

GIRL SCOUTS HEART OF THE SOUTH

FINANCIAL STATEMENTS

September 30, 2016

(with summarized comparative information for 2015)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girl Scouts Heart of the South
Memphis, Tennessee

We have audited the accompanying financial statements of Girl Scouts Heart of the South (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 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 Heart of the South as of September 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Girl Scouts Heart of the South's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of product sales as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Memphis, Tennessee
January 31, 2017

GIRL SCOUTS HEART OF THE SOUTH

STATEMENT OF FINANCIAL POSITION

September 30, 2016

(with summarized comparative information at September 30, 2015)

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 3,226,686	\$ 3,253,674
Investments	897,850	805,128
Promises to give	164,329	208,241
Other receivables	4,004	7,171
Inventories	124,142	145,915
Prepaid expenses	5,035	7,713
Property and equipment, net	<u>2,612,395</u>	<u>2,853,636</u>
Total assets	<u>\$ 7,034,441</u>	<u>\$ 7,281,478</u>
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 36,959	\$ 48,304
Accrued payroll liabilities	122,084	112,710
Dues payable	-	42,725
Funds held for others	-	3,462
Deferred revenue	25,575	36,988
Note payable	<u>1,258,597</u>	<u>1,308,127</u>
Total liabilities	<u>1,443,215</u>	<u>1,552,316</u>
Net Assets		
Unrestricted		
Board-designated	1,982,451	2,071,976
Undesignated	<u>3,383,111</u>	<u>3,331,327</u>
Total unrestricted	<u>5,365,562</u>	<u>5,403,303</u>
Temporarily restricted	199,295	299,490
Permanently restricted	<u>26,369</u>	<u>26,369</u>
Total net assets	<u>5,591,226</u>	<u>5,729,162</u>
Total liabilities and net assets	<u>\$ 7,034,441</u>	<u>\$ 7,281,478</u>

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

GIRL SCOUTS HEART OF THE SOUTH

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016
(with summarized comparative information for the year ended September 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
Revenues and Other Support					
Gross profit from cookie sales	\$ 2,808,654	\$ -	\$ -	\$2,808,654	\$ 3,101,294
Gross profit from merchandise sales	83,103	-	-	83,103	81,354
Gross profit from fall product sales	147,469	-	-	147,469	176,722
Contributions	231,361	218,679	-	450,040	624,518
Program service fees	240,524	-	-	240,524	206,652
Interest and dividend income	11,888	-	-	11,888	10,995
Change in market value of investments	80,933	-	-	80,933	(27,931)
Other income	6,933	-	-	6,933	43,479
Loss on sale of assets	(248,957)	-	-	(248,957)	(4,206)
Special events revenue	167,309	-	-	167,309	-
Less: Costs of direct benefit to donors	(33,625)	-	-	(33,625)	-
Net revenue from special events	133,684	-	-	133,684	-
Net assets released from restrictions	318,874	(318,874)	-	-	-
Total revenues and other support	3,814,466	(100,195)	-	3,714,271	4,212,877
Expenses					
Program services	3,052,198	-	-	3,052,198	3,099,440
General and administrative	262,891	-	-	262,891	296,119
Fundraising	537,118	-	-	537,118	381,586
Total expenses	3,852,207	-	-	3,852,207	3,777,145
Change in net assets	(37,741)	(100,195)	-	(137,936)	435,732
Net assets at beginning of the year	5,403,303	299,490	26,369	5,729,162	5,293,430
Net assets at end of the year	\$ 5,365,562	\$ 199,295	\$ 26,369	\$5,591,226	\$ 5,729,162

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

GIRL SCOUTS HEART OF THE SOUTH
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2016
(with summarized comparative information for the year ended September 30, 2015)

	Program Services	Management and General	Fundraising	Totals	
				2016	2015
Salaries	1,447,714	126,675	235,254	\$ 1,809,643	\$ 1,846,725
Payroll taxes	113,090	9,895	18,377	141,362	164,159
Employee benefits	175,744	15,378	28,558	219,680	208,306
Retirement benefits	240,470	21,041	39,077	300,588	287,891
Conferences, meetings, and training	20,566	1,800	3,342	25,708	17,443
Vehicle and equipment maintenance	57,367	5,020	9,322	71,709	66,252
Insurance	55,811	4,883	9,069	69,764	70,329
Interest	43,377	3,795	7,049	54,221	56,254
Miscellaneous	38,996	3,412	6,337	48,745	44,857
Occupancy	199,248	17,434	32,378	249,060	262,056
Postage and shipping	10,587	926	1,720	13,234	23,014
Printing and advertising	41,737	3,652	6,782	52,171	48,493
Professional fees	103,526	9,058	16,823	129,407	118,605
Specific assistance to individuals	47,733	-	-	47,733	33,049
Supplies	122,449	10,714	19,898	153,061	153,076
Telephone and internet	99,042	8,666	16,094	123,802	121,018
Travel and meals	74,884	6,552	12,169	93,605	79,099
Bad debt	-	-	-	-	1,375
Depreciation	159,858	13,988	25,977	199,822	175,144
Special events direct cost	-	-	48,892	48,892	-
	<u>\$ 3,052,198</u>	<u>\$ 262,891</u>	<u>\$ 537,118</u>	<u>\$ 3,852,207</u>	<u>\$ 3,777,145</u>

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

GIRL SCOUTS HEART OF THE SOUTH

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2016
(with summarized comparative information for the year ended September 30, 2015)

	2016	2015
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ (137,936)	\$ 435,732
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	199,822	175,144
Change in market value of investments	(80,933)	27,931
Loss on sale of property and equipment	248,957	4,206
Changes in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Promises to give	43,912	20,140
Other receivables	3,167	(5,368)
Inventories	21,773	5,912
Prepaid expenses	2,678	(1,800)
Accounts payable	(11,345)	(57,283)
Accrued payroll liabilities	9,374	4,871
Dues payable	(42,725)	(11,241)
Funds held for others	(3,462)	79
Deferred revenue	(11,413)	13,942
Total adjustments	379,805	176,533
Net cash provided by operating activities	241,869	612,265
Cash Flows From (Used For) Investing Activities:		
Purchases of property and equipment	(233,138)	(252,157)
Proceeds from sale of property and equipment	25,600	-
Purchases of investments	(11,789)	(25,731)
Net cash used for investing activities	(219,327)	(277,888)
Cash Flows Used For Financing Activities:		
Principal payments on note payable	(49,530)	(47,497)
Increase (decrease) in cash and cash equivalents	(26,988)	286,880
Cash and cash equivalents, beginning of the year	3,253,674	2,966,794
Cash and cash equivalents, end of the year	\$ 3,226,686	\$ 3,253,674
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 54,221	\$ 56,254

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

GIRL SCOUTS HEART OF THE SOUTH

NOTES TO FINANCIAL STATEMENTS

September 30, 2016
(with summarized comparative information for 2015)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Girl Scouts Heart of the South (the “Council”) is a Tennessee nonprofit corporation organized in accordance with the constitution and by-laws of Girl Scouts of the United States of America (“GSUSA”). The Council’s purpose is to build girls of courage, confidence, and character, who make the world a better place through Girl Scouting. The Council supports 59 counties in the states of Tennessee, Arkansas, and Mississippi. The Council runs one program, the Girl Scouts Leadership Experience, which supports the purpose of the Council. In this program, girls participate in activities in the areas of science, technology, business, economic literacy, and outdoor and environmental awareness. By participating in these activities, girls receive opportunities for fun and friendship while fostering the development of leadership skills and self-esteem. The primary source of funding is derived from a cookie sale held each spring. Proceeds from this sale go to support the Girl Scouts Leadership Experience program as well as general operations of the Council.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

The Council is required to report information regarding its financial position and activities according to three classes of net assets. 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 – Temporarily restricted net assets represent gifts or other revenues wherein donors have specified the purpose for which the net assets are to be spent or time restrictions imposed or implied by the nature of the gift. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Permanently restricted net assets represent contributions subject to donor-imposed stipulations to be invested in perpetuity, for which only the income may be available for program operations.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Council’s 2015 financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Council recognizes revenue from sales of cookies, merchandise, and fall products at the point of sale of the goods. Deferred revenue consists of program service fees collected in advance for various trips and events held by the Council in a future period and are recognized as revenue when earned as the events occur.

Contributions

The Council receives grants and contributions from a variety of sources. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

In-Kind Contributions

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market value in the period received. A substantial number of volunteers have made significant contributions of their time to the Council's programs, principally through voluntary aid and various fund raising endeavors. The amounts of these contributions have not been reflected in the financial statements, as the value of these services is not susceptible to objective measurement or valuation.

Functional Allocation of Expenses

The costs of providing programs and other administrative support services have been reported on a functional basis in the statement of functional expenses. Expenses that are identified with a specific program or support service are charged directly according to their natural expense classification. Certain other costs have been allocated among the programs and supporting services based on estimates made by management.

Concentrations and Credit Risks

The Council's credit risks primarily relate to cash and cash equivalents. The Council maintains cash balances at various domestic financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000.

At September 30, 2016 and 2015, 97% and 94% of promises to give was due from one donor, respectively.

For both the years ended September 30, 2016 and 2015, 100% of purchases of cookies sold in the annual spring cookie sale were from one vendor.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fair Value Measurement

The Council applies U.S. GAAP for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2.

Investments

Investments are carried at their fair values in the statement of financial position. Realized and unrealized gains and losses are reported as change in market value of investments in the accompanying statement of activities.

Promises to Give

Promises to give are recognized as revenue in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. The allowance for uncollectible accounts is based upon historical collection rates and specific identification of uncollectible accounts. Management did not consider an allowance to be necessary for 2016 or 2015. All outstanding promises to give at September 30, 2016 are expected to be collected within one year.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances throughout the year, and writes off to expense all balances that are considered uncollectible. Accordingly, management does not deem an allowance for doubtful accounts to be necessary.

Inventory

The Council's inventory consists of merchandise items available for sale such as badges, pins, uniforms, publications, and other apparel and is stated at the lower of cost or market on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value as of the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to forty years for buildings and improvements, three to thirty years for furniture and equipment, three to ten years for vehicles, and five to ten years for horses. Repairs and renovations that do not add value or extend the life of the assets are expensed as incurred. The Council capitalizes all expenditures over \$500 that relate to property and equipment.

Dues Payable

The dues payable balance as of September 30, 2015 consisted of membership dues paid by the troops that were payable to GSUSA. During the year ended September 30, 2016, the troops began paying the membership dues directly to GSUSA.

Funds Held for Others

The Council had an agreement to hold and administer funds in a fiduciary capacity for the Juliette World Friendship Fund. As of September 30, 2015, the balance reflected as a liability on the statement of financial position was \$3,462. As of September 30, 2016, all funds had been remitted to GSUSA and are no longer being held by the Council.

Income Taxes

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements. The Council files an exempt organization return in the United States federal jurisdiction. For the years ended September 30, 2016 and 2015, there was no unrelated business income.

Advertising Costs

The Council expenses advertising costs as incurred. Advertising costs amounted to \$11,140 and \$8,229 for the years ended September 30, 2016 and 2015, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Date of Management's Review

The Council evaluated its September 30, 2016 financial statements for subsequent events through January 31, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- Level 1 – Quoted prices in active markets for identical assets or liabilities the Council has the ability to access.
- Level 2 – Inputs (other than quoted prices with level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In determining fair values, the Council utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

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, 2016.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The table below sets forth by level, within the fair value hierarchy, the recorded amount of investments measured at fair value on a recurring basis in the statement of financial position as of September 30:

	<u>2016</u>	<u>2015</u>
	Level 1	Level 1
Investments		
Mutual Funds		
Large Blend Equities	\$ 606,786	\$ 528,322
Large Growth Equities	202,147	84,369
Fixed Income	88,917	192,437
Total investments	<u>\$ 897,850</u>	<u>\$ 805,128</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 786,239	\$ 786,239
Land improvements	150,563	141,038
Buildings	3,031,186	4,247,413
Building improvements	464,762	425,023
Furniture and equipment	619,243	789,090
Vehicles	110,482	169,412
Horses	28,778	28,778
Construction in progress	52,684	-
	<u>5,243,937</u>	<u>6,586,993</u>
Less accumulated depreciation	<u>(2,631,542)</u>	<u>(3,733,357)</u>
Net property and equipment	<u>\$ 2,612,395</u>	<u>\$ 2,853,636</u>

NOTE 4 – NOTE PAYABLE

The Council has a note payable with a bank at a fixed interest rate of 4.15%, payable in monthly installments of \$8,646. The note is secured by land, a building, and all cash and cash equivalents of the Council held by the bank. The note matures on September 5, 2020, with a balloon payment due on that date. Future principal maturities for the years ending September 30 are as follows:

2017	\$	51,806
2018		54,028
2019		56,346
2020		1,096,417
	\$	<u>1,258,597</u>

The Council is subject to various restrictive debt covenant ratios in connection with the note agreement. As of September 30, 2016, the Council was in default with the cash flow ratio. However, the bank decided to waive the default and is taking no remedial action against the Council.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted at September 30 as follows:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 159,329	\$ 203,241
38126 Outreach	10,000	-
Infirmary	10,000	-
More Than Scrubs	12,500	-
Evergreen	150	-
Equestrian Center	7,316	60,000
Outreach	-	24,289
STEM	-	11,960
	<u>\$ 199,295</u>	<u>\$ 299,490</u>

NOTE 6 – BOARD-DESIGNATED NET ASSETS

The Board of Directors has designated unrestricted net assets to be utilized for specific purposes. The reserve fund is designated to provide monetary support for the Girl Scout program for any short-term or emergency cash flow needs. The future development fund is designated to provide support for any future capital improvements needed to support the growth of the Council. The land, buildings, and equipment fund is designated to provide any necessary capital expenditures.

Board-designated net assets consist of the following as of September 30:

	<u>2016</u>	<u>2015</u>
Reserve fund	\$ 1,494,938	\$ 1,402,157
Future development	379,659	379,621
Land, buildings, and equipment	107,854	290,198
	<u>\$ 1,982,451</u>	<u>\$ 2,071,976</u>

NOTE 7 – ENDOWMENT FUND

The Endowment Fund was established to support the programs of the Council in perpetuity. The endowment is comprised of unrestricted and donor restricted funds.

Endowment Investment and Spending Policies

The overall objective is to have the principal be invested in perpetuity, using only the growth of the funds and/or income from the funds for operations of the Council. The funds may be allocated among common stocks, fixed income securities, cash reserves and other prudent investments, as follows:

	<u>Minimum Weight</u>	<u>Maximum Weight</u>
Equities	40%	75%
Fixed Income	25%	60%
Cash and cash equivalents	0%	15%

The endowment fund investments may have a yearly payout, if desired by the Council, in the amount of 5% of the average of the trailing twenty quarter balances. For the years ended September 30, 2016 and 2015, the Council made no appropriations from the endowment.

The endowment net asset composition by type of fund for the years ended September 30 is as follows:

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 26,369	\$ 26,369
Unrestricted funds	16,819	-	16,819
	<u>\$ 16,819</u>	<u>\$ 26,369</u>	<u>\$ 43,188</u>
	<u>2015</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 26,369	\$ 26,369
Unrestricted funds	16,815	-	16,815
	<u>\$ 16,815</u>	<u>\$ 26,369</u>	<u>\$ 43,184</u>

A reconciliation of the endowment fund's beginning and ending balances is as follows for the years ended September 30:

	2016		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 16,815	\$ 26,369	\$ 43,184
Investment return	4	-	4
Ending endowment	<u>\$ 16,819</u>	<u>\$ 26,369</u>	<u>\$ 43,188</u>

	2015		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 16,810	\$ 26,369	\$ 43,179
Investment return	5	-	5
Ending endowment	<u>\$ 16,815</u>	<u>\$ 26,369</u>	<u>\$ 43,184</u>

Interpretation of Relevant Law

The Council is subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which governs the State of Tennessee, the provisions of which apply to its endowment funds. The Council has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Council classifies the following as permanently restricted net assets:

- (1) The original value of gifts donated to the permanent endowment;
- (2) The subsequent gifts to the permanent endowment; and
- (3) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted restricted net assets in accordance with the endowment policy. In accordance with UPMIFA, the Council considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

- (1) The duration and preservation of the various funds;
- (2) The purposes of the donor-restricted endowment funds;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Council; and
- (7) The Council's investment policies

NOTE 8 – RETIREMENT PLANS

403(b) Plan

The Council sponsors a 403(b) tax-deferred annuity plan which provides for employee deferrals and discretionary employer contributions. For the years ended September 30, 2016 and 2015, the Council made no contributions to the plan.

Profit Sharing Plan

The Council adopted a profit sharing plan on January 1, 2014 for all employees over 21 years of age with 1 year of service. The plan does not allow for employee deferrals but does provide for discretionary employer contributions as determined each year by the Board of Directors. For both of the years ended September 30, 2016 and 2015, the Council made contributions to the plan of \$32,000.

Pension Plan

The Council participates in a multi-employer, noncontributory, defined benefit pension plan sponsored by Girl Scouts of the USA. The plan name is *National Girl Scout Council Retirement Plan* (Plan EIN 13-1624016). Effective July 31, 2010, the plan was frozen to new participants and to further benefit accruals for existing participants. Previously earned benefits will continue to vest. The contribution allocation is assessed by the National Council. Contributions made to the plan for the years ended September 30, 2016 and 2015 were \$268,588 and \$255,891, respectively. The Council's contributions to the multiemployer plan represented less than five percent of total plan contributions according to the plan's most recently available annual report for the year ended September 30, 2016. The actuarial information for the plan as of November 18, 2016, indicates that it is in compliance with ERISA regulations regarding funding.

NOTE 9 – LEASE COMMITMENTS

The Council leases copiers, postage machines, and office space under operating leases. Future minimum lease payments are as follows for the years ending September 30:

2017	\$	59,048
2018		51,340
2019		51,990
2020		51,660
2021		51,660
Thereafter		86,100
	\$	<u>351,798</u>

Rent expense was \$76,388 and \$77,207, for the years ended September 30, 2016 and 2015, respectively.

SUPPLEMENTAL INFORMATION

GIRL SCOUTS HEART OF THE SOUTH

SCHEDULE OF PRODUCT SALES

For the Year Ended September 30, 2016

Cookie Sales	
Gross sales	\$ 4,989,845
Direct Costs:	
Cost of goods	1,254,354
Troop/SU proceeds	765,840
Incentives	82,896
Cookie dough	8,010
Shrinkage	47,550
Other expenses	22,541
Gross profit from cookie sales	<u>\$ 2,808,654</u>
Merchandise Sales	
Gross sales	\$ 209,639
Direct Costs:	
Cost of goods	114,869
Returns/allowances	6,923
Other expenses	4,744
Gross profit from merchandise sales	<u>\$ 83,103</u>
Fall Product Sales	
Gross sales	\$ 428,656
Direct Costs:	
Cost of goods	177,278
Troop/SU proceeds	85,054
Incentives	16,118
Shrinkage	2,692
Other expenses	45
Gross profit from fall product sales	<u>\$ 147,469</u>

See independent auditor's report.

GIRL SCOUTS HEART OF THE SOUTH

SCHEDULE OF PRODUCT SALES

For the Year Ended September 30, 2015

Cookie Sales	
Gross sales	\$ 5,521,469
Direct Costs:	
Cost of goods	1,409,822
Troop/SU proceeds	833,838
Incentives	89,287
Cookie dough	10,964
Shrinkage	51,291
Other expenses	24,973
Gross profit from cookie sales	<u>\$ 3,101,294</u>
Merchandise Sales	
Gross sales	\$ 228,838
Direct Costs:	
Cost of goods	130,783
Returns/allowances	8,212
Other expenses	8,489
Gross profit from merchandise sales	<u>\$ 81,354</u>
Fall Product Sales	
Gross sales	\$ 562,765
Direct Costs:	
Cost of goods	256,113
Troop/SU proceeds	113,141
Incentives	11,168
Shrinkage	5,612
Other expenses	9
Gross profit from fall product sales	<u>\$ 176,722</u>

See independent auditor's report.