

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

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

September 30, 2013 and 2012

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 financial statements of Girl Scouts of Middle Tennessee, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Den + Hart, PLLC

Nashville, Tennessee
December 3, 2013

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

	UNRESTRICTED						
	Camping, Operating and Special Project Reserves	Land, Buildings and Equipment	Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	2013 Total	2012 Total
	ASSETS						
Current assets:							
Cash and cash equivalents (Note 1)	\$ 5,172,931	\$ -	\$ 5,172,931	\$ 43,054	\$ -	\$ 5,215,985	\$ 4,978,733
Unconditional promises to give -							
United Way and other (Note 1, 2, 6)	-	-	-	108,235	-	108,235	71,407
Accounts receivable, net	6,273	-	6,273	-	-	6,273	14,473
Inventory (Note 1)	94,216	-	94,216	-	-	94,216	98,476
Prepaid expenses	35,815	-	35,815	-	-	35,815	58,563
Total current assets	5,309,235	-	5,309,235	151,289	-	5,460,524	5,221,652
Land, buildings and equipment (net of accumulated depreciation) (Note 1, 4)	-	6,158,963	6,158,963	-	-	6,158,963	6,370,134
Other non-current assets:							
Long-term investments (Note 1, 3)	7,204,213	-	7,204,213	8,896	141,416	7,354,525	6,745,652
Total assets	<u>\$ 12,513,448</u>	<u>\$ 6,158,963</u>	<u>\$ 18,672,411</u>	<u>\$ 160,185</u>	<u>\$ 141,416</u>	<u>\$ 18,974,012</u>	<u>\$ 18,337,438</u>
	LIABILITIES AND NET ASSETS						
Current liabilities:							
Accounts payable	\$ 155,761	\$ -	\$ 155,761	\$ -	\$ -	\$ 155,761	\$ 118,555
Accrued liabilities	122,738	-	122,738	-	-	122,738	104,309
Deferred income	88,790	-	88,790	-	-	88,790	92,306
Total current liabilities	367,289	-	367,289	-	-	367,289	315,170
Custodian funds	17,042	-	17,042	-	-	17,042	27,215
Total liabilities	<u>384,331</u>	<u>-</u>	<u>384,331</u>	<u>-</u>	<u>-</u>	<u>384,331</u>	<u>342,385</u>
Net assets (Note 1, 6):							
Unrestricted	12,129,117	6,158,963	18,288,080	-	-	18,288,080	17,756,259
Temporarily restricted	-	-	-	160,185	-	160,185	105,303
Permanently restricted	-	-	-	-	141,416	141,416	133,491
Total net assets	<u>12,129,117</u>	<u>6,158,963</u>	<u>18,288,080</u>	<u>160,185</u>	<u>141,416</u>	<u>18,589,681</u>	<u>17,995,053</u>
Total liabilities and net assets	<u>\$ 12,513,448</u>	<u>\$ 6,158,963</u>	<u>\$ 18,672,411</u>	<u>\$ 160,185</u>	<u>\$ 141,416</u>	<u>\$ 18,974,012</u>	<u>\$ 18,337,438</u>

See accompanying notes.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the year ended September 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total	2012
Public support:					
Annual giving	\$ 518,581	\$ 161,652	\$ -	\$ 680,233	\$ 775,736
United Way contributions	10,245	48,621	-	58,866	57,768
Community Receptions, net	123,556	15,395	-	138,951	116,044
Golf tournament, net	72,860	250	-	73,110	38,662
In-kind contributions	4,311	-	-	4,311	3,305
Total public support	729,553	225,918	-	955,471	991,515
Revenue:					
Program related revenue:					
Cookie sales, net (Note 8)	2,599,745	-	-	2,599,745	2,849,074
Camping fees	412,152	-	-	412,152	372,548
Program fees	211,660	-	-	211,660	173,777
Sale of merchandise, gross	488,128	-	-	488,128	534,599
Less: Cost of sales	(341,638)	-	-	(341,638)	(371,534)
Other income, net	119,775	-	-	119,775	93,786
Net gain on disposal of assets	697	-	-	697	12,919
Total revenue	3,490,519	-	-	3,490,519	3,665,169
Net assets released from restrictions:					
Satisfaction of program and time restrictions	171,036	(171,036)	-	-	-
Total revenues, gains and other support	4,391,108	54,882	-	4,445,990	4,656,684
Expenses:					
Program services	3,874,700	-	-	3,874,700	3,939,375
Supporting services:					
Management and general	182,667	-	-	182,667	226,678
Fundraising and community relations	421,562	-	-	421,562	393,909
Total expenses	4,478,929	-	-	4,478,929	4,559,962
Change in net assets from operating activities	(87,821)	54,882	-	(32,939)	96,722
Nonoperating activities:					
Investment income, net (Note 3)	141,332	-	7,925	149,257	163,698
Net gain (loss) on investments (Note 3)	478,310	-	-	478,310	769,139
Change in net assets	531,821	54,882	7,925	594,628	1,029,559
Net assets, beginning of year	17,756,259	105,303	133,491	17,995,053	16,965,494
Net assets, end of year	\$18,288,080	\$ 160,185	\$ 141,416	\$18,589,681	\$17,995,053

See accompanying notes.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total	2011
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 (loss) gain 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 FUNCTIONAL EXPENSES
For the year ended September 30, 2013

	<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	\$1,672,639	\$ 120,610	\$ 234,510	\$ 355,120	\$2,027,759
Employee health and retirement benefits	291,515	20,959	40,849	61,808	353,323
Payroll taxes	139,154	10,156	21,908	32,064	171,218
 Total salaries and related expenses	 2,103,308	 151,725	 297,267	 448,992	 2,552,300
Occupancy	426,605	5,083	18,700	23,783	450,388
Professional fees	191,053	5,370	15,036	20,406	211,459
Supplies	197,123	793	4,359	5,152	202,275
Conferences, conventions, meetings and training	133,152	2,644	22,659	25,303	158,455
Scholarships and financial aid	83,057	-	-	-	83,057
Travel	74,608	1,729	6,316	8,045	82,653
Printing and publications	58,910	1,816	16,688	18,504	77,414
Telephone	65,014	2,670	6,244	8,914	73,928
Capital budget - repairs and maintenance	60,427	-	-	-	60,427
Program consultants	46,552	131	1,806	1,937	48,489
Insurance	39,043	2,707	5,315	8,022	47,065
Awards and gifts	35,377	317	3,662	3,979	39,356
Postage and shipping	15,191	582	11,381	11,963	27,154
Rental, repair and maintenance	17,076	752	1,153	1,905	18,981
Miscellaneous	14,403	201	3,512	3,713	18,116
Membership dues	4,030	458	1,376	1,834	5,864
 Total expenses before depreciation	 3,564,929	 176,978	 415,474	 592,452	 4,157,381
Depreciation (Note 4)	309,771	5,689	6,088	11,777	321,548
 Total expenses	 <u>\$3,874,700</u>	 <u>\$ 182,667</u>	 <u>\$ 421,562</u>	 <u>\$ 604,229</u>	 <u>\$4,478,929</u>

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.
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 594,628	\$ 1,029,559
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	321,548	324,740
Realized and unrealized (gains) losses on investments	(478,310)	(769,139)
Gain on disposal of fixed assets	(697)	(12,919)
Changes in operating assets and liabilities:		
Unconditional promises to give	(36,828)	48,442
Accounts receivable	8,200	6,535
Inventory	4,260	(24,907)
Prepaid expenses	22,748	126,712
Accounts payable	37,206	64,263
Accrued liabilities	18,429	8,406
Deferred income	(3,516)	(84,590)
Custodian funds	(10,173)	4,642
Net cash provided by operating activities	<u>477,495</u>	<u>721,744</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,149,441	1,386,246
Purchases of investments	(1,280,004)	(1,515,374)
Redemption of certificates of deposit	-	100,000
Proceeds from disposal of land, buildings and equipment	697	12,919
Purchases of land, buildings and equipment	(110,377)	(105,242)
Net cash used in investing activities	<u>(240,243)</u>	<u>(121,451)</u>
Cash flows from financing activities:		
Collections of contributions restricted for capital campaign	-	211,000
Net cash provided by financing activities	<u>-</u>	<u>211,000</u>
Net increase in cash and cash equivalents	237,252	811,293
Cash and cash equivalents, beginning of year	<u>4,978,733</u>	<u>4,167,440</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,215,985</u></u>	<u><u>\$ 4,978,733</u></u>

See accompanying notes.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

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

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give (Continued)

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 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

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

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.

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

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2010 through September 30, 2013.

Subsequent Events

The Organization evaluated subsequent events through December 3, 2013, 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>2013</u>	<u>2012</u>
United Way allocations	\$ 48,621	\$ 48,621
Other	<u>59,614</u>	<u>22,786</u>
Net unconditional promises to give	<u>\$ 108,235</u>	<u>\$ 71,407</u>
	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 108,235	\$ 71,407
Receivable in one to five years, net	<u>-</u>	<u>-</u>
	<u>\$ 108,235</u>	<u>\$ 71,407</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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

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.

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, 2013 and 2012.

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

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 167,917	\$ -	\$ -	\$ 167,917
Fixed income funds:				
Short duration fixed income	485,879	-	-	485,879
Core fixed income	-	887,305	-	887,305
Opportunistic fixed income	-	726,729	-	726,729
Total fixed income	<u>485,879</u>	<u>1,614,034</u>	<u>-</u>	<u>2,099,913</u>
Equity funds:				
Large cap US funds	628,728	361,067	-	989,795
Small/mid cap US funds	-	390,448	-	390,448
International funds	204,703	1,340,330	-	1,545,033
Energy funds	<u>713,859</u>	<u>-</u>	<u>-</u>	<u>713,859</u>
Total equity funds	<u>1,547,290</u>	<u>2,091,845</u>	<u>-</u>	<u>3,639,135</u>
Multi-strategy funds	<u>1,444,132</u>	<u>-</u>	<u>-</u>	<u>1,444,132</u>
Common stocks and other	<u>3,427</u>	<u>-</u>	<u>-</u>	<u>3,427</u>
Total investments at fair value	<u>\$ 3,648,645</u>	<u>\$ 3,705,879</u>	<u>\$ -</u>	<u>\$ 7,354,524</u>

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>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments (Continued):				
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>

During 2013 and 2012, interest and dividends earned from investments totaled \$149,257 and \$163,698, respectively. Net appreciation on investments amounted to \$478,310 and \$769,139 for the years ended September 30, 2013 and 2012, respectively.

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,079,505	\$ 1,079,505	
Campsite facilities	8,024,685	7,968,510	5 to 15 years
Office buildings	2,026,099	2,016,817	40 years
Equipment	1,662,840	1,634,268	3 to 12 years
Land improvements	<u>763,859</u>	<u>763,859</u>	5 to 15 years
Subtotal	13,556,988	13,462,959	
Less accumulated depreciation	<u>(7,398,025)</u>	<u>(7,092,825)</u>	
Total	<u>\$ 6,158,963</u>	<u>\$ 6,370,134</u>	

Depreciation expense amounted to \$321,548 and \$324,740 for the years ended September 30, 2013 and 2012, respectively.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

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, 2013, future minimum annual lease payments under noncancelable lease obligations are as follows:

Year ending <u>September 30,</u>	
2014	\$ 24,392
2015	20,532
2016	15,399
2017	-
2018	-
	<u>\$ 60,323</u>

Rent expense under lease agreements totaled \$68,962 and \$76,812 for the years ended September 30, 2013 and 2012, respectively.

NOTE 6 – RESTRICTIONS ON NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Funds restricted by purpose and/or time	\$ 8,896	\$ 8,896
Unconditional promises to give due in future periods	108,235	71,407
Contributions received for future periods	<u>43,054</u>	<u>25,000</u>
	<u>\$ 160,185</u>	<u>\$ 105,303</u>

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

	<u>2013</u>	<u>2012</u>
Dorothy May Campership fund	\$ 78,657	\$ 72,560
Judy Smith Promise Circle	42,102	40,875
Sue Peters endowment	12,363	12,003
Fran Barge endowment	<u>8,294</u>	<u>8,053</u>
	<u>\$ 141,416</u>	<u>\$ 133,491</u>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)

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.

Endowment Net Asset Composition by Type of Fund as of September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>141,416</u>	\$ <u>141,416</u>

Changes in Endowment Net Assets for the year ended September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 133,491	\$ 133,491
Investment return: Net appreciation (realized and unrealized)	<u>-</u>	<u>-</u>	<u>7,925</u>	<u>7,925</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>141,416</u>	\$ <u>141,416</u>

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

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

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)

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

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

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. Although Plan assets grew during the year, the impact of a decline in interest rates used to value Plan liabilities more than offset the asset growth, and increased the excess accumulated benefits over net plan assets as of January 1, 2012 relative to January 1, 2011.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 7 – RETIREMENT PLAN (Continued)

Contributions made in fiscal 2013 and 2012 were \$104,399 and \$158,171, respectively. As of January 1, 2014, contributions will increase an average of 40% over 2013 contributions as the impact of a further decline in interest rates used to value Plan liabilities more than offset the asset growth, further increasing the excess accumulated benefits over net assets. Legislative and regulatory solutions are being explored to reduce the minimum required contributions.

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, 2013.

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.

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, 2013 and 2012, respectively. The Organization reduces its exposure related to cash concentrations by investing excess cash balances through an insured cash sweep account.