



This edition of *Realignment News* provides an overview of the work that will be done by Gibson, Dunn & Crutcher — the legal counsel providing pro bono service to councils related to realignment. A brief report is also included on the number of councils who, as of this publication, have exercised the option to seek early feedback on their realignment proposals.

This week's Q & A provides additional information on many subjects covered in earlier editions. First-time information is provided on identifying a location for council headquarters and on charter extensions. We continue to welcome questions at vwright@girlscouts.org and jverhage@girlscouts.org.

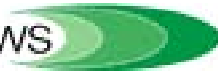
ITEMS OF INTEREST

Working with Gibson, Dunn & Crutcher

We were delighted to meet and hear from Stephanie Tsacoumis, co-managing partner of Gibson, Dunn & Crutcher, at the Board Chair & CEO Work Session in Orlando. Since the Work Session she has been mobilizing partners and associates across the country to support councils in this important work.

The work of Gibson Dunn will focus in the following areas:

- Development of a “process overview” that can be used with local boards of directors to help all councils understand the legal steps that will be required.
- Preparation of templates, checklists, and procedures directly related to the legal work that all councils would need to do in preparation for mergers.
- Preparation of sample merger agreements along with recommended guidelines for asset distribution in those instances where council jurisdictions are being divided.
- Assist councils/council groups through final realignment transactions, including filing of required paper work.



An attorney from Gibson, Dunn & Crutcher will be on-site at all merger trainings to provide general guidance and where possible answer individual questions. Plans are also being developed to provide an interactive web-based question and answer forum on legal issues that all CEOs will be able to access.

The firm anticipates that much of the work across the country will be similar, but is also developing individualized support plans for those areas where actions may be more complicated. Girl Scout councils will continue to consult their own legal counsel on non-merger related issues.

As Gibson, Dunn & Crutcher prepares for this pro bono engagement, questions of a legal nature related to mergers should be sent to jverhage@girlscouts.org.

Exercising the “Early Feedback” Option

As of this printing, five council groups have requested early feedback on concept papers proposing jurisdictions that differ from the resource map. Proposals are being reviewed in terms of the established criteria and the impact on surrounding councils. Council groups have received (or will receive) feedback on their proposals to assist them in meeting the June 1 date for final submission. The demographers are engaged in this process and are providing feedback on each proposal.

Three-page, early feedback concept papers may be submitted through April 28 and are to be sent to Vicki Wright (vwright@girlscouts.org).

Q & A

- 1. The boundaries of our council were not changed on the resource map presented by the demographers in Florida. Since we are in agreement with this, do we need to submit a proposal to GSUSA? Answer:** We would like all councils whose boundaries were not changed on the resource map and are in agreement with this to submit a letter or email confirming that to Vicki Wright, Realignment Strategy Team, at GSUSA. This letter or email can be sent at any time but should be received by the June 1 deadline.
- 2. Our auditors have asked that a statement be added to the footnotes in our audit this year disclosing that discussions are under way regarding a potential merger of Girl Scout councils in our area. Can you help us with this? Answer:** Yes. We have prepared two sample paragraphs that you can share with your auditor. One is for those councils where merger is imminent and another is for councils where the process of combining may not officially begin for another year or so. These samples are attached to this edition of *Realignment News*.

- 3. In Orlando, you announced that council charters would be automatically extended through the realignment period with no fee attached. Our council isn't changing much — will our charter be extended too? Answer:** Those councils who are not affected by realignment and have charters expiring in the next three years will file an application for a Girl Scout Council charter. The application fees will be waived.

Charters for councils who will be combining in the realignment process will automatically be extended until the time that the new councils are formed. At that time an application for a new charter will be required. GSUSA will notify affected councils in writing and there will be no fees for the extended charters.

As new councils are formed, charter applications will be required, and the initial application fees will also be waived.

- 4. We were just getting ready to begin our CPA and were delighted to hear that a “simple scorecard process” will be used instead. Can we return our completely unused CPA monographs that we purchased for a refund or credit? Answer:** Yes. If you purchased additional CPA monographs, the unused books may be returned through your Girl Scout Merchandise contact.

- 5. How will the information in the Council Profile be shared? Do we need to send a copy to GSUSA? Answer:** Information gathered in the council profile is intended for use by Board Chairs and CEOs of the councils that are combining. Various sections of the profile may be appropriately shared with various realignment subcommittees to support their work. GSUSA has not requested copies of this document; however, Gibson, Dunn & Crutcher will request a copy of the Council Profile when it begins its work on behalf of council groups.

- 6. If a council loses its CEO before the merger, will GSUSA provide the services of an interim CEO for that council? Answer:** GSUSA is committed to helping each council continue its work, especially in a time of executive transition. During realignment, interim CEOs will be available for longer periods of time than the usual 3-month assignment.

In some cases “oversight” arrangements will be established that will allow one council to oversee the work of another council until the merger takes place. The primary consultant assigned to each area will be available to help design the appropriate support for each individual situation.

7. Will GSUSA assign a “point person” to work with each Council Realignment Committee to provide support and facilitate discussions when needed?

Answer: Yes. A member of the Council Realignment Team or the Council Partnership Team will be assigned to provide advice and consultation to each Council Realignment Committee. Arrangements can also be made for on-site help to support local decision-making.

8. If our selected start date is two years away, at what point does the Council Realignment Committee assemble and begin its work? Answer:

The date that you select as your “start date” is the projected date when the board will approve the good faith resolution. Following that the Council Realignment Committee will be formed. A good strategy for the interim months/years is to plan joint programs and training activities to build both council connections and enthusiasm for the future.

9. Will GSUSA select the headquarters location for the newly formed councils? If the decision will be made locally, will you provide guidelines? Answer:

Depending on the timing of the merger decision, the job of selecting the headquarters location is the responsibility of either the Council Realignment Committee or the newly elected Board of Directors. In either case, the selection of the office headquarters needs to be based on the agreed-upon vision for the new council. Successful operating structures will require multiple office locations and creative service delivery models.

10. Can you clarify what will happen if the membership does not vote affirmatively to combine our councils? Answer:

The National Board has full authority to both establish jurisdictions and take action if councils choose not to comply. The realignment process has been designed to give councils many opportunities for participation in the decision making and we are hopeful that, ultimately, all councils will agree with the final map that is adopted by the National Board. GSUSA will work with councils to prepare their membership for an affirmative vote on realignment — and will provide extra support in areas that may offer a particular challenge.

11. What is the legal action that will be required of councils when they come together? Answer:

The councils will “merge,” which is a technical term describing a legal transaction in which the entities combine, with the result that one council will be the “surviving corporation.” The surviving corporation will receive the assets and liabilities of all other councils “by operation of law,” which means that individual actions to transfer assets and liabilities will not be required. A merger is effected by filing a legal document in the appropriate states. In most cases, as part of the merger filings, the name of the surviving corporation will be changed.

- 12. Will all new councils be required to conduct a national search for the CEO position? Answer:** A best practice shared from other organizations completing nationwide mergers is to conduct an open search for the new council CEO. The decision about the search for the new CEO will be made by the members of the Council Realignment Committee. GSUSA will provide support to these committees to help them make that determination.
- 13. What are the rules for the June 1 jurisdictional proposals? Answer:** Guidelines for developing jurisdictional proposals are included in the *Council Realignment Guidebook* on the back of page two in the “Realignment Process Section.” Understanding that there are some individual cases where a group of councils would like to submit a proposal and one council refuses to come to the table, we have amended the submission guidelines to allow for the submission of proposals that may not have agreement of all participants. (Please see *Realignment News 13*, Question 3).
- 14. How can we assure that the assets of all councils are being well managed until our new council is formed? We are concerned that assets of some of our neighbors will be spent on high severance/retention packages. Answer:** As always, Board members, CEOs and management should be mindful of their fiduciary duties, particularly in contemplation of the realignment. GSUSA will provide guidance on both severance and retention packages to help all councils budget and plan at all levels that are appropriate to our industry. These guidelines will be sent to Board Chairs and CEOs along with information on enhancements in the National Girl Scout Retirement Plan. We anticipate this information will be available within the next two weeks.

Girl Scouts of the U.S.A.
FINANCIAL STATEMENT DISCLOSURE OF NATIONWIDE
COUNCIL REALIGNMENT

The realignment process will have a significant impact on the majority of councils. It is, therefore, recommended that councils speak with their external auditors regarding any requirements for disclosure in council financial statements related to the nationwide realignment of Girl Scout councils and its impact on the council.

The nature of any disclosure and possible impact on the auditor's opinion will depend on the council's stage in the realignment process. For example, if the council's board has approved a resolution to combine jurisdictions, the impact of such a combination, if known, may need to be disclosed in a financial statement footnote. Although not typically the case, the auditor may want to give consideration in its opinion to the viability of the council as a going concern if the combining of jurisdictions will take place within a year.

Should footnote disclosure be required, the samples below may be helpful and may be customized to reflect the phase of realignment that the council is in when the audit report is given. If you have any questions you may contact **Susana Guarino, Finance Accounting consultant, at 212-852-5027 or sguarino@girlscouts.org**

Footnote #1. If council board has approved a resolution re: realignment

The board of directors of XXX Council passed a motion during its meeting on (insert date) to combine jurisdictions with the Girls Scouts of XXZ. Similarly the board of XXZ voted to combine jurisdictions with XXX Council. Further proceedings have not been initiated as of (audit date) and there is no impact resulting from the anticipated merger on these financial statements as of (audit date).

Footnote #2- If council board has not yet approved a resolution re: realignment

As an organization exclusively devoted to the Girl Scout Movement, XXX Council has been issued a Girl Scout council charter by Girl Scouts of the USA granting it the right to develop, manage, and maintain Girl Scouting in a specified area of jurisdiction, which is established by the National Board of Directors of Girl Scouts of the USA, and to call itself a Girl Scout council. On September 11, 2005, the National Board of Directors took action approving that Girl Scouts of the USA develop and implement a process for a nationwide council realignment. The realignment of councils will begin in 2006. It is expected to result in far fewer councils with larger jurisdictions that create higher capacity to serve girls now and in the future. Proceedings necessary to realign council jurisdictions have not been initiated as of (audit date) and there is no impact resulting from the anticipated combining of councils on these financial statements as of (audit date).

Audit Opinion

While it is not expected that realignment will result in a qualified audit opinion, should this situation occur, please feel free to contact GSUSA so that the disclosures can be consistently made and the going concern opinion managed with the various council constituents.

RELEVANT ACCOUNTING PRONOUNCEMENTS

The following references may be useful in assessing financial statement implications of realignment:

Going Concern — SAS # 59, Auditing Standards Section 341 provides guidance with respect to evaluating whether there is substantial doubt about the entity's continuing as a going concern.

Subsequent Events — SAS #1, Auditing Standards Section 560 provides accounting guidance related to events that occur subsequent to the balance sheet date but prior to the issuance of the financial statement that require disclosure in the statements. These occurrences are referred to as "subsequent events." A subsequent event footnote provides full disclosure of a major event for which disclosure is required to keep the financial statement from being misleading.

March 30, 2006