

**GIRL SCOUTS IN THE
HEART OF PENNSYLVANIA**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2010 AND 2009



GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Girl Scouts in the Heart of Pennsylvania
Harrisburg, Pennsylvania

We have audited the accompanying Statements of Financial Position of **Girls Scouts in the Heart of Pennsylvania** (the Council), a Nonprofit Organization, as of September 30, 2010 and 2009, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 the Council as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Harrisburg, Pennsylvania
March 3, 2011

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 419,399	\$ 364,784
Custodian Funds	39,379	291,044
Inventory	142,352	236,995
Accounts Receivable - Net		
United Way	242,640	242,894
Other	157,028	49,518
Grants Receivable	0	47,506
Prepaid Expenses	164,423	176,461
Pledges Receivable - Net	31,874	13,150
TOTAL CURRENT ASSETS	1,197,095	1,422,352
OTHER ASSETS		
Investments	5,597,912	5,317,914
Deferred Financing Costs - Net	45,970	51,902
Beneficial Interests in Perpetual Trusts	513,488	473,308
TOTAL OTHER ASSETS	6,157,370	5,843,124
PROPERTY AND EQUIPMENT - At Cost,		
Less Accumulated Depreciation	7,435,811	7,818,177
TOTAL ASSETS	\$ 14,790,276	\$ 15,083,653
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 500,000	\$ 1,199,677
Accounts Payable and Accrued Liabilities	194,901	145,087
Accrued Wages and Vacation	256,314	282,215
Custodian Funds	39,379	291,044
Deferred Program Revenue	8,804	5,865
Current Portion of Long-Term Debt	115,815	109,542
TOTAL CURRENT LIABILITIES	1,115,213	2,033,430
LONG-TERM DEBT	920,022	1,033,439
NET ASSETS		
Unrestricted		
Operating	4,975,745	4,020,220
Board Designated	194,655	180,852
Property and Equipment - Net of Related Debt	6,399,974	6,675,196
Total Unrestricted Net Assets	11,570,374	10,876,268
Temporarily Restricted	426,076	430,899
Permanently Restricted	758,591	709,617
TOTAL NET ASSETS	12,755,041	12,016,784
TOTAL LIABILITIES AND NET ASSETS	\$ 14,790,276	\$ 15,083,653

See independent auditors' report and accompanying notes.



GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND PUBLIC SUPPORT				
Program Related Revenue				
Program Related Product Sales - Net	\$ 5,432,557	\$ 0	\$ 0	\$ 5,432,557
Program Service and Camp Fees	530,985	0	0	530,985
Total Program and Related Revenue	<u>5,963,542</u>	<u>0</u>	<u>0</u>	<u>5,963,542</u>
Public Support				
Contributions and Grants	719,114	0	0	719,114
Local United Ways - Allocations	205,490	345,308	0	550,798
Local United Ways - Designations	90,375	0	0	90,375
Special Fundraising Events - Net	0	0	0	0
Total Public Support	<u>1,014,979</u>	<u>345,308</u>	<u>0</u>	<u>1,360,287</u>
Net Assets Released from Restrictions	<u>361,562</u>	<u>(361,562)</u>	<u>0</u>	<u>0</u>
TOTAL REVENUE AND PUBLIC SUPPORT	<u>7,340,083</u>	<u>(16,254)</u>	<u>0</u>	<u>7,323,829</u>
FUNCTIONAL EXPENSES				
Program Services				
Regular Program	3,338,371	0	0	3,338,371
Outdoor Program	2,389,925	0	0	2,389,925
Total Program Services	<u>5,728,296</u>	<u>0</u>	<u>0</u>	<u>5,728,296</u>
Supporting Services				
Management and General	1,056,525	0	0	1,056,525
Fundraising	617,942	0	0	617,942
Total Supporting Services	<u>1,674,467</u>	<u>0</u>	<u>0</u>	<u>1,674,467</u>
TOTAL FUNCTIONAL EXPENSES	<u>7,402,763</u>	<u>0</u>	<u>0</u>	<u>7,402,763</u>
NET CHANGES IN NET ASSETS	<u>(62,680)</u>	<u>(16,254)</u>	<u>0</u>	<u>(78,934)</u>
NON-OPERATING INCOME AND GAIN (LOSS)				
Rental Income	18,476	0	0	18,476
Gain (Loss) on Sale of Assets	243,895	0	0	243,895
Net Investment Gain (Loss)	62,321	11,431	8,794	82,546
Unrealized Gain (Loss) on Investments and Perpetual Trusts	192,415	0	40,180	232,595
Insurance Reimbursement	154,844	0	0	154,844
Other Income	84,835	0	0	84,835
TOTAL NON-OPERATING INCOME AND GAIN (LOSS)	<u>756,786</u>	<u>11,431</u>	<u>48,974</u>	<u>817,191</u>
EXTRAORDINARY ITEM	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CHANGES IN NET ASSETS	<u>694,106</u>	<u>(4,823)</u>	<u>48,974</u>	<u>738,257</u>
NET ASSETS - BEGINNING	<u>10,876,268</u>	<u>430,899</u>	<u>709,617</u>	<u>12,016,784</u>
NET ASSETS - ENDING	<u>\$ 11,570,374</u>	<u>\$ 426,076</u>	<u>\$ 758,591</u>	<u>\$ 12,755,041</u>

See independent auditors' report and accompanying notes.

2009

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 5,707,202	\$ 0	\$ 0	\$ 5,707,202
630,764	0	0	630,764
<u>6,337,966</u>	<u>0</u>	<u>0</u>	<u>6,337,966</u>
760,144	0	0	760,144
54,621	431,000	0	485,621
51,325	0	0	51,325
3,920	0	0	3,920
<u>870,010</u>	<u>431,000</u>	<u>0</u>	<u>1,301,010</u>
595,075	(595,075)	0	0
<u>7,803,051</u>	<u>(164,075)</u>	<u>0</u>	<u>7,638,976</u>
4,557,818	0	0	4,557,818
1,979,398	0	0	1,979,398
<u>6,537,216</u>	<u>0</u>	<u>0</u>	<u>6,537,216</u>
1,433,235	0	0	1,433,235
275,430	0	0	275,430
<u>1,708,665</u>	<u>0</u>	<u>0</u>	<u>1,708,665</u>
8,245,881	0	0	8,245,881
(442,830)	(164,075)	0	(606,905)
0	0	0	0
440,554	0	0	440,554
(578,165)	(21,422)	0	(599,587)
8,814	0	(31,166)	(22,352)
0	0	0	0
0	0	0	0
<u>(128,797)</u>	<u>(21,422)</u>	<u>(31,166)</u>	<u>(181,385)</u>
720,000	0	0	720,000
148,373	(185,497)	(31,166)	(68,290)
<u>10,727,895</u>	<u>616,396</u>	<u>740,783</u>	<u>12,085,074</u>
<u>\$ 10,876,268</u>	<u>\$ 430,899</u>	<u>\$ 709,617</u>	<u>\$ 12,016,784</u>



GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2010

	Program Services		
	Regular Program	Outdoor Program	Total
FUNCTIONAL EXPENSES			
Salaries and Related Expenses			
Salaries	\$ 1,364,880	\$ 988,362	\$ 2,353,242
Staff Health and Retirement Benefits	258,393	187,112	445,505
Payroll Taxes and Related Benefits	123,378	89,342	212,720
Total Salaries and Related Expenses	<u>1,746,651</u>	<u>1,264,816</u>	<u>3,011,467</u>
Occupancy	412,943	299,028	711,971
Supplies	133,483	96,660	230,143
Professional Fees	169,575	122,760	292,335
Travel	77,893	56,405	134,298
Insurance	114,560	82,958	197,518
Printing, Promotion, and Publications	22,611	16,374	38,985
Specific Assistance to Individuals	94,736	68,601	163,337
Telephone	86,881	62,914	149,795
Rental and Maintenance of Equipment	111,874	81,012	192,886
Postage and Shipping	17,432	12,623	30,055
Bank and Credit Card Charges	33,186	0	33,186
Bad Debt	16,824	12,183	29,007
Interest Expense	17,460	12,643	30,103
Dues in Other Organizations	5,592	4,050	9,642
Amortization of Bond Issuance Costs	4,814	0	4,814
Miscellaneous	2,481	1,833	4,314
Total	<u>3,068,996</u>	<u>2,194,860</u>	<u>5,263,856</u>
Depreciation	<u>269,375</u>	<u>195,065</u>	<u>464,440</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 3,338,371</u></u>	<u><u>\$ 2,389,925</u></u>	<u><u>\$ 5,728,296</u></u>

See independent auditors' report and accompanying notes.

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2010 Total</u>
\$ 508,809	\$ 318,006	\$ 826,815	\$ 3,180,057
96,325	60,203	156,528	602,033
45,993	28,746	74,739	287,459
<u>651,127</u>	<u>406,955</u>	<u>1,058,082</u>	<u>4,069,549</u>
99,064	64,135	163,199	875,170
5,374	6,540	11,914	242,057
100,838	7,623	108,461	400,796
10,095	8,009	18,104	152,402
32,174	14,589	46,763	244,281
6,649	20,643	27,292	66,277
0	0	0	163,337
20,466	13,218	33,684	183,479
29,469	16,726	46,195	239,081
3,475	7,520	10,995	41,050
4,672	3,028	7,700	40,886
0	0	0	29,007
4,238	2,748	6,986	37,089
3,851	2,518	6,369	16,011
678	439	1,117	5,931
18,973	865	19,838	24,152
<u>991,143</u>	<u>575,556</u>	<u>1,566,699</u>	<u>6,830,555</u>
<u>65,382</u>	<u>42,386</u>	<u>107,768</u>	<u>572,208</u>
<u>\$ 1,056,525</u>	<u>\$ 617,942</u>	<u>\$ 1,674,467</u>	<u>\$ 7,402,763</u>



GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2009

	Program Services		
	Regular Program	Outdoor Program	Total
FUNCTIONAL EXPENSES			
Salaries and Related Expenses			
Salaries	\$ 2,297,270	\$ 782,181	\$ 3,079,451
Staff Health and Retirement Benefits	317,154	107,985	425,139
Payroll Taxes and Related Benefits	188,473	64,172	252,645
Total Salaries and Related Expenses	2,802,897	954,338	3,757,235
Occupancy	264,954	387,641	652,595
Supplies	277,115	207,351	484,466
Professional Fees	33,563	31,735	65,298
Travel	98,136	52,610	150,746
Insurance	0	41,287	41,287
Printing, Promotion, and Publications	29,634	7,595	37,229
Specific Assistance to Individuals	108,813	41,689	150,502
Telephone	157,149	20,823	177,972
Rental and Maintenance of Equipment	154,339	23,676	178,015
Postage and Shipping	29,697	10,005	39,702
Conferences, Conventions, and Meetings	15,968	1,183	17,151
Bank and Credit Card Charges	8,783	2,991	11,774
Bad Debt	105,947	36,073	142,020
Interest Expense	60,646	20,649	81,295
Dues in Other Organizations	3,028	1,125	4,153
Amortization of Bond Issuance Costs	0	0	0
Miscellaneous	(2,170)	(739)	(2,909)
Total	4,148,499	1,840,032	5,988,531
Depreciation	409,319	139,366	548,685
TOTAL FUNCTIONAL EXPENSES	\$ 4,557,818	\$ 1,979,398	\$ 6,537,216

See independent auditors' report and accompanying notes.

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2009 Total</u>
\$ 455,410	\$ 143,327	\$ 598,737	\$ 3,678,188
59,129	18,609	77,738	502,877
45,116	14,199	59,315	311,960
<u>559,655</u>	<u>176,135</u>	<u>735,790</u>	<u>4,493,025</u>
100,371	31,589	131,960	784,555
18,192	2,084	20,276	504,742
286,014	4,189	290,203	355,501
15,435	9,314	24,749	175,495
222,382	0	222,382	263,669
8,077	5,483	13,560	50,789
0	0	0	150,502
12,441	1,780	14,221	192,193
18,545	5,836	24,381	202,396
2,764	5,302	8,066	47,768
31,286	2,084	33,370	50,521
26,550	0	26,550	38,324
0	0	0	142,020
12,503	3,935	16,438	97,733
862	1,140	2,002	6,155
5,931	0	5,931	5,931
27,837	0	27,837	24,928
<u>1,348,845</u>	<u>248,871</u>	<u>1,597,716</u>	<u>7,586,247</u>
<u>84,390</u>	<u>26,559</u>	<u>110,949</u>	<u>659,634</u>
<u>\$ 1,433,235</u>	<u>\$ 275,430</u>	<u>\$ 1,708,665</u>	<u>\$ 8,245,881</u>



GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 738,257	\$ (68,290)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	572,208	659,634
Amortization	5,931	5,931
(Gain) Loss on Disposal of Assets	(243,895)	(440,554)
Write-off of Uncollectable Accounts Receivable	35,348	142,020
Write-off of Uncollectable Pledges Receivable	10,000	500
Realized (Gain) Loss on Sale of Investments	(33,695)	697,395
Unrealized Gain on Investments	(232,595)	(8,815)
Unrealized (Gain) Loss on Beneficial Interest in Perpetual Trusts	(40,180)	31,166
Unrealized Gain on Loan Swap Derivative	0	(10,191)
(Increase) Decrease in		
Custodian Funds	245,074	(45,600)
Inventory	94,643	271,141
Accounts Receivable	(107,256)	137,487
Grants Receivable	47,506	(14,181)
Prepaid Expenses	12,038	(29,600)
Pledges Receivable	(18,724)	1,550
Increase (Decrease) in		
Accounts Payable and Accrued Liabilities	49,814	(94,562)
Accrued Wages and Vacation	(25,901)	(101,355)
Custodian Funds	(251,665)	45,600
Deferred Program Revenue	2,939	(96,858)
NET CASH PROVIDED BY OPERATING ACTIVITIES	859,847	1,082,418
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(249,309)	(45,251)
Donated Securities	(5,037)	(4,892)
Proceeds from Sale of Assets	303,362	440,554
Proceeds from the Sale of Oil and Gas Rights	0	720,000
Purchases of Investments	(3,840,630)	(5,936,365)
Sale of Investments	3,796,875	5,389,172
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5,261	563,218
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	1,530,000	1,901,762
Repayments of Line of Credit	(2,229,678)	(3,502,085)
Proceeds from Vehicle Loan	0	25,061
Repayments of Vehicle Loan	(5,815)	(2,080)
Changes in Charitable Gift Annuity Liability	0	1,700
Principal Payments on Bond Payable	(105,000)	(100,000)
NET CASH USED BY FINANCING ACTIVITIES	(810,493)	(1,675,642)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,615	(30,006)
CASH AND CASH EQUIVALENTS - BEGINNING	364,784	394,790
CASH AND CASH EQUIVALENTS - ENDING	\$ 419,399	\$ 364,784
SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ 37,089	\$ 97,733

See independent auditors' report and accompanying notes.



GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Effective May 1, 2007, four girl scouts councils, previously known as Hemlock, Penn Laurel, Penn's Woods, and Scranton Pocono, became Girl Scouts in the Heart of Pennsylvania (the Council). There were no material adjustments to conform the accounting policies of the combining organizations. The Council is a nonprofit organization serving Central Pennsylvania and operates under the charter of the Girl Scouts of the United States of America (GSUSA).

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Council has elected to adopt the Accounting Standards Codification (ASC) No. 958, "Nonprofit Organizations." Under ASC No. 958, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Council is required to present the Statements of Cash Flows. Under the provisions of ASC No. 958, net assets and changes therein are classified and reported, based on the existence or absence of donor-imposed stipulations as follows:

- * *Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.
- * *Temporarily Restricted Net Assets* - Net assets 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* - Net assets subject to permanent donor-imposed stipulations. Generally, the donors of such assets permit the Council to use all or part of the income earned on the assets.

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Cash and money market funds, included as part of bank investment accounts, are not considered as cash and cash equivalents.

Custodian Funds

The custodian funds consist of moneys, which are temporarily held in the custody of the Council, but are due to a third-party. The types of moneys included in the custodian funds are amounts due to GSUSA for membership dues, the Juliette Low World Friendship Fund, and Troop Treasuries, which are defined as treasuries of lapsed troops held in trust by the Council, until troops are reorganized.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory, valued by management, is stated at the lower of cost or market. Cost is determined using the first-in, first-out method of accounting. Inventory consists of items pertaining to scouting held-for-resale, including uniforms, handbooks, official insignia, pins, and badges. Management conducted inventory counts and valuations at July 1, 2010 and September 30, 2009. During the year ended September 30, 2010, inventory was consolidated and all obsolete items were disposed. The provision for inventory obsolescence for the years ended September 30, 2010 and 2009 was \$0 and \$26,138, respectively.

Accounts Receivable and Bad Debt

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are written off when they are determined to be uncollectible, based upon management's assessments. The allowance for doubtful accounts is based upon a periodic review of the individual accounts. At September 30, 2010 and 2009, the allowance for doubtful accounts was \$191,435 and \$280,604, respectively.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Receivables are written off when they are determined to be uncollectible, based upon management's assessments. At September 30, 2009, the allowance for doubtful accounts was \$16,000. At September 30, 2010, there is no allowance for doubtful accounts, as all pledges have been deemed to be collectible, based on the collectability of past pledges.

Investments

The Council reflects investments within the financial statements in accordance with the ASC No. 958 "Nonprofit Organizations". Under ASC No. 958, investments in marketable securities, with readily determinable fair values and all investments in debt securities, are valued at their fair values on the Statements of Financial Position. The unrealized gain and loss is included in the changes in net assets.

Deferred Financing Costs

Deferred financing costs are amortized over the life of the related debt using the straight-line method of accounting. Accumulated amortization was \$72,659 and \$66,727 for the years ended September 30, 2010 and 2009, respectively.

Beneficial Interests in Perpetual Trusts

Beneficial interests in perpetual trusts consist of the fair value of assets held in trusts established by donors for the benefit of the Council. These interests are recorded in the accompanying financial statements when the Council has received documentation to substantiate the trusts are irrevocable and the fair value of the Council's interest in the trust can be readily determined.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, pledges receivable, other assets, accounts payable, accrued expenses, and other current liabilities approximate the fair value because of the short maturity of these items. Other financial instruments, for which the fair value measurement is recurring, are measured in accordance with an established hierarchy of inputs to the valuation techniques under generally accepted accounting standards. The methodology for establishing the fair values for the Council's investments is more fully described below.

Fair Value Measurements

ASC No. 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques that are used to measure fair value of financial instruments. The hierarchy gives the highest priority to quoted market prices in active markets (Level 1 measurements) and the lowest priority to values established, based on unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, directly or indirectly, for substantially the full-term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Property and Equipment

Property and equipment are stated at cost or at fair value at the date of donation. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. Capital expenditures are defined by the Council as any item that has a life expectancy of at least three years and a purchase price of at least \$1,000. Maintenance, repairs, and minor renewals are charged against operations when incurred.

Deferred Program Revenue

Certain program fees have been deferred, until the following reporting period to match revenue with related program expenses.

Functional Expenses Classification

The cost of providing the various programs and other activities is summarized on the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Supporting services consist of management and general expenses and fundraising.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Council accounts for contributions in accordance with the recommendations of ASC No. 958-605 "Revenue Recognition." Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions, to be received after one year, are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed stipulations, if any, on the contributions. An allowance for uncollectible contributions receivable is provided, based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Donations

The Council reports gifts of cash and other assets as restricted support, if they are received with donor-imposed stipulations, which limit the use of the donated assets. When a donor-imposed stipulation expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statements of Activities as net assets released from restrictions.

Pledges receivable or gifts of cash, which are used to acquire long-lived assets, are reported as temporarily restricted support. Absent explicit donor-imposed stipulations about how long these assets must be maintained, the Council reports expirations of donor-imposed stipulations when the long-lived assets are acquired.

Revenue from the United Ways is reported when annual allocation notifications from local United Ways are received.

Donated Services

There are no amounts reflected in the financial statements for donated services, because such services do not meet the requirements for financial statement presentation. The Council pays for most services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of time to the Council's program services and to its fundraising campaigns.

Income Taxes

The Council is exempt from federal income taxes as an organization described in the Internal Revenue Code (IRC) Section 501(c)(3), except for net income derived from unrelated business activities, if any. The Council's open audit periods are 2007 through 2009. During 2006, the Financial Accounting Standards Board (FASB) issued ASC No. 740 "Income Taxes", which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose uncertain tax position taken on its tax return. The Council believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Reclassifications

Certain items in the 2009 financial statements have been reclassified to conform to the 2010 presentation. There was no effect from the reclassifications on the reported net income.

2. CONCENTRATIONS

The financial instruments, which potentially subject the Council to credit risk, consist primarily of cash, investments, and contributions receivable. The Council maintains its cash and investments with various financial institutions where the account balances may, at times, exceed FDIC and SIPC insured limits. Concentration of credit risk with respect to contributions receivable are considered to be fully collectible; accordingly, no allowance for uncollectible contributions is recorded.

There are two cookie suppliers in the United States. The Council orders and purchases all cookies through one of these two suppliers. If for some reason the supplier was unable to meet the cookie demands of the Council, it could possibly result in lost sales and adversely affect operating results. Cookie sales account for approximately 73.0 percent of the revenue earned in the current year.

3. DESCRIPTION OF MISSION AND PROGRAMS

Mission

The mission of girl scouting is to build girls of courage, confidence, and character who make the world a better place.

The Program

Girl scouting is a leadership development program, which creates a framework for girls ages five to seventeen to be active producers of their own experiences and challenges. The new girl scouting leadership experience incorporates the discover-connect-take action keys to leadership. Girl scouting experiences are girl led, as much as possible, and encourage learning by doing and cooperative learning processes.

The Council provides opportunities for all girls, anywhere within its jurisdiction, to have consistent girl scouting experiences and outcomes. Girl scouting pathways are the ways girls and adults participate, including events; troop/group activities; six to eight week special interest groups; regional, national, and international trips; and online program activities.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

3. DESCRIPTION OF MISSION AND PROGRAMS (Continued)

Outdoor Program

Another key pathway for participation in girl scouting is through outdoor program activities. The essence of camp is outdoors and/or includes a focus on environmental or outdoor education. These camping experiences are often offered at the Council's camp properties. Girl Scouts in the Heart of Pennsylvania operates camps throughout the region. These are twelve camp properties. From June through August of each year, resident and day camps take place at various Council camps. Girl scouting pathways for girls add value in the following areas:

1. Girls experience freedom to choose from various ways to join girl scouting and may participate in multiple pathways within a membership year.
2. Girls can explore their skills and interests while helping to shape a variety of fun and enriching leadership experiences that inspire them to reach their personal best.
3. Girls, no matter where and how they participate get the necessary guidance from adult volunteers and staff to develop leadership skills and understand how these skills can be used to make a difference in the world.

The Council offers a wealth of support to over 37,000 girls and nearly 12,000 adult volunteers throughout thirty counties in Central and Northeastern Pennsylvania.

4. INVESTMENTS

Investments, other than investments in perpetual trusts, consist of the following at September 30:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 253,320	\$ 253,320	\$ 2,577,362	\$ 2,577,363
Common Stock	2,865,515	3,099,412	1,151,229	1,222,566
Equity Mutual Funds	391,696	325,438	427,087	357,562
Fixed Income	1,846,981	1,919,742	1,117,288	1,160,423
Total Investments	<u>\$ 5,357,512</u>	<u>\$ 5,597,912</u>	<u>\$ 5,272,966</u>	<u>\$ 5,317,914</u>

Of these investments, \$243,100 and \$234,305 are permanently restricted at September 30, 2010 and 2009, respectively.

Investment return is comprised of the following for the years ended September 30:

	2010	2009
Interest and Dividend Income	\$ 87,237	\$ 156,696
Investment Management Fees	(38,386)	(38,643)
Realized Gain (Loss) on Investments	33,695	(697,395)
Unrealized Loss on Investments	0	(51,412)
Unrealized Gain on Investments	232,595	8,815
Total Investment Return	<u>\$ 315,141</u>	<u>\$ (621,939)</u>

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

4. INVESTMENTS (Continued)

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the amounts reported.

5. BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Council has been named beneficiary under several perpetual trusts administered by third-party trustees. The Council's interests vary from 3.5 percent to 100.0 percent in various trusts managed at local banks in Pennsylvania and income from the trusts is recorded as a planned giving contribution.

In addition, the Council made contributions to endowment funds held in local community foundations.

Under accounting principles generally accepted in the United States of America, as the Council transferred the assets to the community foundations, but specified itself as the beneficiary of those assets, the Council recognized the fair value of the benefit interest in these assets held by the community foundations at the date of donation.

Under the terms of the agreements with the community foundations, the Council granted the community foundations authority and control over all property of the funds, including any income derived. In exchange, the Council is the designated beneficiary of the distributions, which will occur in accordance with the spending policy and scholarship guidelines of the community foundations.

Assets held in the perpetual trusts are recorded at the fair value on a recurring basis using the Council's beneficial interest of the respective perpetual trusts. The fair value is determined, based on estimates of the fair value using input assumptions that are not observable, which is a level 3 valuation, as described in Note 1 - "Fair Value Measurements".

The following are the changes in the beneficial interest in perpetual trusts during the years ended September 30:

	2010	2009
Beginning Balance	\$ 473,308	\$ 504,474
Gain (Loss) on Beneficial Interest in Perpetual Trusts	40,180	(31,166)
Ending Balance	<u>\$ 513,488</u>	<u>\$ 473,308</u>



GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

6. ENDOWMENT

The Council's endowment consists of various funds established primarily for scholarships to support specific projects, as defined by the donor. As disclosed in Note 1, the net asset classification of the endowment is reported, based on the existence or absence of donor-imposed stipulations and whether these stipulations can be fulfilled by the Council or will expire with the passage of time.

Interpretation of Relevant Law

As a Pennsylvania corporation, the Council is governed by the applicable Pennsylvania statutes and has interpreted these statutes as requiring the preservation of the endowment's original contribution as of the date of donation. As a result, contributions to the Council's donor restricted endowment are classified as permanently restricted. The investment return is classified as unrestricted or temporarily restricted based on the existence or absence of donor-imposed stipulations and are considered available for expenditure. The following is the endowment's net asset classification, by type of fund, at September 30, 2010:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ 0	\$ 183,436	\$ 243,100	\$ 426,536
Board-Designed	194,655	0	0	194,655
Total Endowment Funds	<u>\$ 194,655</u>	<u>\$ 183,436</u>	<u>\$ 243,100</u>	<u>\$ 621,191</u>

Endowment Investment Policy

The long-term goals of the Council's investment and spending policy is to preserve principal, while ensuring liquidity sufficient to meet the needs and maintain the purchasing power of the investable assets. This is accomplished by an investment policy that emphasizes total return, with a goal over time to exceed the rate of inflation by 4.0 percent. Actual returns, in any given year, may vary from this amount. This is accomplished through identifying benchmarks and electing an asset allocation, which includes a heavier concentration in equities with the remainder of the portfolio in fixed income. In order to control the risk of the endowment's assets, the Council has identified authorized investments and general restrictions.

Endowment Spending Policy

During the year ended September 30, 2009, the Endowment Spending Policy was that investment income earned in the current period was available for expenditure. During the year ended September 31, 2010, the board adopted a spending policy which provides that an aggregate amount of investment income ranging from 3.0 percent to 5.0 percent, based upon the needs of the Council, will be available for expenditure. For the current year, the amount of income available was determined to be 4.0 percent, which was calculated, based on the twelve calendar quarters prior to the beginning of the fiscal year for which the transfer will be made. A transfer in the amount of \$186,333 will be made subsequent to year-end.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

6. ENDOWMENT (Continued)

Assets held in the funds are recorded at their fair value on a recurring basis using quoted market prices, which is a Level 1 valuation, as described in Note 1 - "Fair Value Measurements". The following are the activities in the endowment's net assets for the year ended September 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	\$ 180,852	\$ 180,005	\$ 234,306	\$ 595,163
Investment Return				
Interest and Dividend Income	4,955	3,948	0	8,903
Investment Management Fees	(1,338)	(1,319)	(1,708)	(4,365)
Unrealized Gain on Investments	8,928	7,620	9,014	25,562
Realized Gain on Investments	1,258	1,182	1,488	3,928
Total Investment Return	13,803	11,431	8,794	34,028
Distributions	0	(8,000)	0	(8,000)
Ending Balance	\$ 194,655	\$ 183,436	\$ 243,100	\$ 621,191

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	Useful Lives	2010	2009
Land and Land Improvements	5 - 40 years	\$ 2,752,528	\$ 2,666,018
Buildings and Improvements	5 - 30 years	12,967,978	13,039,580
Equipment and Furniture	3 - 20 years	1,973,091	3,227,618
Vehicles	5 years	158,090	195,597
Total Property and Equipment		17,851,687	19,128,813
Less: Accumulated Depreciation		(10,415,876)	(11,310,636)
Net Book Value		\$ 7,435,811	\$ 7,818,177

Depreciation for the years ended September 30, 2010 and 2009 was \$572,208 and \$659,634, respectively.

8. LINE OF CREDIT

During September 2008, the Council obtained a committed revolving line of credit with PNC Bank, not to exceed \$3,800,000 for working capital purposes. The line of credit was renewed September 1, 2010 and is scheduled to expire August 31, 2011. Interest on the line of credit is calculated monthly, based on London Inter Bank Offered Rate (LIBOR), plus 2.50 percent. The line of credit is secured by investments held by PNC Bank. The line of credit has outstanding balances at September 30, 2010 and 2009 of \$500,000 and \$1,199,677, respectively.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

9. LONG-TERM DEBT

Long-term debt consists of the following at September 30:

	2010	2009
a. North Lebanon Municipal Bonds, Series 1998	\$ 1,015,000	\$ 1,120,000
b. Vehicle Loan	20,837	22,981
Total	1,035,837	1,142,981
Less: Current Portion	(115,815)	(109,542)
Total Long-Term Debt	\$ 920,022	\$ 1,033,439

- a. The Northern Lebanon Township Municipal Authority Bonds, Variable Rate Demand, Fixed Rate Revenue Bonds, (The Penn Laurel Girl Scout Council, Inc. Project) Series of 1998 requires interest payments that are due monthly and principal payments that are due annually for sinking fund requirements. The variable rate is not to exceed 15.0 percent. The bonds are collateralized by land and a \$1,034,188 standby letter of credit. The outstanding bonds are scheduled to mature through May 1, 2018.

The bonds payable bear interest at a floating variable rate, which is determined on a weekly basis by Wachovia Bank. To minimize the exposure to variable interest rate fluctuations, the Council entered into an interest rate swap agreement, under which it paid a rate equal to 67.0 percent of the weekly LIBOR and either pays or receives the difference between this rate and a fixed rate under the contract of 2.96 percent. The difference between these payments was settled on a monthly basis and recorded as an interest income or expense in the financial statements. The effective date of the swap agreement was June 1, 2005 and expired September 1, 2009.

- b. A promissory note for a vehicle loan was executed during April 2009. The note bears interest at a fixed rate of 5.89 percent and requires monthly payments of principal and interest in the amount of \$485 for sixty months.

Aggregate maturities of long-term debt, for subsequent years, are as follows at September 30:

2011	\$ 115,815
2012	120,815
2013	125,815
2014	128,392
2015	130,000
2016-2018	415,000
Total	\$ 1,035,837

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

10. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at September 30:

	2010	2009
General Operations	\$ 4,975,745	\$ 4,020,220
Board Designated	194,655	180,852
Property and Equipment - Net of Related Debt	6,399,974	6,675,196
Total Unrestricted Net Assets	\$ 11,570,374	\$ 10,876,268

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

	2010	2009
Time Restriction - United Way	\$ 242,640	\$ 250,894
Purpose Restrictions		
Schuylkill County Projects	54,764	52,256
Gold Award Scholarship Fund	102,142	100,010
Scholarships	26,530	27,739
Total Temporarily Restricted Net Assets	\$ 426,076	\$ 430,899

12. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at September 30:

	2010	2009
Beneficial Interest in Perpetual Trusts	\$ 513,488	\$ 473,308
Kelly Memorial Fund	23,972	22,853
Lower Fund	13,479	12,851
Shover, Shaeffer, and Burnhisel Funds	10,149	9,676
Brenner Fund	10,724	10,224
Boyle Fund	9,335	8,900
Hopple Fund	5,364	5,114
Kruger Fund	3,613	3,444
Brumm Trust	2,005	2,005
Other	166,462	161,242
Total Permanently Restricted Net Assets	\$ 758,591	\$ 709,617

13. PRODUCT SALES ACTIVITIES - NET

The net revenue from the various product sales activities accounted for approximately 74.0 percent and 73.0 percent of the Council's total unrestricted revenue and public support for the years ended September 30, 2010 and 2009, respectively. Fall product sales, cost of sales, and troop share consist of both the product sale and the magazine sale.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

13. PRODUCT SALES ACTIVITIES - NET (Continued)

Revenue from product sales activities, net of related expenses, consists of the following for the years ended September 30:

	2010			
	Fall			Total
	Cookies	Product	Store	
Sales	\$8,260,577	\$1,295,874	\$ 484,251	\$10,040,702
Cost of Sales	(1,990,120)	(648,710)	(325,643)	(2,964,473)
Troop Share	(1,397,556)	(246,116)	0	(1,643,672)
Net Revenue	\$4,872,901	\$ 401,048	\$ 158,608	\$ 5,432,557
	2009			
	Fall			Total
	Cookies	Product	Store	
Sales	\$7,796,874	\$1,486,950	\$ 634,463	\$ 9,918,287
Cost of Sales	(1,771,752)	(456,110)	(391,717)	(2,619,579)
Troop Share	(1,319,836)	(271,670)	0	(1,591,506)
Net Revenue	\$4,705,286	\$ 759,170	\$ 242,746	\$ 5,707,202

14. OPERATING LEASE COMMITMENTS

Five offices are leased under agreements, which expire during 2011 through 2014. Additionally, various office equipment are leased under agreements, which expire during 2011 through 2013. The annual rentals payable, under these leases, are as follows for the years ending September 30:

2011	\$ 304,105
2012	259,739
2013	241,195
2014	30,127
Total	\$ 835,166

Rental expense for the years ended September 30, 2010 and 2009 was \$391,801 and \$367,443, respectively.

15. EXTRAORDINARY ITEM - GAS LEASE ROYALTY

During February 2009, the Council, as Lessor, entered into an Oil and Gas Lease with Cabot Oil & Gas Corporation, Lessee. Under the terms of this Agreement, the Lessee obtained the rights to explore, drill, and operate for and produce gas from a property located in Susquehanna County, Pennsylvania containing approximately 288 acres, for period of five years and as long, thereafter, as oil or gas is produced in paying quantities from this particular property or from any property that is pooled with this property. As consideration for executing the Agreement, the Lessee paid the Council a one-time payment of \$2,500 per acre or \$720,000. Thereafter, the Lessee is obligated to pay royalties amounting to 16.0 percent of the amounts realized from the sale of gas from the property during the terms of the Agreement. At September 30, 2010, no drilling had occurred on the property and, therefore, no royalties have been earned.

GIRL SCOUTS IN THE HEART OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2010 AND 2009

16. PENSION PLAN

The Council participates in the National Girl Scout Council Retirement Plan, a non-contributory, defined benefit pension plan sponsored by GSUSA, which covers substantially all of the employees of various Girl Scout Councils. Benefits are based on years of service and salary levels. The Council's pension expense and contributions to the plan for the years ended September 30, 2010 and 2009 were \$191,244 and \$94,514, respectively. The National Board of the GSUSA voted to freeze future benefits under the Plan effective July 31, 2010. Due to the nature of the plan, it is not practicable to determine the extent to which the assets of the plan cover the actuarially computed value of vested benefits for the Council as a standalone operation. In addition, because the plan is considered a multiemployer plan, it is only subject to certain minimum reporting requirements of ASC No. 715, "*Compensation - Retirement Benefits*." Due to unfavorable market conditions, as of January 1, 2010, the actuarial present value of accumulated plan benefits exceeded the net assets available for plan benefits.

During August 2010, the Council voted to implement a retirement plan under Section 403(b) of the IRC. The plan covers employees, who have met certain age and length of service requirements. At the Council's discretion, up to 2.0 percent of each covered employee's salary to the plan, on January 1, of each year. There were no contributions for the year ended September 30, 2010. A 2.0 percent contribution was made on January 1, 2011.

17. SUBSEQUENT EVENTS

The management of the Council has evaluated subsequent events through March 3, 2011, which is the date the financial statements were available to be issued.