17,443	11,791	170,627
Payroll taxes and workers' compensation	88,740	12,498	9,013	110,251
Total salaries and related expenses	<u>1,226,734</u>	<u>204,909</u>	<u>135,129</u>	<u>1,566,772</u>
Professional fees	36,797	1,839	1,292	39,928
Supplies	80,959	5,482	2,564	89,005
Telephone	41,877	4,591	2,981	49,449
Postage	15,029	2,364	3,230	20,623
Occupancy	107,258	6,251	4,276	117,785
Rental and maintenance of equipment	28,953	3,734	1,931	34,618
Printing and publication	23,968	894	652	25,514
Travel	70,327	11,988	4,495	86,810
Staff, board, and volunteer training and conferences	4,041	9,066	680	13,787
Financial assistance	48,827	-	-	48,827
Interest	-	29	-	29
Insurance	34,421	4,580	2,965	41,966
Miscellaneous	41,357	3,238	774	45,369
<i>EXPENSES FROM CAPITAL-RELATED ACTIVITIES:</i>				
Media and capital campaigns	<u>-</u>	<u>-</u>	<u>12,312</u>	<u>12,312</u>
Total expenses before depreciation and amortization	<u>1,760,548</u>	<u>258,965</u>	<u>173,281</u>	<u>2,192,794</u>
<i>DEPRECIATION AND AMORTIZATION EXPENSE</i>	<u>123,933</u>	<u>17,581</u>	<u>11,637</u>	<u>153,151</u>
Total expenses including depreciation and amortization	<u><u>\$ 1,884,481</u></u>	<u><u>\$ 276,546</u></u>	<u><u>\$ 184,918</u></u>	<u><u>\$ 2,345,945</u></u>

See accompanying notes to financial statements.

Girl Scouts of Eastern Washington & Northern Idaho

Statement of Cash Flows

Year Ended September 30, 2008

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (283,151)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	153,151
Loss on sale of equipment	2,833
Unrealized loss on investments	22,513
Decrease (increase) in assets:	
Accounts receivable	(5,691)
Pledges receivable	73,657
Inventory	(33,812)
Prepaid expenses	(7,350)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	73,785
Membership dues payable	(8,785)
Cookie dough and scholarships	6,507
Deferred revenue	(6,377)
Net cash used in operating activities	<u>(12,720)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to investments	\$ (142,917)
Proceeds from sale of equipment	1,200
Purchase of property and equipment	<u>(93,368)</u>
Net cash used in investing activities	<u>(235,085)</u>

DECREASE IN CASH AND CASH EQUIVALENTS (247,805)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,384,718

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,136,913

Supplemental Disclosure of Cash Flows Information:

Interest paid	<u><u>\$ 29</u></u>
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See accompanying notes to financial statements.

Girl Scouts of Eastern Washington & Northern Idaho

Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Girl Scouts of Eastern Washington & 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. 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 statement 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. *Short term investments* - Short term investments consist of certificate of deposits that mature within one year.
- d. *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.
- e. *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.
- f. *Investments* – Investment securities are stated at fair value. Fair values are based on quoted market prices.

Girl Scouts of Eastern Washington & Northern Idaho

Notes to Financial Statements

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

Summary of Significant Accounting Policies (continued):

- g. *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.
- h. *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.
- i. *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 statement 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.

- j. *Board-designated operating reserve* – Approximately \$654,000 of assets included in cash and cash equivalents and investments in the statement of financial position is reserved for the payment of unusual or unexpected costs. Such assets are unrestricted and require Board approval before they can be disbursed.
- k. *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.
- l. *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 federally insured limits.
- m. *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.

Girl Scouts of Eastern Washington & Northern Idaho

Notes to Financial Statements

NOTE 2 — PLEDGES RECEIVABLE:

Pledges receivable at September 30, 2008, consisted of the following:

Gross pledges receivable	\$ 101,937
Less allowance for uncollectible pledges	<u>3,131</u>
	98,806
Less current portion	<u>96,806</u>
Balance, noncurrent pledges receivable	\$ 2,000
	<u><u> </u></u>

NOTE 3 — PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at September 30, 2008:

Land and improvements	\$ 678,767
Buildings and improvements	3,451,941
Equipment	693,679
Vehicles	<u>76,501</u>
	4,900,888
Less accumulated depreciation and amortization	<u>1,470,782</u>
	\$ 3,430,106
	<u><u> </u></u>

NOTE 4 — 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, 2008, totaled \$156,262 and is shown as a liability on the statement of financial position.

NOTE 5 — LINE OF CREDIT:

At September 30, 2008, 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 2009. Borrowings are subject to interest at the bank's prime rate (5% at September 30, 2008). The line had no outstanding balance at September 30, 2008.

Girl Scouts of Eastern Washington & Northern Idaho

Notes to Financial Statements

NOTE 6 – 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 \$103,200 as of September 30, 2008. The majority of this balance 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 7 – 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, 2008. The Girl Scouts' accounting policy is to fund all accrued benefits on a current basis. Pension expense was \$21,196 in fiscal 2008.

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

NOTE 8 – LEASING ACTIVITIES:

The Girl Scouts lease office space and equipment under operating lease arrangements. Related expense for the year ended September 30, 2008, was \$117,785. Future lease commitments are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2009	\$ 44,566
2010	39,645
2011	18,933
2012	<u>1,230</u>
	\$ 104,374
	<u><u> </u></u>

Girl Scouts of Eastern Washington & Northern Idaho

Notes to Financial Statements

NOTE 9 – INVESTMENTS:

The cost and fair market value of investments at September 30, 2008, was as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Fixed income funds	\$ 119,102	\$ 118,356
Equity funds	178,731	190,231
Equity exchange traded funds	45,163	41,954
Other	<u>25,000</u>	<u>25,000</u>
	\$ 367,996	\$ 375,541
	=====	=====

NOTE 10 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

Camp property in Oregon	\$ 25,000
Technology equipment	6,545
Other	<u>885</u>
	\$ 32,430
	=====

Permanently restricted net assets are available for the following purposes:

Camp Four Echoes	\$ 300,000
Lindy Cater Fund Girl Program, Program Center	20,413
Wilbur, Washington, area Girl Scouting	13,259
Moscow, Idaho, area Girl Scouting	<u>2,000</u>
	\$ 335,672
	=====

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

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

Our audit was made for the purpose of forming an opinion on the basic financial statements as of and for the year ended September 30, 2008, taken as a whole which are presented in the preceding section of this report. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information 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.



Spokane, Washington
January 7, 2009

Girl Scouts of Eastern Washington & Northern Idaho

Analysis of Income from Cookie Sale Campaign

Year Ended September 30, 2008

Cookie sale receipts		\$ 2,123,522
Less retention by troops and service units		<u>265,113</u>
Total receipts to Council		1,858,409
Cost of cookies		<u>459,802</u>
Gross profit		1,398,607
Expense of sale:		
Idaho sales tax	\$ 17,890	
Miscellaneous and uncollectible	<u>1,628</u>	
		<u>19,518</u>
Net income before cookie dough		1,379,089
Cookie dough and cookie sale awards provided, net		<u>117,893</u>
Net income from cookie sales		<u><u>\$ 1,261,196</u></u>

See accompanying independent auditors' report on supplemental information.