



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

FINANCIAL STATEMENTS

As of and for the Year Ended September 30, 2017

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, 2017, 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, 2017, 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, 2017, 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.

Cherry Bekant LLP

Nashville, Tennessee
January 5, 2018

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2017

	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)	\$ 2,464,891	\$ -	\$ 2,464,891	\$ 65,764	\$ -	\$ 2,530,655
Accounts and other receivables, net (Note 2)	9,937	-	9,937	92,767	-	102,704
Other current assets	122,821	-	122,821	-	-	122,821
Total current assets	2,597,649	-	2,597,649	158,531	-	2,756,180
Accounts and other receivables, net - noncurrent (Note 2)	-	-	-	214,185	-	214,185
Investments (Note 1, 3)	8,054,957	-	8,054,957	21,046	141,416	8,217,419
Property and equipment, net of accumulated depreciation (Note 1, 4)	-	99,369	99,369	-	-	99,369
Intangible assets (Note 5)	-	562,500	562,500	-	-	562,500
Total assets	<u>\$ 10,652,606</u>	<u>\$ 661,869</u>	<u>\$ 11,314,475</u>	<u>\$ 393,762</u>	<u>\$ 141,416</u>	<u>\$ 11,849,653</u>
	LIABILITIES AND NET ASSETS					
Current liabilities:						
Accounts payable	\$ 139,479	\$ -	\$ 139,479	\$ -	\$ -	\$ 139,479
Accrued liabilities	290,510	-	290,510	-	-	290,510
Deferred income	38,513	-	38,513	-	-	38,513
Due to Sue Peters Foundation	5,177	-	5,177	-	-	5,177
Total current liabilities	473,679	-	473,679	-	-	473,679
Custodian funds	53,150	-	53,150	-	-	53,150
Accrued pension liability	194,844	-	194,844	-	-	194,844
Total liabilities	721,673	-	721,673	-	-	721,673
Net assets (Note 1, 7):						
Unrestricted	9,930,933	661,869	10,592,802	-	-	10,592,802
Temporarily restricted	-	-	-	393,762	-	393,762
Permanently restricted	-	-	-	-	141,416	141,416
Total net assets	9,930,933	661,869	10,592,802	393,762	141,416	11,127,980
Total liabilities and net assets	<u>\$ 10,652,606</u>	<u>\$ 661,869</u>	<u>\$ 11,314,475</u>	<u>\$ 393,762</u>	<u>\$ 141,416</u>	<u>\$ 11,849,653</u>

See accompanying notes.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted Endowment	Total
Public support:				
Annual giving	\$ 457,480	\$ 68,664	\$ -	\$ 526,144
Capital campaign gifts	-	250,000	-	250,000
Community receptions, net	30,396	-	-	30,396
Golf tournament, net	36,159	-	-	36,159
United Way contributions	-	37,511	-	37,511
In-kind contributions	1,280	-	-	1,280
Total public support	525,315	356,175	-	881,490
Revenue:				
Program related revenue:				
Cookie sales, net (Note 8)	3,253,844	-	-	3,253,844
Camping fees	534,991	-	-	534,991
Program fees	262,167	-	-	262,167
Sale of merchandise, gross	549,116	-	-	549,116
Less: Cost of sales	(398,811)	-	-	(398,811)
Other income, net	191,408	-	-	191,408
Total revenue	4,392,715	-	-	4,392,715
Net assets released from restrictions:				
Satisfaction of program and time restrictions	62,761	(62,761)	-	-
Total revenues, gains and other support	4,980,791	293,414	-	5,274,205
Expenses:				
Program services	3,986,448	-	-	3,986,448
Supporting services:				
Management and general	186,973	-	-	186,973
Fundraising and community relations	279,252	-	-	279,252
Total expenses	4,452,673	-	-	4,452,673
Change in net assets from operating activities	528,118	293,414	-	821,532
Nonoperating activities:				
Investment income, net (Note 3)	127,305	-	-	127,305
Net gain on investments (Note 3)	450,054	13,468	-	463,522
Other changes in benefit obligation (Note 10)	71,856	-	-	71,856
Change in net assets	1,177,333	306,882	-	1,484,215
Net assets, beginning of year	9,904,005	86,880	141,416	10,132,301
Transfer of net assets to Sue Peters Foundation	(488,536)	-	-	(488,536)
Net assets, end of year	\$ 10,592,802	\$ 393,762	\$ 141,416	\$ 11,127,980

See accompanying notes.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2017

	Supporting Services				Total
	Program Services	Management and General	Fundraising and Community Relations	Total Supporting Services	
Salaries	\$ 1,812,685	\$ 126,669	\$ 178,796	\$ 305,465	\$ 2,118,150
Payroll taxes	169,174	11,095	15,649	26,744	195,918
Employee health and other benefits	60,982	7,320	7,637	14,957	75,939
Total salaries and related expenses	2,042,841	145,084	202,082	347,166	2,390,007
Occupancy	641,325	18,610	27,172	45,782	687,107
Conferences, conventions, meetings and training	176,444	1,790	5,620	7,410	183,854
Supplies	173,717	707	1,740	2,447	176,164
Capital budget - repairs and maintenance	160,816	-	-	-	160,816
Program consultants	119,295	1,020	-	1,020	120,315
Professional fees	82,379	10,591	13,489	24,080	106,459
Travel	98,747	1,079	5,416	6,495	105,242
Telephone	78,774	2,479	4,765	7,244	86,018
Miscellaneous	44,926	166	3,850	4,016	48,942
Printing and publications	61,106	1,939	7,574	9,513	70,619
Scholarships and financial aid	60,276	-	-	-	60,276
Legal fees	45,741	-	-	-	45,741
Awards and gifts	36,014	423	1,935	2,358	38,372
Rental, repair and maintenance	23,370	702	1,077	1,779	25,149
Insurance	25,105	1,550	2,184	3,734	28,839
Postage and shipping	15,939	625	1,440	2,065	18,004
Membership dues	3,369	208	509	717	4,086
Area fundraising	-	-	399	399	399
Total expenses before depreciation	3,890,184	186,973	279,252	466,225	4,356,409
Depreciation (Note 4)	96,264	-	-	-	96,264
Total expenses	<u>\$ 3,986,448</u>	<u>\$ 186,973</u>	<u>\$ 279,252</u>	<u>\$ 466,225</u>	<u>\$ 4,452,673</u>

See accompanying notes.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2017

Cash flows from operating activities:	
Change in net assets	\$ 1,484,215
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	96,264
Net gain on investments	(463,522)
Changes in operating assets and liabilities:	
Accounts and other receivables, net	(229,130)
Other current assets	37,876
Due to Sue Peters Foundation	42,100
Accounts payable	(4,790)
Accrued liabilities	166,066
Deferred income	(59,835)
Custodian funds	11,970
Accrued pension liability	(170,273)
	<hr/>
Net cash provided by operating activities	910,941
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Cash flows from investing activities:	
Proceeds from sale of investments	1,392,999
Purchases of investments	(1,505,525)
Purchases of property and equipment	(617,879)
Purchases of intangible assets	(250,000)
	<hr/>
Net cash used in investing activities	(980,405)
	<hr/>
Net decrease in cash and cash equivalents	(69,464)
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Cash and cash equivalents, beginning of year	2,600,119
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Cash and cash equivalents, end of year	\$ 2,530,655
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See accompanying notes.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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 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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$488,536 for the year ended September 30, 2017. 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.

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”).

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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of \$15 per member are collected and forwarded to GSUSA. Accordingly, no membership fees are reflected in the statement of activities.

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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fifty percent 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 5, 2018, 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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 2 – ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consist of the following at September 30, 2017:

Accounts receivable, net of allowance for doubtful accounts of \$18,748	\$ 9,937
Unconditional promises to give:	
United Way allocations	48,621
Other	<u>258,331</u>
Total accounts and other receivables	<u>\$ 316,889</u>
Receivable in less than one year	\$ 102,704
Receivable in one to five years	<u>214,185</u>
	<u>\$ 316,889</u>

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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2017.

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 772,168	\$ -	\$ -	\$ 772,168
Fixed income funds:				
Short duration fixed income	25,542	-	-	25,542
Long duration fixed income	<u>2,679,522</u>	<u>-</u>	<u>-</u>	<u>2,679,522</u>
Total fixed income	<u>2,705,064</u>	<u>-</u>	<u>-</u>	<u>2,705,064</u>
Equity funds:				
Small/mid cap US funds	1,441,537	-	-	1,441,537
Large cap US funds	796,584	-	-	796,584
Real estate investment trust funds	473,613	-	-	473,613
Small bond funds	69,945	-	-	69,945
Master limited partnership funds	4,232	-	-	4,232
Large cap foreign funds	<u>2,571</u>	<u>-</u>	<u>-</u>	<u>2,571</u>
Total equity funds	<u>2,788,482</u>	<u>-</u>	<u>-</u>	<u>2,788,482</u>
Common stock:				
Financial	480,209	-	-	480,209
Technology	380,686	-	-	380,686
Healthcare	268,067	-	-	268,067

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Industrial goods	200,240	-	-	200,240
Services	189,660	-	-	189,660
Consumer goods	186,739	-	-	186,739
Basic materials	184,556	-	-	184,556
Utilities	61,249	-	-	61,249
Other	<u>299</u>	<u>-</u>	<u>-</u>	<u>299</u>
Total common stock	<u>1,951,705</u>	<u>-</u>	<u>-</u>	<u>1,951,705</u>
Total investments at fair value	<u>\$ 8,217,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,217,419</u>

Net gain on investments amounted to \$463,522 for the year ended September 30, 2017.

The following schedule summarizes the net investment income for the year ended September 30, 2017:

Interest and dividends	\$ 168,248
Investment fees	<u>(40,943)</u>
	<u>\$ 127,305</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2017:

Campsite facilities	\$ 302,135
Equipment	<u>1,480,947</u>
Subtotal	1,783,082
Less accumulated depreciation	<u>(1,683,713)</u>
Total	<u>\$ 99,369</u>

Depreciation expense amounted to \$96,264 for the year ended September 30, 2017 based on estimated useful lives ranging from 3 – 15 years.

NOTE 5 – INTANGIBLE ASSETS

During fiscal year 2016, the Organization engaged a data solution company to develop new membership, training, and operations software. The total contract fee of \$500,000, plus additional module development fees of \$125,000, is expected to be completed during fiscal year 2018. At September 30, 2017, project costs to date of \$562,500 are reflected as intangible assets in the statement of financial position. These costs will be amortized over a period of 10 years.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

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, 2017, future minimum annual lease payments under noncancellable lease obligations are as follows:

Year Ending <u>September 30,</u>	
2018	\$ 70,100
2019	66,327
2020	65,984
2021	62,813
2022	53,300
Thereafter	<u>4,600,000</u>
	<u>\$ 4,918,524</u>

Rent expense under all lease agreements totaled \$110,067 for the years ended September 30, 2017.

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 one dollar 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, 2017:

Unconditional promises to give due in future periods	\$ 306,952
Troop 6000 program	50,000
Endowment earnings restricted for specified programs	21,046
L.E.A.D. program	<u>15,764</u>
	<u>\$ 393,762</u>

Permanently restricted net assets are comprised of the following at September 30, 2017:

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

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 7 – RESTRICTIONS ON NET ASSETS (Continued)

As required by GAAP, 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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 21,046	\$ 141,416	\$ 162,462

Changes in Endowment Net Assets for the Year Ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 7,578	\$ 141,416	\$ 148,994
Investment return: Net appreciation (realized and unrealized)	-	13,468	-	13,468
Endowment net assets, end of year	\$ -	\$ 21,046	\$ 141,416	\$ 162,462

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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 7 – RESTRICTIONS ON NET ASSETS (Continued)

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 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 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 \$2,312,220 of cash and cash equivalents in excess of FDIC insured limits at September 30, 2017.

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, 2017.

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.

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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.

Shown below is the funded status of the Plan and amounts recognized in the Organization’s statements of activities at September 30, 2017:

Service costs	\$ -
Interest cost	139,680
Expected return on assets	(238,367)
Amortization of net gain	<u>-</u>
Net periodic pension cost in operations	(98,687)
Unrecognized net loss	221,924
Other changes in funded status	<u>(293,780)</u>
Other changes in benefit obligation included in nonoperating activities:	<u>(71,856)</u>
Total recognized net benefit costs	<u>\$ (170,543)</u>
Weighted-average discount rate	3.22%
Rate of compensation increase	N/A
Expected rate of return on plan assets	6.00%
Measurement date	09/30/2017
Accumulated benefit obligation	<u>\$ 3,947,516</u>
Change in plan assets:	
Plan assets at beginning of year	\$ 4,095,589
Expected return on plan assets	238,367
Benefits and expenses paid	(598,373)
Employer contribution	-
Gain	<u>17,089</u>
Plan assets at end of year	<u>\$ 3,752,672</u>
Funded status at end of year	<u>\$ (194,844)</u>
Pension liability, current portion	\$ -
Pension liability, long-term	<u>194,844</u>
Funded status, end of year	<u>\$ 194,844</u>

GIRL SCOUTS OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Expected future benefit payments for each of the next five fiscal years and in the aggregate for the next five years are as follows:

Year Ending September 30,	
2018	\$ 269,100
2019	263,317
2020	267,456
2021	263,859
2022	254,521
2023-2027	1,258,706

During the year ended September 30, 2017, benefits of \$561,462 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.

The Plan's asset allocations at September 30, 2017, by asset category, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds	\$ 3,317,288	\$ -	\$ 3,317,288
Insurance company general account	<u>-</u>	<u>435,384</u>	<u>435,384</u>
	<u>\$ 3,317,288</u>	<u>\$ 435,384</u>	<u>\$ 3,752,672</u>

The Plan follows an investment policy to establish objectives and guidelines for the investments of the defined benefit plan. The investment strategies of the plan are to build a diversified portfolio of equity or equity-like securities considering the long-term investment time horizon. Fair value measurement methodologies are included in Note 3. The investment allocation plan permits investments in cash and cash equivalents, fixed income, equities, real estate, and specialty or alternative investments. Target allocations are as follows: fixed income investments (20% - 100%), equity investments (0% - 100%) and cash equivalents (0% - 100%). The plan's asset manager performs fundamental analysis to build the portfolio and diversify across sectors, industries and individual securities with an emphasis on quality.

NOTE 11 – ALIGN 3C LLC

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 activity for the year ended September 30, 2017.