

GIRL SCOUT COUNCIL OF THE NATION'S CAPITAL
ANNUAL MEETING
APRIL 17, 2010

TREASURER'S REPORT
SHIRLEY EDWARDS, TREASURER

I am here today to present our annual report on the financial condition of the Girl Scout Council of the Nation's Capital. As in past years this report will include an overview of the audited financial statements for the previous fiscal year ended June 30, 2009. My report for today's meeting will also include information on the net assets from Shawnee Girl Scout Council that became a part of GSCNC's assets as a result of the merger of the two councils in October of 2009.

As we begin the report for this year, we all need to remember that FY'09 was a financially challenging time for our entire country. We did run a deficit, which is not our practice, but we emerged in good form ready for upcoming opportunities. GSCNC's audit was completed by the CPA firm, BDO Seidman, LLP. Their report, along with the Council's financial statements, was included in the meeting information available for today's meeting. I am pleased to report that BDO Seidman has again stated that we have presented fairly, in all material respects, the financial position of the council in conformance with generally accepted accounting principles.

We will first review of the Net Assets and the Revenue and Expenses for GSCNC for FY'09.

NET ASSETS

First, the Net Assets.

Net Assets Slide

As of the end of fiscal year 2008, the total Net Assets for the Council were \$15.7 million. As of June 30, 2009, our total Net Assets had decreased to \$13.5 million. The slide on the screen shows the breakdown on the Net Assets by category. The decrease in total Net Assets for FY'09 is the result of the council's need to use operating reserves to complete several camp construction projects and to cover some operating cash needs. We also saw a decrease in temporarily restricted net assets due to the release of the net assets that had been restricted for Property Plan projects.

The first Net Asset category, **Operations**, contains the funds primarily used for the day-to-day operation of the Council. The cookie sale, SHARE contributions and program revenue go into this category and the expenses for salaries, program cost, financial aid, rent, and camp maintenance are paid out of these funds. At the end of FY'09 we had \$7.6 million of net assets remaining in this fund.

The second category is **Capital** (also known as the LBE Fund). For GSCNC, Net Assets in this Fund were \$5.1 million as of the end of FY'09. Of that amount, \$4.8 million represents the value of camp buildings, office and property equipment and other physical assets that the council owns. The remaining portion of the LBE fund of about \$240 thousand is the amount designated for construction and property improvements at our camps.

The last category is **Endowments**. These Permanently Restricted Net Assets are from donor designated bequests and trusts. The income earned from the council's endowment is used in accordance with donor wishes to ensure the long-term financial stability of the council. Our Endowment total was \$798 thousand as of June 30, 2009.

Pie Chart Slide

This next slide is breakdown of the council's Net Assets by percentage. As the chart shows, the council has 56.4% of the net assets in the Operations category; 37.7% in Capital or Fixed Assets and 5.9% of the net assets in Endowed Funds that are permanently restricted designated by donors.

Bar Graph Slide

On the next slide we will take a look at how the Operating and Capital Net Assets have changed over the last five years. This slide shows a comparison of the operating and capital net assets for each year from fiscal year 2005 to fiscal year 2009.

As this graph shows, the Operating Net Assets have decreased over the last two fiscal years down from \$8.5 million in 2007 to \$7.6 million at the end fiscal year 2009. The LBE Fund decreased over the last two years as well down from \$7.3 million to \$5.1 million. These decreases should not be surprising given our commitment to complete projects at our camps along with the economic conditions we have operated under during the past two years.

The last set of bars on this chart show the change in the total Net Assets. In fiscal year 2004, the Council had \$15.2 million in total Net Assets. At the end of fiscal year 2009 the total net assets are \$13.5 million. I know seeing this may cause some of you to ask, why are the net assets decreasing and what is the council going to do to change this trend.

To help answer the question, why have the net assets decreased; let's take a look at the council's statement of activities or revenue and expense statement for FY'08 and FY'09.

Statement of Activities Slide

This slide shows **public support and revenue and expenses**, expressed in thousands of dollars for various income sources and the expenses separated into the program services, supporting services and capital (or depreciation) expense categories.

PUBLIC SUPPORT AND REVENUE

In revenue we had net product sales of more than \$8.1 million in 2009 down from \$8.6 million in 2008 primarily due to a short fall in revenue from cookie sales. This happened throughout the country – reflecting the affects of the economy. Camping & Program fee revenue was up in FY’09 to \$1.2 million as we made an additional *sleep-away* camp, Winona, available to use and increased our camp fees modestly. Corporate & Foundation contributions and government grants totaled \$742,000 for FY’09 and the SHARE campaign generated over \$587,000 in council revenue. These amounts are down slightly from the prior year reflective of the impact of the economy on charitable contributions. Unfortunately, for 2009 we (like the rest of the world) had to record negative investment returns of (\$569,000). As I am sure most of us can attest from our personal investments and savings, 2008 and 2009 have been challenging years for investment income and the council investments reflects that fact as well. We also recorded a loss on disposal of fixed assets totaling (\$224,000); fortunately, this was not a cash loss. The loss on disposal of fixed assets relates to the replacement and retirement of assets at some of our camps that were not fully depreciated. Overall, fiscal year 2009 revenue was recorded at \$11.1 million.

EXPENSES

Expenses associated with program services accounted for over 85% of the total expenses of the Council – a total of \$10.4 million in FY’09. Expenses for supporting services, that is, expenses associated with management & general and fund raising cost -- totaled \$1.9 million. This ratio of program cost vs. other cost indicates that .85 cents of each council dollar is applied to providing program services for girls. This is an increase from last year – which is good for us. Capital Expenses, which are primarily depreciation on our buildings and equipment, totaled \$822 thousand in 2009. For fiscal year 2009, GSCNC’s total expenses were \$13.1 million. As you can see, we have attempted to hold the line on expenses over this period yet continue to provide the critical support and services to our girls.

In the audit report that was a part of the delegate packet there is a detailed breakdown of the expense categories in the report titled “Statement of Functional Expenses”, (on pages 7 and 8). That report shows the expense line items categorized by Troop-Type Services, Resident Camps, Day Camps, Adult Volunteer Development, Fund Raising, and Management and General. In the interest of time, I will not go into extensive detail about each expense line. If you have specific questions about any of the financial statements please see our CFO, Kavin Owens.

Closing report on FY’09

So as these slides have shown financially FY’09 was a difficult year for GSCNC. However, due to our efforts in prior years to build council reserves in anticipation for a rainy day, we were able to weather the challenge. I also want to point out that during the last two years of a very difficult economy; financial assistance to girls has increased by 16%; up from \$388,000 to \$451,000. This shows GSCNC’s commitment to ensuring that Girl Scouting is available to any girl who wants to participate; we never lose sight of this

goal. Therefore, I am able to report that despite finishing fiscal year 2009 with a deficit, GSCNC is still in a very strong financial position with substantial net assets and strong programs— and that is what matters.

That concludes my report on the 2009 audit. Are there any questions on what I have reviewed thus far?

Now, let me give a brief update on how we are doing in fiscal year 2010.

In October of this fiscal year, GSCNC entered into an agreement to merge with the Girl Scouts of Shawnee Council. In accordance with the agreement, effective October 1, 2009, the Girl Scouts of Shawnee Council transferred all their assets, liabilities and net assets to the Girl Scout Council of the Nation's Capital.

Shawnee Net Assets Slide

As the slide on the screen shows GSCNC received net assets in the amount of \$1,970,314 from Shawnee. These net assets were composed of \$520,860 for operations, \$1,339,527 for Capital and \$109,927 for Endowments.

Going forward as One Great New Council, the merger with Shawnee will result in increased revenues and expenses in fiscal year 2010 of approximately 10% for GSCNC.

Operating Income for the first nine months of fiscal year 2010 is \$12.9 million. That level of income means we have achieved over 97% of our budgeted income for the fiscal year. Our operations through March 31, 2010 includes the majority of the revenue we would expect to generate from this year's Cookie Sale, SHARE and the Fall Product Sale. While 2009 was a tough year for the Cookie Sale; I am very excited to report that for 2010, with the addition of the troops from the Shenandoah region, not only is the 2010 Cookie Sale the largest in GSCNC history; Little Brownie Bakers tell us it is the largest ever in the country (largest in the World☺). To date GSCNC troops have sold over 4,700,000 boxes of cookies for the 2010 sale; as a result troop proceeds from cookie sales will be nearly \$2.8 million this year.

Operating Expenses as of the end of March 2010 were at \$9.5 million, which is 74% of the budgeted expenses for the year. Overall operating expenses are in line with where we projected them to be at this point in the fiscal year. The Council has continued many budget savings steps that were instituted last year in response to the difficult economy and its affect on the council's finances. I am happy to report that, with the positive impact of the merger with Shawnee Girl Scout Council; the increased income from the Cookie Sale and fundraising; as well as the continued diligence in managing spending; the council is projected to finish fiscal year 2010 with a surplus.

This concludes my report on the current financial condition of **Girl Scout Council of the Nation's Capital**.

ARE THERE ANY QUESTIONS?