

**GIRL SCOUTS OF  
MIDDLE TENNESSEE, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**September 30, 2010 and 2009**

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**

**TABLE OF CONTENTS**

Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position .....	2
Statements of Activities.....	3 – 4
Statements of Functional Expenses .....	5 – 6
Statements of Cash Flows .....	7
Notes to Financial Statements.....	8 – 18



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550  
NASHVILLE, TENNESSEE 37203  
PHONE 615-383-6592, FAX 615-383-7094

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Girl Scouts of Middle Tennessee, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Girl Scouts of Middle Tennessee, Inc. 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 Organization'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 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 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 Girl Scouts of Middle Tennessee, Inc. 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.

*Frasier, Dean & Howard, PLLC*

December 8, 2010

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2010 and 2009**

	UNRESTRICTED					
	Camping, Operating and Special Project Reserves	Land, Buildings and Equipment	Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	2010 Total
						2009 Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents (Note 1)	\$ 3,026,155	\$ -	\$ 3,026,155	\$ 150,000	\$ -	\$ 3,176,155
Unconditional promises to give -						
United Way and other (Note 1, 2, 6)	-	-	-	138,173	-	138,173
Unconditional promises to give -						
Capital Campaign (Note 1, 2, 6)	-	-	-	218,600	-	218,600
Accounts receivable	58,846	-	58,846	-	-	58,846
Certificates of deposit (Note 1, 3)	700,000	-	700,000	-	-	700,000
Inventory (Note 1)	83,969	-	83,969	-	-	83,969
Prepaid expenses	65,202	-	65,202	-	-	65,202
Total current assets	3,934,172	-	3,934,172	506,773	-	4,440,945
Land, buildings and equipment (net of accumulated depreciation of \$6,638,238 and \$6,367,696) (Note 1, 4)	-	6,701,402	6,701,402	-	-	6,701,402
Other non-current assets:						
Unconditional promises to give -						
Capital Campaign (Note 1, 2, 6)	-	-	-	205,157	-	205,157
Long-term investments (Note 1, 3)	5,761,647	-	5,761,647	8,896	121,586	5,892,129
Total assets	9,695,819	6,701,402	16,397,221	720,826	121,586	17,239,633
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities:						
Accounts payable	\$ 223,065	\$ -	\$ 223,065	\$ -	\$ -	\$ 223,065
Accrued liabilities	106,623	-	106,623	-	-	106,623
Deferred income	181,810	-	181,810	-	-	181,810
Total current liabilities	511,498	-	511,498	-	-	511,498
Custodian funds	20,778	-	20,778	-	-	20,778
Total liabilities	532,276	-	532,276	-	-	532,276
Net assets (Note 1, 6):						
Unrestricted	9,163,543	6,701,402	15,864,945	-	-	15,864,945
Temporarily restricted	-	-	-	720,826	-	720,826
Permanently restricted	-	-	-	-	121,586	121,586
Total net assets	9,163,543	6,701,402	15,864,945	720,826	121,586	16,707,357
Total liabilities and net assets	9,695,819	6,701,402	16,397,221	720,826	121,586	17,239,633

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2010**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>	<b>2009</b>
Public support:					
Annual giving	\$ 556,883	\$ -	\$ -	\$ 556,883	\$ 586,854
United Way contributions	34,262	86,410	-	120,672	129,230
County Receptions, net	51,780	-	-	51,780	73,247
Golf tournament, net	53,706	-	-	53,706	45,740
Subtotal public support	696,631	86,410	-	783,041	835,071
Capital campaign	-	14,888	-	14,888	64,844
Total public support	696,631	101,298	-	797,929	899,915
Revenue:					
Program related revenue:					
Cookie sales, net (Note 9)	2,709,576	-	-	2,709,576	2,675,020
Camping fees	308,650	-	-	308,650	355,046
Program fees	230,277	-	-	230,277	152,972
Government grants	49,742	-	-	49,742	47,550
Sale of merchandise, gross	447,857	-	-	447,857	456,694
Less: Cost of sales	(341,737)	-	-	(341,737)	(338,557)
Other income, net	147,723	-	-	147,723	116,959
Net gain on disposal of assets	1,800	-	-	1,800	3,350
Total revenue	3,553,888	-	-	3,553,888	3,469,034
Net assets released from restrictions:					
Satisfaction of program and time restrictions	618,677	(618,677)	-	-	-
Total revenues, gains and other support	4,869,196	(517,379)	-	4,351,817	4,368,949
Expenses:					
Program services	3,587,982	-	-	3,587,982	3,894,176
Supporting services:					
Management and general	289,385	-	-	289,385	337,537
Fundraising and community relations	286,575	-	-	286,575	463,337
Total expenses	4,163,942	-	-	4,163,942	4,695,050
Change in net assets from operating activities	705,254	(517,379)	-	187,875	(326,101)
Nonoperating activities:					
Investment income (Note 3)	133,963	-	7,435	141,398	175,422
Net gain (loss) on investments (Note 3)	532,282	-	-	532,282	(81,551)
Change in net assets	1,371,499	(517,379)	7,435	861,555	(232,230)
Net assets, beginning of year	14,493,446	1,238,205	114,151	15,845,802	16,078,032
Net assets, end of year	<u>\$15,864,945</u>	<u>\$ 720,826</u>	<u>\$ 121,586</u>	<u>\$16,707,357</u>	<u>\$15,845,802</u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2009**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>	<b>2008</b>
Public support:					
Annual giving	\$ 569,854	\$ 17,000	\$ -	\$ 586,854	\$ 749,349
United Way contributions	44,020	85,210	-	129,230	159,116
County Receptions, net	73,247	-	-	73,247	61,292
Golf tournament, net	29,090	16,650	-	45,740	-
Subtotal public support	716,211	118,860	-	835,071	969,757
Capital campaign	-	64,844	-	64,844	192,797
Total public support	716,211	183,704	-	899,915	1,162,554
Revenue:					
Program related revenue:					
Cookie sales, net (Note 9)	2,675,020	-	-	2,675,020	2,681,826
Camping fees	355,046	-	-	355,046	353,256
Program fees	152,972	-	-	152,972	172,111
Government grants	42,121	5,429	-	47,550	-
Sale of merchandise, gross	456,694	-	-	456,694	460,445
Less: Cost of sales	(338,557)	-	-	(338,557)	(386,792)
Other income, net	116,959	-	-	116,959	88,555
In-kind contributions	-	-	-	-	56,154
Net gain on disposal of assets	3,350	-	-	3,350	265
Total revenue	3,463,605	5,429	-	3,469,034	3,425,820
Net assets released from restrictions:					
Satisfaction of program and time restrictions	292,511	(292,511)	-	-	-
Total revenues, gains and other support	4,472,327	(103,378)	-	4,368,949	4,588,374
Expenses:					
Program services	3,894,176	-	-	3,894,176	4,109,849
Supporting services:					
Management and general	337,537	-	-	337,537	328,327
Fundraising and community relations	463,337	-	-	463,337	452,375
Total expenses	4,695,050	-	-	4,695,050	4,890,551
Change in net assets from operating activities	(222,723)	(103,378)	-	(326,101)	(302,177)
Nonoperating activities:					
Investment income (Note 3)	171,385	-	4,037	175,422	212,535
Net loss on investments (Note 3)	(81,551)	-	-	(81,551)	(1,187,353)
Change in net assets	(132,889)	(103,378)	4,037	(232,230)	(1,276,995)
Net assets, beginning of year	14,626,335	1,341,583	110,114	16,078,032	17,355,027
Net assets, end of year	<u>\$14,493,446</u>	<u>\$1,238,205</u>	<u>\$ 114,151</u>	<u>\$15,845,802</u>	<u>\$16,078,032</u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended September 30, 2010

	SUPPORTING SERVICES				Total
	Program Services	Management and General	Fundraising and Community Relations	Total Supporting Services	
Salaries	\$1,591,454	\$ 174,678	\$ 167,589	\$ 342,267	\$1,933,721
Employee health and retirement benefits	230,205	25,265	24,251	49,516	279,721
Payroll taxes	142,819	15,765	15,959	31,724	174,543
Total salaries and related expenses	1,964,478	215,708	207,799	423,507	2,387,985
Occupancy	405,111	8,596	17,776	26,372	431,483
Supplies	137,431	1,583	5,836	7,419	144,850
Capital budget - repairs and maintenance	121,638	-	-	-	121,638
Conferences, conventions, meetings and training	109,673	2,631	3,096	5,727	115,400
Travel	75,228	3,617	6,765	10,382	85,610
Scholarships and financial aid	80,716	-	-	-	80,716
Insurance	66,204	6,450	8,789	15,239	81,443
Professional fees	66,754	5,860	6,143	12,003	78,757
Program consultants	54,754	953	5,416	6,369	61,123
Telephone	52,446	2,923	4,187	7,110	59,556
Printing and publications	47,356	2,124	8,711	10,835	58,191
Awards and gifts	37,271	214	2,114	2,328	39,599
Rental, repair and maintenance	32,805	2,620	2,586	5,206	38,011
Trust fund management fee	-	25,619	-	25,619	25,619
Postage and shipping	19,880	1,025	3,032	4,057	23,937
Miscellaneous	10,031	279	505	784	10,815
Membership dues	3,876	837	809	1,646	5,522
Total expenses before depreciation	3,285,652	281,039	283,564	564,603	3,850,255
Depreciation (Note 4)	302,330	8,346	3,011	11,357	313,687
Total expenses	<u>\$3,587,982</u>	<u>\$ 289,385</u>	<u>\$ 286,575</u>	<u>\$ 575,960</u>	<u>\$4,163,942</u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2009**

	<b>SUPPORTING SERVICES</b>				<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising and Community Relations</b>	<b>Total Supporting Services</b>	
Salaries	\$1,696,064	\$ 211,363	\$ 289,518	\$ 500,881	\$2,196,945
Employee health and retirement benefits	178,690	22,280	30,512	52,792	231,482
Payroll taxes	165,517	20,515	27,111	47,626	213,143
 Total salaries and related expenses	 2,040,271	 254,158	 347,141	 601,299	 2,641,570
Occupancy	388,242	6,245	12,875	19,120	407,362
Professional fees	232,097	10,125	21,085	31,210	263,307
Supplies	165,385	1,564	7,147	8,711	174,096
Conferences, conventions, meetings and training	135,554	2,899	3,954	6,853	142,407
Scholarships and financial aid	90,710	-	-	-	90,710
Travel	71,406	6,016	8,431	14,447	85,853
Insurance	67,273	6,752	5,490	12,242	79,515
Rental, repair and maintenance	69,766	3,157	5,658	8,815	78,581
Printing and publications	56,455	3,996	15,123	19,119	75,574
Capital budget - repairs and maintenance	71,154	-	-	-	71,154
Program consultants	59,247	2,612	3,066	5,678	64,925
Awards and gifts	57,534	309	4,987	5,296	62,830
Telephone	49,871	3,180	5,696	8,876	58,747
Postage and shipping	26,728	992	8,603	9,595	36,323
Trust fund management fee	-	25,737	-	25,737	25,737
Miscellaneous	18,947	296	1,678	1,974	20,921
Membership dues	5,144	622	2,289	2,911	8,055
Bad debts	-	-	2,957	2,957	2,957
 Total expenses before depreciation	 3,605,784	 328,660	 456,180	 784,840	 4,390,624
Depreciation (Note 4)	288,392	8,877	7,157	16,034	304,426
 Total expenses	 \$3,894,176	 \$ 337,537	 \$ 463,337	 \$ 800,874	 \$4,695,050

See accompanying notes.



**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 861,555	\$ (232,230)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	313,687	304,426
Realized and unrealized (gains) losses on investments	(532,282)	81,551
(Gain) loss on disposal of fixed assets	(1,800)	(3,350)
Changes in operating assets and liabilities:		
Unconditional promises to give	5,008	(36,737)
Accounts receivable	(12,366)	(19,632)
Inventory	19,204	21,192
Prepaid expenses	13,216	(11,062)
Accounts payable	(29,280)	46,361
Accrued liabilities	(27,865)	19,700
Deferred income	38,891	43,003
Custodian funds	(19,427)	10,218
Net cash provided by operating activities	<u>628,541</u>	<u>223,440</u>
Cash flows from investing activities:		
Proceeds from sale of investments	11,203,493	1,560,466
Purchases of investments	(11,281,953)	(1,759,990)
Purchases of certificates of deposit	(600,000)	-
Proceeds from disposal of land, buildings and equipment	1,800	3,350
Purchases of land, buildings and equipment	(1,259,273)	(155,359)
Net cash used in investing activities	<u>(1,935,933)</u>	<u>(351,533)</u>
Cash flows from financing activities:		
Contributions restricted for capital campaign	213,000	288,000
Net cash provided by financing activities	<u>213,000</u>	<u>288,000</u>
Net increase in cash and cash equivalents	(1,094,392)	159,907
Cash and cash equivalents, beginning of year	<u>4,270,547</u>	<u>4,110,640</u>
Cash and cash equivalents, end of year	<u>\$ 3,176,155</u>	<u>\$ 4,270,547</u>
Supplemental disclosure of cash flow information:		
Purchase of fixed assets financed through accounts payable	<u>\$ 171,075</u>	<u>\$ -</u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Girl Scouts of Middle Tennessee, Inc. (the “Organization”) provides programs and administrative support for local Girl Scout troops in Middle Tennessee. The Organization is supported primarily through public support and the sale of cookies and merchandise. The following is a summary of the Organization’s significant accounting policies.

**Accounting Standards Codification**

The Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Organization’s financial statements.

**Basis of Presentation**

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. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Unrestricted net assets:**

**Undesignated** – net assets that are not subject to donor-imposed stipulations.

**Designated** – net assets designated by the Organization’s Board for particular purposes, presently designated by the Board for camp and other improvements.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Permanently restricted assets are primarily comprised of the original endowment gift given to the Organization by donors. Generally, the donors of these assets permit the Organization to use all or part of the income from these assets.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. Cash and cash equivalents also include certificates of deposit with no significant penalty for early withdrawal.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Inventory**

Inventory consists principally of Girl Scout related clothing and supplies and is stated at the lower of cost or market determined on the first-in, first-out basis.

**Investments**

Investments are stated at fair market value. Unrealized gains and losses as well as appreciation or depreciation in market value are reflected in the accompanying financial statements.

**Land, Buildings and Equipment**

Land, buildings and equipment are recorded at cost to the Organization, or if contributed, at the approximate market value at the date of acquisition. All depreciation is computed using the straight-line method based on the estimated useful life of the asset.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When buildings and equipment are sold or otherwise disposed, the asset and related accumulated depreciation are relieved, and any gain or loss is included in revenue.

**Endowment Funds**

As required by the Not For Profit Entities topic of the FASB ASC, a nonprofit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Endowment Funds (Continued)**

When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The Codification also requires additional disclosures applicable to all nonprofit organizations. Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the law(s) underlying the net asset classification of donor-restricted endowment funds. The Organization has implemented this pronouncement and is now providing the expanded disclosures.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

**Donated Services**

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities related to volunteer services because the criteria for recognition of such volunteer effort under accounting principles generally accepted in the United States of America have not been satisfied.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Uncertainty in Income Taxes**

On January 1, 2009, the Organization adopted FASB ASC guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. This guidance must be applied to all existing tax positions upon initial adoption. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended September 30, 2007 through September 30, 2010. Adoption of this pronouncement had no impact on the accompanying financial statements.

**Subsequent Events**

The Organization evaluated subsequent events through December 8, 2010, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

**Reclassifications**

Certain reclassifications have been made to the 2009 financial statements in order for them to conform with 2010 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

**NOTE 2 – PROMISES TO GIVE**

Unconditional promises to give consist of the following at September 30:

	<u>2010</u>	<u>2009</u>
United Way allocations	\$ 86,410	\$ 85,210
Capital Campaign	431,600	644,600
Other	<u>51,763</u>	<u>73,184</u>
	569,773	802,994
Less discount to net present value	<u>(7,843)</u>	<u>(23,056)</u>
Net unconditional promises to give	<u>\$ 561,930</u>	<u>\$ 779,938</u>

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 2 – PROMISES TO GIVE (Continued)**

The discount rates used to determine the present value of pledge contributions receivable ranged from 1.57% to 3.94%.

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 356,773	\$ 376,994
Receivable in one to five years, net	<u>205,157</u>	<u>402,944</u>
	<u>\$ 561,930</u>	<u>\$ 779,938</u>

Although donor designations to the United Way may vary, differences between the amounts allocated and collected from the United Way have historically been insignificant. Accordingly, no provision is made for uncollectible amounts. Uncollectible amounts for other unconditional promises to give are expected to be insignificant.

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Organization has adopted the provisions of the Fair Value Measurement Topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The applicable levels of the fair value hierarchy are described below.

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

*Level 2* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for Organization assets measured at fair value is as follows:

Level 1 assets – determined by obtaining quoted market prices in active markets

Level 2 assets – determined based on the inputs used to value the Organization's underlying assets in the investment pool; the investment pool value is determined based on quoted market prices in active markets

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 119,073	\$ -	\$ -	\$ 119,073
Certificates of deposit	700,000	-	-	700,000
Fixed income funds:				
Short duration fixed income	538,499	-	-	538,499
Core fixed income	-	822,215	-	822,215
Opportunistic fixed income	-	284,169	-	284,169
Total fixed income	538,499	1,106,384	-	1,644,883
Equity funds:				
Large cap US	612,755	616,060	-	1,228,815
Small/mid cap US	-	649,032	-	649,032
International	-	1,278,728	-	1,278,728
Public real estate	-	120,797	-	120,797
Total equity funds	612,755	2,664,617	-	3,277,372
Multi-strategy funds	848,155	-	-	848,155
Common stocks and other	2,646	-	-	2,646
Total investments at fair value	<u>\$ 2,821,128</u>	<u>\$ 3,771,001</u>	<u>\$ -</u>	<u>\$ 6,592,129</u>

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common stocks and equity funds	\$ 3,441,340	\$ -	\$ -	\$ 3,441,340
Corporate bonds and fixed income funds	1,198,126	-	-	1,198,126
Money market funds	612,681	-	-	612,681
Certificates of deposit	100,000	-	-	100,000
Other	<u>29,240</u>	<u>-</u>	<u>-</u>	<u>29,240</u>
Total investments at fair value	<u>\$ 5,381,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,381,387</u>

During 2010 and 2009, interest and dividends earned from investments totaled \$141,398 and \$175,422, respectively. Net appreciation/(depreciation) on investments amounted to \$532,282 and \$(81,551) for the years ended September 30, 2010 and 2009, respectively.

**NOTE 4 – LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consist of the following at September 30:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,079,505	\$ 1,079,505	
Campsite facilities	7,769,294	6,399,442	5 to 15 years
Office buildings	2,016,817	2,009,727	40 years
Equipment	1,710,165	1,699,904	3 to 12 years
Land improvements	<u>763,859</u>	<u>763,859</u>	5 to 15 years
Subtotal	13,339,640	11,952,437	
Less accumulated depreciation	<u>(6,638,238)</u>	<u>(6,367,696)</u>	
Total	<u>\$ 6,701,402</u>	<u>\$ 5,584,741</u>	

Depreciation expense amounted to \$313,687 and \$304,426 for the years ended September 30, 2010 and 2009, respectively.



**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 5 – LEASE COMMITMENT**

The Organization entered into lease agreements for copiers and a postage machine that have been accounted for as operating leases. At September 30, 2010, future minimum annual lease payments under noncancelable lease obligations are as follows:

Year ending September 30,	
2011	\$ 16,259
2012	4,632
2013	4,632
2014	<u>3,860</u>
	<u>\$ 29,383</u>

Rent expense under lease agreements totaled \$87,833 and \$98,400 for the years ended September 30, 2010 and 2009, respectively.

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods at September 30:

	<u>2010</u>	<u>2009</u>
Unconditional promises to give due in future periods	\$ 138,173	\$ 158,394
Contributions receivable for capital campaign	423,757	621,544
Contributions received for capital campaign	150,000	432,371
Funds restricted by purpose and/or time	<u>8,896</u>	<u>25,896</u>
	<u>\$ 720,826</u>	<u>\$ 1,238,205</u>

Permanently restricted net assets are comprised of the following at September 30:

	<u>2010</u>	<u>2009</u>
Sue Peters endowment	\$ 11,314	\$ 10,984
Fran Barge endowment	7,590	7,369
Dorothy May Campership fund	64,153	58,391
Judy Smith Promise Circle	<u>38,529</u>	<u>37,407</u>
	<u>\$ 121,586</u>	<u>\$ 114,151</u>

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)**

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The Board of Directors has interpreted the UPMIFA as requiring that the Organization classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Net Asset Composition by Type of Fund as of September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 121,586	\$ 121,586

Changes in Endowment Net Assets for the year ended September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 114,151	\$ 114,151
Investment return: Net appreciation (realized and unrealized)	-	-	7,435	7,435
Endowment net assets, end of year	\$ -	\$ -	\$ 121,586	\$ 121,586

Endowment Net Asset Composition by Type of Fund as of September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 114,151	\$ 114,151

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)**

Changes in Endowment Net Assets for the year ended September 30, 2009:

Endowment net assets, beginning of year	\$ -	\$ -	\$ 110,114	\$ 110,114
Investment return:				
Net appreciation (realized and unrealized)	-	-	4,037	4,037
Endowment net assets, end of year	\$ -	\$ -	\$ 114,151	\$ 114,151

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are to be invested primarily in equities, fixed income investments and cash securities.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of obtaining Board of Directors' approval for any distribution of dividend and interest income from the endowment fund.

**NOTE 7 – RETIREMENT PLAN**

The Organization participates in the National Girl Scout Council Retirement Plan (the "Plan"), a noncontributory defined benefit pension plan sponsored by Girl Scouts of the USA which covers substantially all of the employees of various Girl Scout councils. Benefits are based on years of service and salary levels. The Organization's pension expense and contribution to this plan for fiscal 2010 and 2009 was \$113,187 and \$65,279, respectively. The National Board of the Girl Scouts of the USA 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 Organization as a standalone operation. In addition, because the Plan is considered a multiemployer plan, it is only subject to certain minimum reporting requirements under FASB ASC guidance for employee benefit plans. Due to unfavorable market conditions, as of January 1, 2010, the actuarial present value of accumulated plan benefits exceeded net plan assets available for plan benefits.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2010 and 2009**

**NOTE 7 – RETIREMENT PLAN (Continued)**

Management is evaluating its options to cease participation in the Plan. Management believes that this is the best approach to minimize and manage the potential unfunded liability of the Organization that has resulted from participation in the Plan. The amount of potential unfunded liability (and terms of payment of such liability) has not been determined, but could be material. Management has determined that the Organization has adequate cash, however, to fund any such potential obligation. Final determination of whether to cease participation in the Plan and terms thereof is currently under review by management and the Board with advice of ERISA counsel. Until a decision is made, the Organization is making additional contributions to the Plan in accordance with the National Girl Scout Council Retirement Plan's contribution schedule.

**NOTE 8 – TAX EXEMPTION**

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

**NOTE 9 – CONCENTRATIONS**

The Organization receives a substantial amount of its support from the sale of cookies. A significant reduction in the level of cookie sales, if this were to occur, could have an adverse impact on the Organization's programs and services.

Financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents, unconditional promises to give, and investments. The Organization had cash deposits in excess of federally insured limits as of September 30, 2010 and 2009, respectively.

**NOTE 10 – LITIGATION**

The Organization is, from time to time, involved in litigation. In the opinion of management, no current or threatened litigation will have a material effect on the Organization's financial position or results of operations.