

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

FINANCIAL STATEMENTS

As of and for the Year Ended September 30, 2018

And Report of Independent Auditor

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
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Report of Independent Auditor

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 statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statement of financial position of Girl Scouts of Middle Tennessee, Inc. and affiliate as of September 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of Girl Scouts of Middle Tennessee, Inc. and affiliate, and the financial statements of Girl Scouts of Middle Tennessee, Inc. presented herein are not a valid substitute for those consolidated financial statements.

Handwritten signature of Cheryl Bekant in cursive script, followed by the letters "LLP".

Nashville, Tennessee
January 4, 2019

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

	UNRESTRICTED					
	Camping, Operating, and Special Project Reserves	Land, Buildings, and Equipment and Intangible Assets	Total Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total
ASSETS						
Current Assets:						
Cash and cash equivalents (Note 1)	\$ 1,658,084	\$ -	\$ 1,658,084	\$ 40,698	\$ -	\$ 1,698,782
Accounts and other receivables, net (Note 2)	13,676	-	13,676	162,810	-	176,486
Other current assets	176,233	-	176,233	-	-	176,233
Total Current Assets	1,847,993	-	1,847,993	203,508	-	2,051,501
Accounts and other receivables, net - noncurrent (Note 2)	-	-	-	700,000	-	700,000
Investments (Notes 1 and 3)	8,672,075	-	8,672,075	30,945	141,416	8,844,436
Property and equipment, net of accumulated depreciation (Notes 1 and 4)	-	218,523	218,523	-	-	218,523
Intangible assets (Note 5)	-	515,140	515,140	-	-	515,140
Total Assets	\$ 10,520,068	\$ 733,663	\$ 11,253,731	\$ 934,453	\$ 141,416	\$ 12,329,600
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 542,074	\$ -	\$ 542,074	\$ -	\$ -	\$ 542,074
Accrued liabilities	363,844	-	363,844	-	-	363,844
Deferred income	62,373	-	62,373	-	-	62,373
Due to Sue Peters Foundation	49,177	-	49,177	-	-	49,177
Total Current Liabilities	1,017,468	-	1,017,468	-	-	1,017,468
Custodian funds	150,238	-	150,238	-	-	150,238
Accrued pension liability	-	-	-	-	-	-
Total Liabilities	1,167,706	-	1,167,706	-	-	1,167,706
Net Assets (Notes 1 and 7):						
Unrestricted	9,352,362	733,663	10,086,025	-	-	10,086,025
Temporarily restricted	-	-	-	934,453	-	934,453
Permanently restricted	-	-	-	-	141,416	141,416
Total Net Assets	9,352,362	733,663	10,086,025	934,453	141,416	11,161,894
Total Liabilities and Net Assets	\$ 10,520,068	\$ 733,663	\$ 11,253,731	\$ 934,453	\$ 141,416	\$ 12,329,600

The accompanying notes to the financial statements are an integral part of this statement.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total
Public Support:				
Annual giving	\$ 385,289	\$ 120,350	\$ -	\$ 505,639
Capital campaign gifts	-	750,000	-	750,000
Community receptions, net	129,634	-	-	129,634
Golf tournament, net	40,985	-	-	40,985
United Way contributions	-	18,867	-	18,867
In-kind contributions	1,513	-	-	1,513
Total Public Support	557,421	889,217	-	1,446,638
Revenue:				
Program Related Revenue:				
Cookie sales, net (Note 8)	3,479,176	-	-	3,479,176
Camping fees	605,843	-	-	605,843
Program fees	271,625	-	-	271,625
Sale of merchandise, gross	558,033	-	-	558,033
Less cost of sales	(402,114)	-	-	(402,114)
Other income, net	293,201	-	-	293,201
Total Revenue	4,805,764	-	-	4,805,764
Net Assets Released from Restrictions:				
Satisfaction of program and time restrictions	358,425	(358,425)	-	-
Total Revenues, Gains and Other Support	5,721,610	530,792	-	6,252,402
Expenses:				
Program services	4,792,114	-	-	4,792,114
Supporting Services:				
Management and general	199,058	-	-	199,058
Fundraising and community relations	359,886	-	-	359,886
Total Expenses	5,351,058	-	-	5,351,058
Change in net assets from operating activities	370,552	530,792	-	901,344
Nonoperating Activities:				
Investment income, net (Note 3)	179,972	-	-	179,972
Net gain on investments (Note 3)	451,580	9,899	-	461,479
Other changes in benefit obligation (Note 10)	18,766	-	-	18,766
Change in net assets	1,020,870	540,691	-	1,561,561
Net assets, beginning of year	10,592,802	393,762	141,416	11,127,980
Transfer of net assets to Sue Peters Foundation (Note 1)	(1,527,647)	-	-	(1,527,647)
Net assets, end of year	\$ 10,086,025	\$ 934,453	\$ 141,416	\$ 11,161,894

The accompanying notes to the financial statements are an integral part of this statement.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Supporting Services				Total
	Program Services	Management and General	Fundraising and Community Relations	Total Supporting Services	
Salaries	\$ 1,957,048	\$ 130,066	\$ 196,105	\$ 326,171	\$ 2,283,219
Payroll taxes	162,382	9,935	15,354	25,289	187,671
Employee health and other benefits	118,124	10,241	12,489	22,730	140,854
Total Salaries and Related Expenses	2,237,554	150,242	223,948	374,190	2,611,744
Occupancy	652,407	17,624	23,298	40,922	693,329
Scholarships and financial aid	291,221	-	-	-	291,221
Professional fees	227,521	18,528	20,552	39,080	266,601
Supplies	226,961	642	1,924	2,566	229,527
Conferences, conventions, meetings and training	191,207	1,370	3,513	4,883	196,090
Legal fees	187,724	-	-	-	187,724
Capital budget - repairs and maintenance	144,853	-	-	-	144,853
Program consultants	119,775	1,020	185	1,205	120,980
Miscellaneous	53,319	169	55,783	55,952	109,271
Travel	74,734	1,292	6,152	7,444	82,178
Telephone	86,381	2,402	5,394	7,796	94,177
Printing and publications	62,499	2,450	7,702	10,152	72,651
Awards and gifts	42,454	18	1,908	1,926	44,380
Insurance	30,895	1,924	2,901	4,825	35,720
Postage and shipping	16,667	592	1,757	2,349	19,016
Rental, repair and maintenance	16,061	670	1,010	1,680	17,741
Membership dues	3,018	115	381	496	3,514
Area fundraising	-	-	3,478	3,478	3,478
Total Expenses Before Depreciation	4,665,251	199,058	359,886	558,944	5,224,195
Depreciation and amortization	126,863	-	-	-	126,863
Total Expenses	<u>\$ 4,792,114</u>	<u>\$ 199,058</u>	<u>\$ 359,886</u>	<u>\$ 558,944</u>	<u>\$ 5,351,058</u>

The accompanying notes to the financial statements are an integral part of this statement.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENTS OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2018

Cash flows from operating activities:

Change in net assets	\$ 1,561,561
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	126,863
Net gain on investments	(461,479)
Contributions restricted for fixed assets	(150,000)
Changes in operating assets and liabilities:	
Accounts and other receivables, net	(559,597)
Other current assets	(53,411)
Due to Sue Peters Foundation	44,000
Accounts payable	(62,967)
Accrued liabilities	73,334
Deferred income	23,860
Custodian funds	97,088
Accrued pension liability	(194,844)
Net cash provided by operating activities	<u>444,408</u>

Cash flows from investing activities:

Proceeds from sale of investments	4,048,143
Purchases of investments	(4,213,681)
Purchases of property and equipment	(1,158,958)
Purchases of intangible assets	(101,785)
Net cash used in investing activities	<u>(1,426,281)</u>

Cash flows from financing activities:

Collections of contributions restricted for fixed assets	150,000
Net cash provided by financing activities	<u>150,000</u>

Net decrease in cash and cash equivalents	(831,873)
Cash and cash equivalents, beginning of year	<u>2,530,655</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,698,782</u></u>

Noncash investing activities:

Transfer of property and equipment to Sue Peters Foundation	<u>\$ 1,527,647</u>
Purchases of land, buildings and equipment financed through accounts payable	<u>\$ 465,562</u>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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 – These financial statements represent only the financial activities of the Organization and do not include any financial information of The Sue Peters Foundation for Girls of Character, Courage, and Confidence in Middle Tennessee Trust (the “Trust”). These parent entity only financial statements are presented in addition to the consolidated audited financial statements of Girl Scouts of Middle Tennessee, Inc. and affiliate. Such consolidated financial statements are the general-purpose financial statements of Girl Scouts of Middle Tennessee, Inc. and affiliate, and the financial statements of Girl Scouts of Middle Tennessee, Inc. presented herein are not a valid substitute for those consolidated financial statements.

The Organization sponsored the establishment of Align 3C LLC (“Align”), a separate nonprofit limited liability company, during January 2017. Align was established to manage the distribution of certain software for electronic communications messaging and streamlining information. Align had no significant activity for the year ended September 30, 2018. As such, the financial statements of Align are not included in the financial statements of Girl Scouts of Middle Tennessee, Inc. presented herein.

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 (“GAAP”). 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 for the Organization’s operations.

Supporting Organization – The Sue Peters Foundation for Girls of Character, Courage, and Confidence in Middle Tennessee Trust (the “Trust”) was established on December 11, 2014 and is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). The Trust was established to support Girl Scouts of Middle Tennessee, Inc. by providing real estate to be used for outdoor programs, a central office for the agency to conduct its operations, and scholarship opportunities for Girl Scout Gold Award recipients. Land, buildings, and equipment were transferred from Girl Scouts of Middle Tennessee, Inc. to the Trust. Such transfers of net assets totaled \$1,527,647 for the year ended September 30, 2018. Girl Scouts of Middle Tennessee, Inc. has entered into agreements to lease certain properties from the Trust and also to provide administrative services to the Trust. Girl Scouts of Middle Tennessee, Inc. controls the Trust through the appointment of its Board of Directors (the “Board”).

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 1—Summary of significant accounting policies (continued)

Cash and Cash Equivalents – 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.

Accounts and Other Receivables – Accounts receivable are reviewed periodically as to their collectability. An allowance for uncollectible accounts is provided based on past experience with collections and estimated collectability of current receivables. Uncollectible accounts are charged against the allowance in the period they are deemed uncollectible.

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 and is included in other current assets on the statements of financial position. The Organization purchases a majority of its merchandise inventory from Girl Scouts of the USA (“GSUSA”). Inventory totaling \$155,823 is included in other current assets at September 30, 2018.

Investments – Investments are stated at fair value on a recurring basis. Unrealized gains and losses as well as appreciation or depreciation in fair value are reflected in the accompanying financial statements.

Property and Equipment – Property and equipment are recorded at cost to the Organization, or if contributed, at the approximate fair 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 which extend the useful life of the asset over one year 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.

Fair Value of Financial Instruments – The carrying amounts of financial instruments including cash and cash equivalents, accounts and other receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Endowment Funds – As required by 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.

Membership – Membership fees are collected and forwarded to GSUSA. Accordingly, no membership fees are reflected in the statement of activities.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 1—Summary of significant accounting policies (continued)

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement 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 GAAP have not been satisfied.

Pension – The Organization recognizes the funded status of its postretirement benefit plan as an asset or liability and recognizes changes in funded status during the year in which the changes occur as changes in unrestricted net assets in the statement of activities.

Use of Estimates – The preparation of financial statements in conformity with GAAP 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 IRC, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. 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 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 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Subsequent Events – The Organization evaluated subsequent events through January 4, 2019, 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.

Recently Issued Accounting Standards – In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Accounting Standards Codification ("ASC") 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 1—Summary of significant accounting policies (continued)

The new standard is effective for the Organization year ending September 30, 2020. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring disclosure of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks, and requiring reporting of expense by function and nature, as well as enhanced endowment disclosures. This standard is effective for all fiscal years beginning after December 31, 2017. The Organization has elected not to early adopt ASU 2016-14.

In June 2018, the FASB issued ASU 2018-08, *Not for Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new standard is effective for annual periods beginning after December 15, 2018. The Organization is evaluating the impact of this ASU on the financial statements.

Note 2—Accounts and other receivables

Accounts and other receivables consist of the following at September 30, 2018:

Accounts receivable, net of allowance for doubtful accounts of \$18,748	\$ 13,676
Unconditional promises to give:	
Capital campaign gifts	850,000
Other	12,810
Total accounts and other receivables	<u>\$ 876,486</u>
Receivable in less than one year	\$ 176,486
Receivable in one to five years	700,000
	<u>\$ 876,486</u>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 3—Investments and fair value measurements

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 promises to give. Uncollectible amounts for other unconditional promises to give are expected to be insignificant, and accordingly, no provision is made for uncollectible other unconditional promises to give.

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

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, 2018.

Level 1 assets – determined by obtaining 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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 340,958	\$ -	\$ -	\$ 340,958
Fixed Income Funds:				
Short duration fixed income	24,970			24,970
Long duration fixed income	3,317,722			3,317,722
Total Fixed Income Funds	3,342,692	-	-	3,342,692
Equity Funds:				
Small/mid cap US funds	622,545	-	-	622,545
Large cap US funds	810,365	-	-	810,365
Real estate investment trust funds	718,341	-	-	718,341
Small bond funds	69,891	-	-	69,891
Master limited partnership funds	429,957	-	-	429,957
Large cap foreign funds	402,055	-	-	402,055
Total Equity Funds	3,053,154	-	-	3,053,154
Common Stock:				
Financial	426,516	-	-	426,516
Technology	280,927	-	-	280,927
Healthcare	258,166	-	-	258,166
Industrial goods	295,771	-	-	295,771
Services	252,258	-	-	252,258
Consumer goods	357,677	-	-	357,677
Basic materials	180,543	-	-	180,543
Utilities	55,476	-	-	55,476
Other	298	-	-	298
Total Common Stock	2,107,632	-	-	2,107,632
Total Investments at Fair Value	\$ 8,844,436	\$ -	\$ -	\$ 8,844,436

Net gain on investments amounted to \$461,479 for the year ended September 30, 2018.

The following schedule summarizes the net investment income for the year ended September 30, 2018:

Interest and dividends	\$ 223,182
Investment fees	(43,210)
	<u>\$ 179,972</u>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 4—Property and equipment

Property and equipment consist of the following at September 30, 2018:

Campsite facilities	\$ 302,135
Equipment	<u>1,546,162</u>
Subtotal	<u>1,848,297</u>
Less accumulated depreciation	<u>(1,629,774)</u>
	<u>\$ 218,523</u>

Depreciation expense amounted to \$65,318 for the year ended September 30, 2018 based on estimated useful lives ranging from 3 – 15 years.

Note 5—Intangible assets

The Organization engaged a data solution company to develop new membership, training, and operations software. These costs will be amortized over a period of 10 years. Intangible assets consist of the following at September 30, 2018:

Software development costs	\$ 664,285
Less accumulated amortization	<u>(149,145)</u>
	<u>\$ 515,140</u>

Amortization expense amounted to \$61,545 for the year ended September 30, 2018.

At September 30, 2018, estimated aggregate amortization expense in future years is as follows:

Years Ending September 30,

2019	\$ 61,645
2020	61,645
2021	61,645
2022	61,645
2023	61,645
Thereafter	<u>206,915</u>
	<u>\$ 515,140</u>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 6—Lease commitments

The Organization has lease agreements for camps, office space, copiers, and a postage machine that have been accounted for as operating leases. At September 30, 2018, future minimum annual lease payments under noncancellable lease obligations are as follows:

Years Ending September 30,

2019	\$	65,984
2020		65,984
2021		62,813
2022		53,300
2023		50,550
Thereafter		4,550,000
	\$	<u>4,848,631</u>

Rent expense under all lease agreements totaled \$112,909 for the year ended September 30, 2018 and is included in occupancy in the statement of functional expenses.

Property on which the Organization has a campsite facility is leased through the year 2025 from the United States Army Corp of Engineers, Nashville District (the "Corps"), for \$1 for the term of the agreement. The lease agreement is revocable at the will of the Corps.

Note 7—Restrictions on net assets

Temporarily restricted net assets are available for the following purposes or periods at September 30, 2018:

Unconditional promises to give due in future periods	\$	862,810
Troop 6000 program		40,698
Endowment earnings restricted for specified programs		30,945
	\$	<u>934,453</u>

Permanently restricted net assets are comprised of the following at September 30, 2018:

Dorothy May Campership fund	\$	78,657
Judy Smith Promise Circle		42,102
Sue Peters endowment		12,363
Fran Barge endowment		8,294
	\$	<u>141,416</u>

As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

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SEPTEMBER 30, 2018

Note 7—Restrictions on net assets (continued)

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Board 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, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 30,945	\$ 141,416	\$ 172,361

Changes in endowment net assets for the year ended September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 21,046	\$ 141,416	\$ 162,462
Investment return:				
Net appreciation (realized and unrealized)	-	9,899	-	9,899
Endowment net assets, end of year	\$ -	\$ 30,945	\$ 141,416	\$ 172,361

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, 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 the Board's approval for any distribution of dividend and interest income from the endowment fund. At September 30, 2018, there were no underwater endowments.

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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. A summary of the cookie sale program activity is as follows for the year ended September 30, 2018:

Total gross cookie program sales	\$ 7,229,715
Less cost of goods sold	(2,500,672)
Less allocations to troops and service units	<u>(1,249,867)</u>
Total net cookie program sales	<u><u>\$ 3,479,176</u></u>

Financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents and investments. The Organization's cash and cash equivalent balances generally exceed Federal Deposit Insurance Corporation ("FDIC") insured limits. The Organization has not experienced any losses in these balances and considers this to be a normal business risk. The Organization had approximately \$1,547,905 of cash and cash equivalents in excess of FDIC insured limits at September 30, 2018.

The Organization's investments are subject to market risk, the risk inherent in a fluctuating market. To minimize risk related to investments, the Organization's investment portfolio is diversified among a variety of asset categories. The Organization regularly evaluates its investment strategy.

Note 9—Defined contribution pension plan

On January 1, 2013, the Organization adopted a 403(b) retirement plan. Employees who work at least 20 hours per week are eligible to contribute to the 403(b) plan upon reaching age 18. Effective January 1, 2014, unless the participant makes a contrary election, the Organization will automatically withhold 6% from the participant's payroll each pay period. Employees are eligible to receive discretionary contributions upon reaching age 18 and completing one year of qualified service. No discretionary contributions were made for the years ended September 30, 2018.

Note 10—Defined benefit pension plan

The Organization has been a participant in the National Girl Scout Council Retirement Plan (the "National Plan"), a multi-employer, noncontributory, defined benefit pension plan sponsored by GSUSA (EIN 13-1624016; PN 002). On October 1, 2015, GSUSA and the Organization reached an agreement that permitted the Organization to withdraw from the National Plan.

The Girl Scouts of Middle Tennessee Retirement Trust (the "Plan"), a single-employer pension plan, was established on January 1, 2016 as a spin-off plan from the National Plan. Provisions of the National Plan have been carried forward into this Plan. In January 2016, the related assets of the National Plan were subsequently transferred into the new Plan. Effective April 20, 2018, the Organization terminated the Plan. All Plan assets were distributed prior to August 31, 2018.

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Note 10—Defined benefit pension plan (continued)

Shown below is the funded status of the Plan and amounts recognized in the Organization's statement of activities at September 30, 2018:

Service costs	\$ -
Interest costs	76,121
Expected return on assets	(121,962)
Amortization of net gain	-
Net periodic pension cost in operations	<u>(45,841)</u>
Unrecognized net loss	43,543
Other changes in funded status	<u>(62,309)</u>
Other changes in benefit obligation included in nonoperating activities	<u>(18,766)</u>
Total recognized net benefit costs	<u>\$ (64,607)</u>
Weighted-average discount rate	3.56%
Rate of compensation increase	N/A
Expected rate of return on plan assets	6.00%
Measurement date	9/30/2018
Accumulated benefit obligation	<u>\$ -</u>
Change in Plan assets:	
Plan assets, beginning of year	\$ 3,752,672
Benefits and expenses paid	(3,871,043)
Employer contribution	130,237
(Loss) gain	<u>(11,866)</u>
Plan assets, end of year	<u>\$ -</u>
Funded status at end of year	<u>\$ -</u>
Pension liability, current portion	\$ -
Pension liability, long-term	-
Funded status, end of year	<u>\$ -</u>

During the year ended September 30, 2018, benefits of \$3,871,043 were paid. Since the Plan is frozen, accumulated benefit obligations equal projected benefit obligations. Since the Plan began in 2016, a standard rate of 6.00% was selected as the long-term rate of return and was less than actual earned during the period.