

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

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

**September 30, 2012 and 2011**

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

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## 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, 2012 and 2011, 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, 2012 and 2011, 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 11, 2012

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2012 and 2011**

	<b>UNRESTRICTED</b>							
	<b>Camping, Operating and Special Project Reserves</b>	<b>Land, Buildings and Equipment</b>	<b>Total Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted Endowment</b>	<b>2012 Total</b>	<b>2011 Total</b>	
	<b>ASSETS</b>							
Current assets:								
Cash and cash equivalents (Note 1)	\$ 4,953,733	\$ -	\$ 4,953,733	\$ 25,000	\$ -	\$ 4,978,733	\$ 4,167,440	
Unconditional promises to give - United Way and other (Note 1, 2, 6)	-	-	-	71,407	-	71,407	116,849	
Unconditional promises to give - Capital Campaign (Note 1, 2, 6)	-	-	-	-	-	-	214,000	
Accounts receivable	14,473	-	14,473	-	-	14,473	21,008	
Certificates of deposit	-	-	-	-	-	-	100,000	
Inventory (Note 1)	98,476	-	98,476	-	-	98,476	73,569	
Prepaid expenses	58,563	-	58,563	-	-	58,563	185,275	
Total current assets	5,125,245	-	5,125,245	96,407	-	5,221,652	4,878,141	
Land, buildings and equipment (net of accumulated depreciation) (Note 1, 4)	-	6,370,134	6,370,134	-	-	6,370,134	6,589,632	
Other non-current assets:								
Long-term investments (Note 1, 3)	6,603,265	-	6,603,265	8,896	133,491	6,745,652	5,847,385	
Total assets	<u>\$ 11,728,510</u>	<u>\$ 6,370,134</u>	<u>\$ 18,098,644</u>	<u>\$ 105,303</u>	<u>\$ 133,491</u>	<u>\$ 18,337,438</u>	<u>\$ 17,315,158</u>	
	<b>LIABILITIES AND NET ASSETS</b>							
Current liabilities:								
Accounts payable	\$ 118,555	\$ -	\$ 118,555	\$ -	\$ -	\$ 118,555	\$ 54,292	
Accrued liabilities	104,309	-	104,309	-	-	104,309	95,903	
Deferred income	92,306	-	92,306	-	-	92,306	176,896	
Total current liabilities	315,170	-	315,170	-	-	315,170	327,091	
Custodian funds	27,215	-	27,215	-	-	27,215	22,573	
Total liabilities	342,385	-	342,385	-	-	342,385	349,664	
Net assets (Note 1, 6):								
Unrestricted	11,386,125	6,370,134	17,756,259	-	-	17,756,259	16,503,269	
Temporarily restricted	-	-	-	105,303	-	105,303	339,745	
Permanently restricted	-	-	-	-	133,491	133,491	122,480	
Total net assets	11,386,125	6,370,134	17,756,259	105,303	133,491	17,995,053	16,965,494	
Total liabilities and net assets	<u>\$ 11,728,510</u>	<u>\$ 6,370,134</u>	<u>\$ 18,098,644</u>	<u>\$ 105,303</u>	<u>\$ 133,491</u>	<u>\$ 18,337,438</u>	<u>\$ 17,315,158</u>	

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2012**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>	<b>2011</b>
Public support:					
Annual giving	\$ 733,220	\$ 42,516	\$ -	\$ 775,736	\$ 648,501
United Way contributions	9,147	48,621	-	57,768	61,841
Community Receptions, net	116,044	-	-	116,044	21,845
Golf tournament, net	33,392	5,270	-	38,662	50,897
In-kind contributions	3,305	-	-	3,305	3,515
Subtotal public support	895,108	96,407	-	991,515	786,599
Capital campaign	-	-	-	-	7,843
Total public support	895,108	96,407	-	991,515	794,442
Revenue:					
Program related revenue:					
Cookie sales, net (Note 8)	2,849,074	-	-	2,849,074	2,876,676
Camping fees	372,548	-	-	372,548	334,781
Program fees	173,777	-	-	173,777	216,881
Sale of merchandise, gross	534,599	-	-	534,599	465,682
Less: Cost of sales	(371,534)	-	-	(371,534)	(353,200)
Other income, net	93,786	-	-	93,786	130,983
Net gain on disposal of assets	12,919	-	-	12,919	27,450
Total revenue	3,665,169	-	-	3,665,169	3,699,253
Net assets released from restrictions:					
Satisfaction of program and time restrictions	330,849	(330,849)	-	-	-
Total revenues, gains and other support	4,891,126	(234,442)	-	4,656,684	4,493,695
Expenses:					
Program services	3,939,375	-	-	3,939,375	3,681,451
Supporting services:					
Management and general	226,678	-	-	226,678	225,270
Fundraising and community relations	393,909	-	-	393,909	316,760
Total expenses	4,559,962	-	-	4,559,962	4,223,481
Change in net assets from operating activities	331,164	(234,442)	-	96,722	270,214
Nonoperating activities:					
Investment income (Note 3)	152,687	-	11,011	163,698	164,411
Net gain (loss) on investments (Note 3)	769,139	-	-	769,139	(176,488)
Change in net assets	1,252,990	(234,442)	11,011	1,029,559	258,137
Net assets, beginning of year	16,503,269	339,745	122,480	16,965,494	16,707,357
Net assets, end of year	<u>\$17,756,259</u>	<u>\$ 105,303</u>	<u>\$ 133,491</u>	<u>\$17,995,053</u>	<u>\$16,965,494</u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2011**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>	<b>2010</b>
Public support:					
Annual giving	\$ 648,501	\$ -	\$ -	\$ 648,501	\$ 556,883
United Way contributions	40,517	21,324	-	61,841	120,672
Community Receptions, net	21,845	-	-	21,845	51,780
Golf tournament, net	50,897	-	-	50,897	53,706
In-kind contributions	3,515	-	-	3,515	-
Subtotal public support	765,275	21,324	-	786,599	783,041
Capital campaign	-	7,843	-	7,843	14,888
Total public support	765,275	29,167	-	794,442	797,929
Revenue:					
Program related revenue:					
Cookie sales, net (Note 8)	2,876,676	-	-	2,876,676	2,709,576
Camping fees	334,781	-	-	334,781	308,650
Program fees	216,881	-	-	216,881	230,277
Government grants	-	-	-	-	49,742
Sale of merchandise, gross	465,682	-	-	465,682	447,857
Less: Cost of sales	(353,200)	-	-	(353,200)	(341,737)
Other income, net	130,983	-	-	130,983	147,723
Net gain on disposal of assets	27,450	-	-	27,450	1,800
Total revenue	3,699,253	-	-	3,699,253	3,553,888
Net assets released from restrictions:					
Satisfaction of program and time restrictions	410,248	(410,248)	-	-	-
Total revenues, gains and other support	4,874,776	(381,081)	-	4,493,695	4,351,817
Expenses:					
Program services	3,681,451	-	-	3,681,451	3,587,982
Supporting services:					
Management and general	225,270	-	-	225,270	289,385
Fundraising and community relations	316,760	-	-	316,760	286,575
Total expenses	4,223,481	-	-	4,223,481	4,163,942
Change in net assets from operating activities	651,295	(381,081)	-	270,214	187,875
Nonoperating activities:					
Investment income (Note 3)	163,517	-	894	164,411	141,398
Net (loss) gain on investments (Note 3)	(176,488)	-	-	(176,488)	532,282
Change in net assets	638,324	(381,081)	894	258,137	861,555
Net assets, beginning of year	15,864,945	720,826	121,586	16,707,357	15,845,802
Net assets, end of year	\$16,503,269	\$ 339,745	\$ 122,480	\$16,965,494	\$16,707,357

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2012**

	<u>Supporting Services</u>				
			<u>Fundraising and Community</u>	<u>Total Supporting</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Relations</u>	<u>Services</u>	<u>Total</u>
Salaries	\$1,685,182	\$ 146,385	\$ 210,504	\$ 356,889	\$2,042,071
Employee health and retirement benefits	286,195	24,844	35,718	60,562	346,757
Payroll taxes	154,575	13,547	21,039	34,586	189,161
 Total salaries and related expenses	 2,125,952	 184,776	 267,261	 452,037	 2,577,989
Occupancy	436,561	5,464	17,268	22,732	459,293
Professional fees	201,063	7,611	25,035	32,646	233,709
Supplies	194,540	1,291	6,077	7,368	201,908
Conferences, conventions, meetings and training	131,669	2,888	8,287	11,175	142,844
Printing and publications	71,520	2,154	23,681	25,835	97,355
Travel	81,553	4,059	9,301	13,360	94,913
Scholarships and financial aid	77,262	-	-	-	77,262
Telephone	63,646	3,212	5,700	8,912	72,558
Insurance	54,671	4,741	6,816	11,557	66,228
Program consultants	47,560	-	2,428	2,428	49,988
Capital budget - repairs and maintenance	45,315	-	-	-	45,315
Awards and gifts	32,393	660	6,018	6,678	39,071
Rental, repair and maintenance	27,258	955	1,820	2,775	30,033
Postage and shipping	18,384	881	2,900	3,781	22,165
Miscellaneous	12,334	380	4,668	5,048	17,382
Membership dues	4,704	735	1,770	2,505	7,209
 Total expenses before depreciation	 3,626,385	 219,807	 389,030	 608,837	 4,235,222
Depreciation (Note 4)	312,990	6,871	4,879	11,750	324,740
 Total expenses	 <u>\$3,939,375</u>	 <u>\$ 226,678</u>	 <u>\$ 393,909</u>	 <u>\$ 620,587</u>	 <u>\$4,559,962</u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2011**

	<u>Supporting Services</u>				
			<u>Fundraising and Community</u>	<u>Total Supporting</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Relations</u>	<u>Services</u>	<u>Total</u>
Salaries	\$1,609,199	\$ 143,715	\$ 173,598	\$ 317,313	\$1,926,512
Employee health and retirement benefits	284,557	25,422	30,732	56,154	340,711
Payroll taxes	148,953	13,370	17,536	30,906	179,859
 Total salaries and related expenses	 2,042,709	 182,507	 221,866	 404,373	 2,447,082
Occupancy	404,078	7,109	16,160	23,269	427,347
Supplies	152,780	1,100	3,347	4,447	157,227
Conferences, conventions, meetings and training	128,350	2,438	8,426	10,864	139,214
Travel	80,944	3,540	6,917	10,457	91,401
Capital budget - repairs and maintenance	83,813	-	-	-	83,813
Professional fees	70,928	5,338	6,512	11,850	82,778
Scholarships and financial aid	74,345	-	-	-	74,345
Printing and publications	54,420	3,401	15,168	18,569	72,989
Insurance	61,173	4,991	6,034	11,025	72,198
Telephone	59,057	2,692	4,363	7,055	66,112
Program consultants	50,701	345	7,441	7,786	58,487
Rental, repair and maintenance	41,570	2,376	2,873	5,249	46,819
Awards and gifts	30,928	464	2,465	2,929	33,857
Postage and shipping	14,181	742	3,895	4,637	18,818
Miscellaneous	13,117	414	1,278	1,692	14,809
Membership dues	4,501	919	1,080	1,999	6,500
Bad debts	-	-	5,600	5,600	5,600
 Total expenses before depreciation	 3,367,595	 218,376	 313,425	 531,801	 3,899,396
Depreciation (Note 4)	313,856	6,894	3,335	10,229	324,085
 Total expenses	 <u>\$3,681,451</u>	 <u>\$ 225,270</u>	 <u>\$ 316,760</u>	 <u>\$ 542,030</u>	 <u>\$4,223,481</u>

See accompanying notes.



**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended September 30, 2012 and 2011**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Cash flows from operating activities:		
Change in net assets	\$ 1,029,559	\$ 258,137
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	324,740	324,085
Realized and unrealized (gains) losses on investments	(769,139)	176,488
Gain on disposal of fixed assets	(12,919)	(27,450)
Changes in operating assets and liabilities:		
Unconditional promises to give	48,442	19,081
Accounts receivable	6,535	37,838
Inventory	(24,907)	10,400
Prepaid expenses	126,712	(120,073)
Accounts payable	64,263	2,302
Accrued liabilities	8,406	(10,720)
Deferred income	(84,590)	(4,914)
Custodian funds	4,642	1,795
Net cash provided by operating activities	<u>721,744</u>	<u>666,969</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,386,246	3,085,076
Purchases of investments	(1,515,374)	(3,216,820)
Redemption of certificates of deposit	100,000	600,000
Proceeds from disposal of land, buildings and equipment	12,919	27,450
Purchases of land, buildings and equipment	(105,242)	(383,390)
Net cash (used in) provided by investing activities	<u>(121,451)</u>	<u>112,316</u>
Cash flows from financing activities:		
Collections of contributions restricted for capital campaign	211,000	212,000
Net cash provided by financing activities	<u>211,000</u>	<u>212,000</u>
Net increase in cash and cash equivalents	811,293	991,285
Cash and cash equivalents, beginning of year	<u>4,167,440</u>	<u>3,176,155</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,978,733</u></u>	<u><u>\$ 4,167,440</u></u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2012 and 2011**

**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.

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

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 net assets are primarily comprised of the original endowment gifts 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.

**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.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

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

**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 Financial Accounting Standards Board Accounting Standards Codification (“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.

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 FASB ASC also requires additional disclosures applicable to all nonprofit

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

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

**Endowment Funds (Continued)**

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.

**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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

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.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

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

**Income Taxes (Continued)**

The Organization follows FASB ASC guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance 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. 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, 2009 through September 30, 2012.

**Subsequent Events**

The Organization evaluated subsequent events through December 11, 2012, 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.

**NOTE 2 – PROMISES TO GIVE**

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

	<b><u>2012</u></b>	<b><u>2011</u></b>
United Way allocations	\$ 48,621	\$ 48,621
Capital Campaign	-	214,000
Other	<u>22,786</u>	<u>68,228</u>
Net unconditional promises to give	<u>\$ 71,407</u>	<u>\$ 330,849</u>
	<b><u>2012</u></b>	<b><u>2011</u></b>
Receivable in less than one year	\$ 71,407	\$ 330,849
Receivable in one to five years, net	<u>-</u>	<u>-</u>
	<u>\$ 71,407</u>	<u>\$ 330,849</u>

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

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

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.

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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2012 and 2011.

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, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 98,982	\$ -	\$ -	\$ 98,982
Fixed income funds:				
Short duration fixed income	549,033	-	-	549,033
Core fixed income	-	834,673	-	834,673
Opportunistic fixed income	-	599,318	-	599,318
Total fixed income	<u>549,033</u>	<u>1,433,991</u>	<u>-</u>	<u>1,983,024</u>
Equity funds:				
Large cap US funds	592,007	318,028	-	910,035
Small/mid cap US funds	-	329,513	-	329,513
International funds	193,038	1,230,629	-	1,423,667
Energy funds	<u>673,344</u>	<u>-</u>	<u>-</u>	<u>673,344</u>
Total equity funds	<u>1,458,389</u>	<u>1,878,170</u>	<u>-</u>	<u>3,336,559</u>
Multi-strategy funds	<u>1,324,051</u>	<u>-</u>	<u>-</u>	<u>1,324,051</u>
Common stocks and other	<u>3,036</u>	<u>-</u>	<u>-</u>	<u>3,036</u>
Total investments at fair value	<u>\$ 3,433,491</u>	<u>\$ 3,312,161</u>	<u>\$ -</u>	<u>\$ 6,745,652</u>

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

**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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 390,425	\$ -	\$ -	\$ 390,425
Fixed income funds:				
Short duration fixed income	568,304	-	-	568,304
Core fixed income	-	914,507	-	914,507
Opportunistic fixed income	-	476,756	-	476,756
Total fixed income	<u>568,304</u>	<u>1,391,263</u>	<u>-</u>	<u>1,959,567</u>
Equity funds:				
Large cap US funds	660,168	326,761	-	986,929
Small/mid cap US funds	-	305,396	-	305,396
International funds	152,421	1,026,878	-	1,179,299
Energy funds	<u>3,238</u>	<u>-</u>	<u>-</u>	<u>3,238</u>
Total equity funds	<u>815,827</u>	<u>1,659,035</u>	<u>-</u>	<u>2,474,862</u>
Multi-strategy funds	<u>1,020,308</u>	<u>-</u>	<u>-</u>	<u>1,020,308</u>
Common stocks and other	<u>2,223</u>	<u>-</u>	<u>-</u>	<u>2,223</u>
Total investments at fair value	<u>\$ 2,797,087</u>	<u>\$ 3,050,298</u>	<u>\$ -</u>	<u>\$ 5,847,385</u>

During 2012 and 2011, interest and dividends earned from investments totaled \$163,698 and \$164,411, respectively. Net appreciation/(depreciation) on investments amounted to \$769,139 and \$(176,488) for the years ended September 30, 2012 and 2011, respectively.



**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

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

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

	<u>2012</u>	<u>2011</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,079,505	\$ 1,079,505	
Campsite facilities	7,968,510	7,933,648	5 to 15 years
Office buildings	2,016,817	2,016,817	40 years
Equipment	1,634,268	1,676,077	3 to 12 years
Land improvements	<u>763,859</u>	<u>763,859</u>	5 to 15 years
Subtotal	13,462,959	13,469,906	
Less accumulated depreciation	<u>(7,092,825)</u>	<u>(6,880,274)</u>	
Total	<u>\$ 6,370,134</u>	<u>\$ 6,589,632</u>	

Depreciation expense amounted to \$324,740 and \$324,085 for the years ended September 30, 2012 and 2011, respectively.

**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, 2012, future minimum annual lease payments under noncancelable lease obligations are as follows:

Year ending <u>September 30,</u>	
2013	\$ 25,164
2014	24,392
2015	20,532
2016	<u>15,399</u>
	<u>\$ 85,487</u>

Rent expense under lease agreements totaled \$76,812 and \$82,916 for the years ended September 30, 2012 and 2011, respectively.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

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

	<u><b>2012</b></u>	<u><b>2011</b></u>
Unconditional promises to give due in future periods	\$ 71,407	\$ 116,849
Contributions receivable for capital campaign	-	214,000
Contributions received for future periods	25,000	-
Funds restricted by purpose and/or time	<u>8,896</u>	<u>8,896</u>
	<u><u>\$ 105,303</u></u>	<u><u>\$ 339,745</u></u>

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

	<u><b>2012</b></u>	<u><b>2011</b></u>
Sue Peters endowment	\$ 12,003	\$ 11,653
Fran Barge endowment	8,053	7,818
Dorothy May Campership fund	72,560	63,324
Judy Smith Promise Circle	<u>40,875</u>	<u>39,685</u>
	<u><u>\$ 133,491</u></u>	<u><u>\$ 122,480</u></u>

As required by accounting principles generally accepted in the United States of America, 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.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

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

Endowment Net Asset Composition by Type of Fund as of September 30, 2012:

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor restricted endowment funds	\$ -	\$ -	\$ 133,491	\$ 133,491

Changes in Endowment Net Assets for the year ended September 30, 2012:

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 122,480	\$ 122,480
Investment return: Net appreciation (realized and unrealized)	-	-	11,011	11,011
Endowment net assets, end of year	\$ -	\$ -	\$ 133,491	\$ 133,491

Endowment Net Asset Composition by Type of Fund as of September 30, 2011:

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor restricted endowment funds	\$ -	\$ -	\$ 122,480	\$ 122,480

Changes in Endowment Net Assets for the year ended September 30, 2011:

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 121,586	\$ 121,586
Investment return: Net appreciation (realized and unrealized)	-	-	894	894
Endowment net assets, end of year	\$ -	\$ -	\$ 122,480	\$ 122,480

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

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

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. The National Board of the Girl Scouts of the USA voted to freeze the plan to new entrants and to freeze future benefit accruals for all current participants under the Plan effective July 31, 2010. The Plan covers substantially all of the employees of various Girl Scout councils who were eligible to participate in the Plan prior to the Plan freeze. Accrued and vested benefits prior to July 31, 2010 are based on years of service and salary levels. The Organization's pension expense and contribution to this plan for fiscal 2012 and 2011 was \$158,171 and \$149,852, respectively. 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 and the change in the interest rate and other assumptions used to calculate the actuarial present value of accumulated plan benefits, the accumulated plan benefits exceeded net plan assets as of January 1, 2012.

Management and the Board engaged ERISA counsel to assist the Organization in exploring its options with respect to the Plan and authorized legal counsel to seek legal remedies. Based on this counsel, the Organization brought a lawsuit against Girl Scouts of the USA seeking to withdraw from the Plan and other appropriate remedies. Pending the outcome of that litigation, the Organization is continuing to make contributions to the Plan in accordance with the Plan's contribution schedule.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012 and 2011**

**NOTE 8 – 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 during the years ended September 30, 2012 and 2011, respectively. During the year ended September 30, 2012, the Organization reduced its exposure related to cash concentrations by investing excess cash balances through the Certificate of Deposit Account Registry Service ("CDARS").