

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

**FINANCIAL STATEMENTS**

**September 30, 2014 and 2013**

**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, 2014 and 2013, 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, 2014 and 2013, 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.

*Fraser, Dun & Hard, PLLC*

Nashville, Tennessee  
December 2, 2014

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2014 and 2013**

	<b>UNRESTRICTED</b>						
	<b>Camping, Operating and Special Project Reserves</b>	<b>Land, Buildings and Equipment</b>	<b>Total Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted Endowment</b>	<b>2014 Total</b>	<b>2013 Total</b>
	<b>ASSETS</b>						
Current assets:							
Cash and cash equivalents (Note 1)	\$ 5,523,181	\$ -	\$ 5,523,181	\$ 43,750	\$ -	\$ 5,566,931	\$ 5,215,985
Unconditional promises to give -							
United Way and other (Note 1, 2, 6)	-	-	-	77,119	-	77,119	108,235
Accounts receivable, net	20,470	-	20,470	-	-	20,470	6,273
Inventory (Note 1)	87,386	-	87,386	-	-	87,386	94,216
Prepaid expenses	37,644	-	37,644	-	-	37,644	35,815
Total current assets	5,668,681	-	5,668,681	120,869	-	5,789,550	5,460,524
Land, buildings and equipment (net of accumulated depreciation) (Note 1, 4)	-	5,880,104	5,880,104	-	-	5,880,104	6,158,963
Investments (Note 1, 3)	7,674,536	-	7,674,536	13,550	141,416	7,829,502	7,354,525
Total assets	<u>\$ 13,343,217</u>	<u>\$ 5,880,104</u>	<u>\$ 19,223,321</u>	<u>\$ 134,419</u>	<u>\$ 141,416</u>	<u>\$ 19,499,156</u>	<u>\$ 18,974,012</u>
	<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities:							
Accounts payable	\$ 106,804	\$ -	\$ 106,804	\$ -	\$ -	\$ 106,804	\$ 85,345
Accrued liabilities	420,931	-	420,931	-	-	420,931	193,154
Deferred income	95,319	-	95,319	-	-	95,319	88,790
Total current liabilities	623,054	-	623,054	-	-	623,054	367,289
Custodian funds	29,876	-	29,876	-	-	29,876	17,042
Total liabilities	652,930	-	652,930	-	-	652,930	384,331
Net assets (Note 1, 6):							
Unrestricted	12,690,287	5,880,104	18,570,391	-	-	18,570,391	18,288,080
Temporarily restricted	-	-	-	134,419	-	134,419	160,185
Permanently restricted	-	-	-	-	141,416	141,416	141,416
Total net assets	12,690,287	5,880,104	18,570,391	134,419	141,416	18,846,226	18,589,681
Total liabilities and net assets	<u>\$ 13,343,217</u>	<u>\$ 5,880,104</u>	<u>\$ 19,223,321</u>	<u>\$ 134,419</u>	<u>\$ 141,416</u>	<u>\$ 19,499,156</u>	<u>\$ 18,974,012</u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>	<b>2013</b>
Public support:					
Annual giving	\$ 649,634	\$ 47,500	\$ -	\$ 697,134	\$ 680,233
Community receptions, net	75,465	11,055	-	86,520	138,951
Golf tournament, net	60,782	-	-	60,782	73,110
United Way contributions	11,324	48,621	-	59,945	58,866
In-kind contributions	6,925	-	-	6,925	4,311
Total public support	804,130	107,176	-	911,306	955,471
Revenue:					
Program related revenue:					
Cookie sales, net (Note 9)	2,666,099	-	-	2,666,099	2,599,745
Camping fees	495,626	-	-	495,626	412,152
Program fees	198,319	-	-	198,319	211,660
Sale of merchandise, gross	448,368	-	-	448,368	488,128
Less: Cost of sales	(334,378)	-	-	(334,378)	(341,638)
Other income, net	138,582	-	-	138,582	120,472
Total revenue	3,612,616	-	-	3,612,616	3,490,519
Net assets released from restrictions:					
Satisfaction of program and time restrictions	141,427	(141,427)	-	-	-
Total revenues, gains and other support	4,558,173	(34,251)	-	4,523,922	4,445,990
Expenses:					
Program services	4,139,121	-	-	4,139,121	3,874,700
Supporting services:					
Management and general	195,281	-	-	195,281	182,667
Fundraising and community relations	429,805	-	-	429,805	421,562
Total expenses	4,764,207	-	-	4,764,207	4,478,929
Change in net assets from operating activities	(206,034)	(34,251)	-	(240,285)	(32,939)
Nonoperating activities:					
Investment income, net (Note 3)	158,408	-	-	158,408	149,257
Net gain on investments (Note 3)	329,937	8,485	-	338,422	478,310
Change in net assets	282,311	(25,766)	-	256,545	594,628
Net assets, beginning of year	18,288,080	160,185	141,416	18,589,681	17,995,053
Net assets, end of year	\$18,570,391	\$ 134,419	\$ 141,416	\$18,846,226	\$18,589,681

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted Endowment</b>	<b>Total</b>
Public support:				
Annual giving	\$ 518,581	\$ 161,652	\$ -	\$ 680,233
Community receptions, net	123,556	15,395	-	138,951
Golf tournament, net	72,860	250	-	73,110
United Way contributions	10,245	48,621	-	58,866
In-kind contributions	4,311	-	-	4,311
Total public support	<u>729,553</u>	<u>225,918</u>	<u>-</u>	<u>955,471</u>
Revenue:				
Program related revenue:				
Cookie sales, net (Note 9)	2,599,745	-	-	2,599,745
Camping fees	412,152	-	-	412,152
Program fees	211,660	-	-	211,660
Sale of merchandise, gross	488,128	-	-	488,128
Less: Cost of sales	(341,638)	-	-	(341,638)
Other income, net	119,775	-	-	119,775
Net gain on disposal of assets	697	-	-	697
Total revenue	<u>3,490,519</u>	<u>-</u>	<u>-</u>	<u>3,490,519</u>
Net assets released from restrictions:				
Satisfaction of program and time restrictions	171,036	(171,036)	-	-
Total revenues, gains and other support	<u>4,391,108</u>	<u>54,882</u>	<u>-</u>	<u>4,445,990</u>
Expenses:				
Program services	3,874,700	-	-	3,874,700
Supporting services:				
Management and general	182,667	-	-	182,667
Fundraising and community relations	421,562	-	-	421,562
Total expenses	<u>4,478,929</u>	<u>-</u>	<u>-</u>	<u>4,478,929</u>
Change in net assets from operating activities	(87,821)	54,882	-	(32,939)
Nonoperating activities:				
Investment income (Note 3)	141,332	-	7,925	149,257
Net gain on investments (Note 3)	478,310	-	-	478,310
Change in net assets	531,821	54,882	7,925	594,628
Net assets, beginning of year	<u>17,756,259</u>	<u>105,303</u>	<u>133,491</u>	<u>17,995,053</u>
Net assets, end of year	<u>\$18,288,080</u>	<u>\$ 160,185</u>	<u>\$ 141,416</u>	<u>\$18,589,681</u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2014**

	<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	\$1,601,318	\$ 120,633	\$ 226,678	\$ 347,311	\$1,948,629
Employee health and other benefits	332,042	25,027	47,007	72,034	404,076
Payroll taxes	140,650	10,224	22,277	32,501	173,151
 Total salaries and related expenses	 2,074,010	 155,884	 295,962	 451,846	 2,525,856
Occupancy	480,183	5,144	19,460	24,604	504,787
Legal fees	263,625	-	-	-	263,625
Conferences, conventions, meetings and training	176,282	3,645	21,126	24,771	201,053
Supplies	187,122	665	5,775	6,440	193,562
Travel	93,311	4,585	9,255	13,840	107,151
Professional fees	67,992	10,779	16,673	27,452	95,444
Scholarships and financial aid	94,872	-	-	-	94,872
Printing and publications	66,892	3,085	22,670	25,755	92,647
Capital budget - repairs and maintenance	88,869	-	-	-	88,869
Telephone	65,951	2,453	5,961	8,414	74,365
Program consultants	53,789	236	1,316	1,552	55,341
Awards and gifts	34,819	417	5,835	6,252	41,071
Miscellaneous	21,213	149	9,307	9,456	30,669
Rental, repair and maintenance	27,035	1,152	1,786	2,938	29,973
Insurance	23,511	1,534	3,066	4,600	28,111
Postage and shipping	16,368	661	6,018	6,679	23,047
Membership dues	3,275	561	2,459	3,020	6,295
 Total expenses before depreciation	 3,839,119	 190,950	 426,669	 617,619	 4,456,738
Depreciation (Note 4)	300,002	4,331	3,136	7,467	307,469
 Total expenses	 <u>\$4,139,121</u>	 <u>\$ 195,281</u>	 <u>\$ 429,805</u>	 <u>\$ 625,086</u>	 <u>\$4,764,207</u>

See accompanying notes.



**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2013**

		<b>Supporting Services</b>			
			<b>Fundraising and Community</b>	<b>Total Supporting</b>	
	<b>Program Services</b>	<b>Management and General</b>	<b>Relations</b>	<b>Services</b>	<b>Total</b>
Salaries	\$1,672,639	\$ 120,610	\$ 234,510	\$ 355,120	\$2,027,759
Employee health and other 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
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
Professional fees	90,495	5,370	15,036	20,406	110,901
Legal fees	100,558	-	-	-	100,558
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	 \$3,874,700	 \$ 182,667	 \$ 421,562	 \$ 604,229	 \$4,478,929

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 256,545	\$ 594,628
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	307,469	321,548
Net gain on investments	(338,422)	(478,310)
Changes in operating assets and liabilities:		
Unconditional promises to give	31,116	(36,828)
Accounts receivable	(14,197)	8,200
Inventory	6,830	4,260
Prepaid expenses	(1,829)	22,748
Accounts payable	256,746	37,206
Accrued liabilities	(7,510)	18,429
Deferred income	6,529	(3,516)
Custodian funds	12,834	(10,173)
Net cash provided by operating activities	<u>516,111</u>	<u>478,192</u>
Cash flows from investing activities:		
Proceeds from sale of investments	4,856,294	1,149,441
Purchases of investments	(4,992,849)	(1,280,004)
Purchases of land, buildings and equipment	<u>(28,610)</u>	<u>(110,377)</u>
Net cash used in investing activities	<u>(165,165)</u>	<u>(240,940)</u>
Net increase in cash and cash equivalents	350,946	237,252
Cash and cash equivalents, beginning of year	<u>5,215,985</u>	<u>4,978,733</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,566,931</u></u>	<u><u>\$ 5,215,985</u></u>

See accompanying notes.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 and 2013**

**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 for the Organization’s operations.

**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, 2014 and 2013**

**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. The Organization purchases a majority of its merchandise inventory from one vendor. During the years ended September 30, 2014 and 2013, approximately 93% and 89%, respectively, of the Organization's merchandise inventory was purchased from the vendor.

**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 Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), a nonprofit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met.

When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The FASB ASC also requires additional disclosures applicable to all nonprofit

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

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

**Endowment Funds (Continued)**

organizations. Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the law(s) underlying the net asset classification of donor-restricted endowment funds.

**Membership**

Membership fees of \$15 per member are collected and forwarded to Girl Scouts of the United States of America. Accordingly, no membership fees are reflected in the statements of activities.

**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 accounting principles generally accepted in the United States of America 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.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

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

**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 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, 2011 through September 30, 2014.

**Subsequent Events**

The Organization evaluated subsequent events through December 2, 2014, 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><b>2014</b></u>	<u><b>2013</b></u>
United Way allocations	\$ 48,621	\$ 48,621
Other	<u>28,498</u>	<u>59,614</u>
Total unconditional promises to give	<u>\$ 77,119</u>	<u>\$ 108,235</u>
	<u><b>2014</b></u>	<u><b>2013</b></u>
Receivable in less than one year	\$ 77,119	\$ 108,235
Receivable in one to five years	<u>-</u>	<u>-</u>
	<u>\$ 77,119</u>	<u>\$ 108,235</u>

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

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

Although donor designations to the United Way may vary, differences between the amounts allocated and collected from the United Way have historically been insignificant. Accordingly, no provision is made for uncollectible amounts. Uncollectible amounts for other unconditional promises to give are expected to be insignificant.

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Organization has adopted the provisions of the Fair Value Measurement topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. 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, 2014 and 2013.

Level 1 assets – determined by obtaining quoted market prices in active markets

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

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

Level 2 assets – determined based on the inputs used to value the Organization’s underlying assets in the investment pool; the investment pool value is determined based on quoted market prices in active markets

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of September 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 827,503	\$ -	\$ -	\$ 827,503
Fixed income funds:				
Short duration fixed income	1,486,157	-	-	1,486,157
Long duration fixed income	950,100	-	-	950,100
Total fixed income	2,436,257	-	-	2,436,257
Equity funds:				
Large cap US funds	1,657,151	-	-	1,657,151
Small/mid cap US funds	985,853	-	-	985,853
Master limited partnership funds	724,189	-	-	724,189
International funds	383,438	-	-	383,438
Broad basket funds	245,597	-	-	245,597
Total equity funds	3,996,228	-	-	3,996,228
Common stock:				
Technology	112,202	-	-	112,202
Financial	104,404	-	-	104,404
Services	93,353	-	-	93,353
Healthcare	78,097	-	-	78,097
Basic materials	62,893	-	-	62,893
Consumer goods	61,161	-	-	61,161
Industrial goods	57,035	-	-	57,035
Other	369	-	-	369
Total common stock	569,514	-	-	569,514
Total investments at fair value	\$ 7,829,502	\$ -	\$ -	\$ 7,829,502



**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

**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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 167,918	\$ -	\$ -	\$ 167,918
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	485,879	1,614,034	-	2,099,913
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	713,859	-	-	713,859
Total equity funds	1,547,290	2,091,845	-	3,639,135
Multi-strategy funds	1,444,132	-	-	1,444,132
Common stock:				
Healthcare	1,637	-	-	1,637
Financial	1,491	-	-	1,491
Other	299	-	-	299
Total common stock	3,427	-	-	3,427
Total investments at fair value	\$ 3,648,646	\$ 3,705,879	\$ -	\$ 7,354,525

Net gain on investments amounted to \$338,422 and \$478,310 for the years ended September 30, 2014 and 2013, respectively.

The following schedule summarizes the net investment income for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 212,789	\$ 200,097
Investment fees	(54,381)	(50,840)
	<u>\$ 158,408</u>	<u>\$ 149,257</u>

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

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

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

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,079,505	\$ 1,079,505	
Campsite facilities	8,024,685	8,024,685	5 to 15 years
Office buildings	2,026,099	2,026,099	40 years
Equipment	1,486,697	1,662,840	3 to 12 years
Land improvements	<u>763,859</u>	<u>763,859</u>	5 to 15 years
Subtotal	13,380,845	13,556,988	
Less accumulated depreciation	<u>(7,500,741)</u>	<u>(7,398,025)</u>	
Total	<u>\$ 5,880,104</u>	<u>\$ 6,158,963</u>	

Depreciation expense amounted to \$307,469 and \$321,548 for the years ended September 30, 2014 and 2013, respectively.

**NOTE 5 – LEASE COMMITMENT**

The Organization entered into lease agreements for copiers and a postage machine that have been accounted for as operating leases. At September 30, 2014, future minimum annual lease payments under noncancelable lease obligations are as follows:

<u>Year ending September 30,</u>	
2015	\$ 24,648
2016	19,515
2017	4,116
2018	4,116
2019	<u>-</u>
	<u>\$ 52,395</u>

Rent expense under lease agreements totaled \$71,742 and \$68,962 for the years ended September 30, 2014 and 2013, respectively.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

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

	<u><b>2014</b></u>	<u><b>2013</b></u>
Funds restricted by purpose and/or time	\$ 13,550	\$ 8,896
Unconditional promises to give due in future periods	77,119	108,235
Contributions received for future periods	<u>43,750</u>	<u>43,054</u>
	<u><u>\$ 134,419</u></u>	<u><u>\$ 160,185</u></u>

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

	<u><b>2014</b></u>	<u><b>2013</b></u>
Dorothy May Campership fund	\$ 78,657	\$ 78,657
Judy Smith Promise Circle	42,102	42,102
Sue Peters endowment	12,363	12,363
Fran Barge endowment	<u>8,294</u>	<u>8,294</u>
	<u><u>\$ 141,416</u></u>	<u><u>\$ 141,416</u></u>

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The board of directors has interpreted the UPMIFA as requiring that the Organization classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Endowment Net Asset Composition by Type of Fund as of September 30, 2014:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 8,485</u>	<u>\$ 141,416</u>	<u>\$ 149,901</u>

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

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

**Changes in Endowment Net Assets for the Year Ended September 30, 2014:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 141,416	\$ 141,416
Investment return: Net appreciation (realized and unrealized)	-	8,485	-	8,485
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 8,485</u>	<u>\$ 141,416</u>	<u>\$ 149,901</u>

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

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

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

**NOTE 6 – 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 7 – DEFINED BENEFIT PENSION PLAN**

The Organization participates in the National Girl Scout Council Retirement Plan (the "Plan"), a multi-employer, noncontributory, defined benefit pension plan sponsored by Girl Scouts of the USA ("GSUSA") (EIN 13-1624016; PN 002). Effective July 31, 2010, the Plan was frozen to new entrants and to further benefit accruals for existing participants, although previously earned benefits can continue to vest. Accrued benefits earned prior to July 31, 2010 are based on years of service and salary levels.

The Organization made contributions into the Plan of \$104,399 during the year ended September 30, 2013. The accumulated plan benefits exceeded net plan assets as of January 1, 2014. The actuarial valuation of the total Plan conducted by Girl Scouts of the USA, estimated the present value of accumulated benefit obligations was less than 65% funded at January 1, 2014.

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 multi-employer plan, it is only subject to certain minimum reporting requirements under FASB ASC guidance for employee benefit plans.

Management and the board of directors 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. A motion by GSUSA seeking dismissal of the lawsuit was granted by the District Court. The dismissal is currently under appeal to the Sixth Circuit Court of Appeals. As a result, effective June 2013, the Organization has suspended making contributions to the Plan.

**GIRL SCOUTS OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2014 and 2013**

**NOTE 8 – 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, 2014 and 2013.

**NOTE 9 – 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, 2014 and 2013, respectively. The Organization reduces its exposure related to cash concentrations by investing excess cash balances through an insured cash sweep account.