

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

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

September 30, 2011 and 2010

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 – 19



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, 2011 and 2010, 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, 2011 and 2010, 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 22, 2011

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

	UNRESTRICTED						
	Camping, Operating and Special Project Reserves	Land, Buildings and Equipment	Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	2011 Total	2010 Total
	ASSETS						
Current assets:							
Cash and cash equivalents (Note 1)	\$ 4,167,440	\$ -	\$ 4,167,440	\$ -	\$ -	\$ 4,167,440	\$ 3,176,155
Unconditional promises to give - United Way and other (Note 1, 2, 6)	-	-	-	116,849	-	116,849	138,173
Unconditional promises to give - Capital Campaign (Note 1, 2, 6)	-	-	-	214,000	-	214,000	218,600
Accounts receivable	21,008	-	21,008	-	-	21,008	58,846
Certificates of deposit	100,000	-	100,000	-	-	100,000	700,000
Inventory (Note 1)	73,569	-	73,569	-	-	73,569	83,969
Prepaid expenses	185,275	-	185,275	-	-	185,275	65,202
Total current assets	4,547,292	-	4,547,292	330,849	-	4,878,141	4,440,945
Land, buildings and equipment (net of accumulated depreciation) (Note 1 ,4)	-	6,589,632	6,589,632	-	-	6,589,632	6,701,402
Other non-current assets:							
Unconditional promises to give - Capital Campaign (Note 1, 2, 6)	-	-	-	-	-	-	205,157
Long-term investments (Note 1, 3)	5,716,009	-	5,716,009	8,896	122,480	5,847,385	5,892,129
Total assets	<u>\$ 10,263,301</u>	<u>\$ 6,589,632</u>	<u>\$ 16,852,933</u>	<u>\$ 339,745</u>	<u>\$ 122,480</u>	<u>\$ 17,315,158</u>	<u>\$ 17,239,633</u>
	LIABILITIES AND NET ASSETS						
Current liabilities:							
Accounts payable	\$ 54,292	\$ -	\$ 54,292	\$ -	\$ -	\$ 54,292	\$ 223,065
Accrued liabilities	95,903	-	95,903	-	-	95,903	106,623
Deferred income	176,896	-	176,896	-	-	176,896	181,810
Total current liabilities	327,091	-	327,091	-	-	327,091	511,498
Custodian funds	22,573	-	22,573	-	-	22,573	20,778
Total liabilities	349,664	-	349,664	-	-	349,664	532,276
Net assets (Note 1, 6):							
Unrestricted	9,913,637	6,589,632	16,503,269	-	-	16,503,269	15,864,945
Temporarily restricted	-	-	-	339,745	-	339,745	720,826
Permanently restricted	-	-	-	-	122,480	122,480	121,586
Total net assets	9,913,637	6,589,632	16,503,269	339,745	122,480	16,965,494	16,707,357
Total liabilities and net assets	<u>\$ 10,263,301</u>	<u>\$ 6,589,632</u>	<u>\$ 16,852,933</u>	<u>\$ 339,745</u>	<u>\$ 122,480</u>	<u>\$ 17,315,158</u>	<u>\$ 17,239,633</u>

See accompanying notes.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total	2010
Public support:					
Annual giving	\$ 648,501	\$ -	\$ -	\$ 648,501	\$ 556,883
United Way contributions	40,517	21,324	-	61,841	120,672
County 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 ACTIVITIES
For the year ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total	2009
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 8)	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	\$15,864,945	\$ 720,826	\$ 121,586	\$16,707,357	\$15,845,802

See accompanying notes.

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

		Supporting Services			
			Fundraising and Community	Total Supporting	
	Program Services	Management and General	Relations	Services	Total
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.
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.
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 258,137	\$ 861,555
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	324,085	313,687
Realized and unrealized (gains) losses on investments	176,488	(532,282)
(Gain) loss on disposal of fixed assets	(27,450)	(1,800)
Changes in operating assets and liabilities:		
Unconditional promises to give	19,081	5,008
Accounts receivable	37,838	(12,366)
Inventory	10,400	19,204
Prepaid expenses	(120,073)	13,216
Accounts payable	2,302	(29,280)
Accrued liabilities	(10,720)	(27,865)
Deferred income	(4,914)	38,891
Custodian funds	1,795	(19,427)
Net cash provided by operating activities	<u>666,969</u>	<u>628,541</u>
Cash flows from investing activities:		
Proceeds from sale of investments	3,085,076	11,203,493
Purchases of investments	(3,216,820)	(11,281,953)
Purchases of certificates of deposit	-	(600,000)
Redemption of certificates of deposit	600,000	-
Proceeds from disposal of land, buildings and equipment	27,450	1,800
Purchases of land, buildings and equipment	(383,390)	(1,259,273)
Net cash provided by (used in) investing activities	<u>112,316</u>	<u>(1,935,933)</u>
Cash flows from financing activities:		
Collections of contributions restricted for capital campaign	<u>212,000</u>	<u>213,000</u>
Net cash provided by financing activities	<u>212,000</u>	<u>213,000</u>
Net increase (decrease) in cash and cash equivalents	991,285	(1,094,392)
Cash and cash equivalents, beginning of year	<u>3,176,155</u>	<u>4,270,547</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,167,440</u></u>	<u><u>\$ 3,176,155</u></u>
Supplemental disclosure of cash flow information:		
Purchase of fixed assets financed through accounts payable	<u><u>\$ -</u></u>	<u><u>\$ 171,075</u></u>

See accompanying notes.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

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, 2011 and 2010

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, 2011 and 2010

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 and disclosures. Accordingly, 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, 2011 and 2010

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, 2008 through September 30, 2011.

Subsequent Events

The Organization evaluated subsequent events through December 22, 2011, 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:

	<u>2011</u>	<u>2010</u>
United Way allocations	\$ 48,621	\$ 86,410
Capital Campaign	214,000	431,600
Other	<u>68,228</u>	<u>51,763</u>
	330,849	569,773
Less discount to net present value	<u>-</u>	<u>(7,843)</u>
Net unconditional promises to give	<u><u>\$ 330,849</u></u>	<u><u>\$ 561,930</u></u>

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

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 330,849	\$ 356,773
Receivable in one to five years, net	<u>-</u>	<u>205,157</u>
	<u><u>\$ 330,849</u></u>	<u><u>\$ 561,930</u></u>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

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, 2011 and 2010

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, 2011 and 2010.

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, 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	815,827	1,659,035	-	2,474,862
Multi-strategy funds	1,020,308	-	-	1,020,308
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>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

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, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 119,073	\$ -	\$ -	\$ 119,073
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	<u>538,499</u>	<u>1,106,384</u>	<u>-</u>	<u>1,644,883</u>
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	<u>612,755</u>	<u>2,664,617</u>	<u>-</u>	<u>3,277,372</u>
Multi-strategy funds	848,155	-	-	848,155
Common stocks and other	<u>2,646</u>	<u>-</u>	<u>-</u>	<u>2,646</u>
Total investments at fair value	<u>\$ 2,121,128</u>	<u>\$ 3,771,001</u>	<u>\$ -</u>	<u>\$ 5,892,129</u>

During 2011 and 2010, interest and dividends earned from investments totaled \$164,411 and \$141,398, respectively. Net (depreciation)/ appreciation on investments amounted to \$(176,488) and \$532,282 for the years ended September 30, 2011 and 2010, respectively.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,079,505	\$ 1,079,505	
Campsite facilities	7,933,648	7,769,294	5 to 15 years
Office buildings	2,016,817	2,016,817	40 years
Equipment	1,676,077	1,710,165	3 to 12 years
Land improvements	<u>763,859</u>	<u>763,859</u>	5 to 15 years
Subtotal	13,469,906	13,339,640	
Less accumulated depreciation	<u>(6,880,274)</u>	<u>(6,638,238)</u>	
Total	<u>\$ 6,589,632</u>	<u>\$ 6,701,402</u>	

Depreciation expense amounted to \$324,085 and \$313,687 for the years ended September 30, 2011 and 2010, 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, 2011, future minimum annual lease payments under noncancelable lease obligations are as follows:

Year ending <u>September 30,</u>	
2012	\$ 25,164
2013	25,164
2014	24,394
2015	20,532
Thereafter	<u>15,399</u>
	<u>\$ 110,653</u>

Rent expense under lease agreements totaled \$82,916 and \$87,833 for the years ended September 30, 2011 and 2010, respectively.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

NOTE 6 – RESTRICTIONS ON NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Unconditional promises to give due in future periods	\$ 116,849	\$ 138,173
Contributions receivable for capital campaign	214,000	423,757
Contributions received for capital campaign	-	150,000
Funds restricted by purpose and/or time	<u>8,896</u>	<u>8,896</u>
	<u><u>\$ 339,745</u></u>	<u><u>\$ 720,826</u></u>

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

	<u>2011</u>	<u>2010</u>
Sue Peters endowment	\$ 11,653	\$ 11,314
Fran Barge endowment	7,818	7,590
Dorothy May Campership fund	63,324	64,153
Judy Smith Promise Circle	<u>39,685</u>	<u>38,529</u>
	<u><u>\$ 122,480</u></u>	<u><u>\$ 121,586</u></u>

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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)

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

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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

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

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

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 2011 and 2010 was \$149,852 and \$113,187, 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, 2011.

Management is evaluating its options in regard to the Plan and has engaged in discussions with the Girl Scouts of the USA regarding potential options. Management and the Board have engaged ERISA counsel to assist the Organization in making a final determination. Until a decision is made, the Organization is making 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, 2011 and 2010

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 as of September 30, 2011 and 2010, respectively. Subsequent to September 30, 2011, the Organization has reduced its exposure related to cash concentrations by investing excess cash balances through the Certificate of Deposit Account Registry Service ("CDARS").