

**GIRL SCOUTS HEART OF THE SOUTH**  
**FINANCIAL STATEMENTS**

September 30, 2022  
(with summarized comparative information for 2021)



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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Girl Scouts Heart of the South (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Girl Scouts Heart of the South and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Girl Scouts Heart of the South's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material generally accepted auditing standards misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Girl Scouts Heart of the South 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Girl Scouts Heart of the South 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Girl Scouts Heart of the South's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, 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.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
March 13, 2023

**GIRL SCOUTS HEART OF THE SOUTH**

**STATEMENT OF FINANCIAL POSITION**

September 30, 2022

(with summarized comparative information at September 30, 2021)

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,323,146	\$ 5,739,943
Investments	3,749,159	4,481,278
Promises to give	81,000	116,802
Other receivables	27,290	-
Inventories	64,607	66,903
Prepaid expenses	7,845	9,559
Property and equipment, net	<u>1,299,277</u>	<u>1,333,922</u>
Total assets	<u>\$ 12,552,324</u>	<u>\$ 11,748,407</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities		
Accounts payable	\$ 73,708	\$ 60,388
Accrued payroll liabilities	106,078	91,915
Funds held for others	92,292	82,018
Deferred revenue	<u>3,481</u>	<u>4,517</u>
Total liabilities	275,559	238,838
Net Assets		
Without Donor Restrictions		
Board-designated	4,902,560	4,833,816
Undesignated	<u>7,033,537</u>	<u>6,361,252</u>
Total without donor restrictions	11,936,097	11,195,068
With Donor Restrictions		
Purpose and time restrictions	314,299	288,132
Perpetual in nature	<u>26,369</u>	<u>26,369</u>
	<u>340,668</u>	<u>314,501</u>
Total net assets	<u>12,276,765</u>	<u>11,509,569</u>
Total liabilities and net assets	<u>\$ 12,552,324</u>	<u>\$ 11,748,407</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, 2022  
(with summarized comparative information for the year ended September 30, 2021)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2022	2021
<b>Revenues and Other Support</b>				
Gross profit from cookie sales	\$ 2,751,866	\$ -	\$ 2,751,866	\$ 2,370,037
Gross profit from merchandise sales	72,923	-	72,923	54,070
Gross profit from fall product sales	135,143	-	135,143	120,407
Contributions	1,404,875	168,381	1,573,256	388,829
Program service fees	55,780	-	55,780	31,323
Net investment return	(733,239)	-	(733,239)	492,308
Paycheck Protection Program revenue	-	-	-	449,126
Timber sales	-	-	-	837,200
Other income	28,836	-	28,836	30,582
Gain on sale of assets	-	-	-	1,420,044
Special events revenue	65,656	-	65,656	3,000
Net assets released from restrictions	142,214	(142,214)	-	-
Total revenues and other support	<u>3,924,054</u>	<u>26,167</u>	<u>3,950,221</u>	<u>6,196,926</u>
<b>Expenses</b>				
Program services	2,621,810	-	2,621,810	2,456,948
General and administrative	311,434	-	311,434	294,408
Fundraising	249,781	-	249,781	268,283
Total expenses	<u>3,183,025</u>	<u>-</u>	<u>3,183,025</u>	<u>3,019,639</u>
Change in net assets	741,029	26,167	767,196	3,177,287
Net assets, beginning of year	<u>11,195,068</u>	<u>314,501</u>	<u>11,509,569</u>	<u>8,332,282</u>
Net assets, end of year	<u>\$ 11,936,097</u>	<u>\$ 340,668</u>	<u>\$ 12,276,765</u>	<u>\$ 11,509,569</u>

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, 2022  
(with summarized comparative information for the year ended September 30, 2021)

	Program Services	Management and General	Fundraising	Totals	
				2022	2021
Salaries	\$ 1,252,587	\$ 133,745	\$ 112,440	\$ 1,498,772	\$ 1,502,664
Payroll taxes	95,865	10,270	8,605	114,740	120,735
Employee benefits	148,101	15,868	13,295	177,264	165,014
Retirement benefits	207,198	22,195	18,600	247,993	280,384
Conferences, meetings, and training	16,665	1,787	1,496	19,948	11,329
Vehicle and equipment maintenance	43,476	2,915	7,319	53,710	52,187
Insurance	63,418	6,731	5,639	75,788	77,927
Interest	-	-	-	-	8,667
Miscellaneous	6,444	557	509	7,510	8,481
Occupancy	365,053	39,104	32,770	436,927	326,218
Postage and shipping	3,630	316	266	4,212	5,613
Printing and advertising	13,614	-	252	13,866	24,263
Professional fees	105,411	40,099	5,295	150,805	133,723
Specific assistance to individuals	4,125	-	-	4,125	8,445
Supplies	108,382	11,605	9,729	129,716	74,328
Telephone and internet	65,400	7,009	5,871	78,280	80,305
Travel and meals	26,008	7,638	6,915	40,561	14,307
Bad debt	-	1,265	-	1,265	-
Depreciation	96,433	10,330	8,656	115,419	125,049
Special events	-	-	12,124	12,124	-
	<u>\$ 2,621,810</u>	<u>\$ 311,434</u>	<u>\$ 249,781</u>	<u>\$ 3,183,025</u>	<u>\$ 3,019,639</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, 2022  
(with summarized comparative information for the year ended September 30, 2021)

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 767,196	\$ 3,177,287
Adjustments to Reconcile Change in Net Assets to Net Cash		
From (Used For) Operating Activities:		
Depreciation	115,419	125,049
Realized and unrealized gains on investments	880,619	(423,933)
Gain on sale of property	-	(1,420,044)
Bad debt	1,265	-
Changes in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Promises to give	35,802	98,301
Other receivables	(28,555)	135,296
Inventories	2,296	11,159
Prepaid expenses	1,714	(7,297)
Accounts payable	13,320	14,454
Accrued payroll liabilities	14,163	(73,730)
Funds held for others	10,274	6,872
Deferred revenue	(1,036)	(265)
Total adjustments	1,045,281	(1,534,138)
Net cash provided by operating activities	1,812,477	1,643,149
Cash Flows From Investing Activities:		
Purchases of property and equipment	(80,774)	(9,606)
Proceeds from sale of property and equipment	-	1,203,949
Purchases of investments	(148,500)	(1,793,175)
Net cash used for investing activities	(229,274)	(598,832)
Cash Flows From Financing Activities:		
Principal payments on note payable	-	(457,750)
Net cash (used for) financing activities	-	(457,750)
Increase in cash and cash equivalents	1,583,203	586,567
Cash and cash equivalents, beginning of year	5,739,943	5,153,376
Cash and cash equivalents, end of year	\$ 7,323,146	\$ 5,739,943
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ -	\$ 8,667
Noncash Investing and Financing Activities:		
Capital expenditures in accounts payable	\$ -	\$ 23,070
Proceeds from sale of building applied to principal on long-term debt	\$ -	\$ 1,029,050

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

# GIRL SCOUTS HEART OF THE SOUTH

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022  
(with summarized comparative information for 2021)

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### **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 (“GAAP”).

#### 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 GAAP. Accordingly, such information should be read in conjunction with the Council’s 2021 financial statements. Certain prior year amounts have been reclassified to conform with the current year presentation.

#### Use of Estimates

The preparation of financial statements in conformity with 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 the sale of Girl Scout cookies, merchandise, fall products and special events. Sales are recognized when control of products is transferred to its customers, in an amount that reflects the consideration the Council expects to be entitled to in an exchange for those products. Special events revenue is recognized at the point in time when the events are held and the performance obligations are satisfied. The performance obligation relating to sales consists of providing products to customers, which is satisfied at the point in time in which the troop receives the products. 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 as the events occur.

The nature of the Council's business gives rise to variable consideration, including various discounts that generally decrease the transaction price which reduces revenue. Variable consideration is estimated at the most likely amount that is expected to be earned based upon historical experience and known trends.

### Contributions

The Council receives grants and contributions from a variety of sources. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. At September 30, 2022, there were no conditional grants.

### 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 criteria for recognition have not been met.

The Council received a donated trailer totaling \$3,294 at September 30, 2022.

### 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, 2022 and 2021, 98% and 93% of promises to give were due from three donors, respectively.

At September 30, 2022 and 2021, 80% and 15% of contributions were from two and one donors, respectively.

For both of the years ended September 30, 2022 and 2021, 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.

### 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 2022 or 2021. All outstanding promises to give at September 30, 2022 are expected to be collected within one year.

### Receivables

Receivables are stated at their net realizable value. Management closely monitors outstanding balances throughout the year and writes off to expense all balances that are considered uncollectible. Management did not consider an allowance to be necessary for 2022 or 2021.

### Inventories

Inventories consist of merchandise items available for sale such as badges, pins, uniforms, publications, and other apparel and is stated at the lower of cost or net realizable value on a first-in, first-out basis.

### Investments

Purchased investments are carried at their fair market values in the statement of financial position. Donated investments are recorded at fair value at the date of donation. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less related investment advisory fees.

### 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 \$1,000 that relate to property and equipment.

### Funds Held for Others

Funds held for others represent amounts raised by certain troops and service units that are being held by the Council in an agency capacity.

### Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve fund and future development as described in Note 7.

*Net Assets With Donor Restrictions* – Net Assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

### Functional Expense Allocation

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

### Advertising Costs

The Council expenses advertising costs as incurred. Advertising costs amounted to \$4,589 and \$6,103 for the years ended September 30, 2022 and 2021, respectively.

### 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.

### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognitions, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Council is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

### Adoption of New Accounting Pronouncement

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2020-07 – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including a disaggregation of the various types of contributed nonfinancial assets and whether those assets were monetized or utilized. Adoption of the standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

### Date of Management's Review

The Council evaluated its September 30, 2022 financial statements for subsequent events through March 13, 2023, the date the financial statements were available to be issued. The Council is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor purpose restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 7,323,146
Investments not included in the endowment	3,722,790
Promises to give due within one year	81,000
Other receivables	<u>27,290</u>
Total current assets	<u>\$ 11,154,226</u>

As part of the Council’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Normal operating expenses per month are, on average, approximately between \$250,000 and \$290,000.

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

The Council reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Council. Unobservable inputs are inputs that reflect the Council’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- 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.

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 at September 30:

	<u>2022</u>	<u>2021</u>
	<u>Level 1</u>	<u>Level 1</u>
Investments		
Mutual Funds		
Fixed Income	\$ 1,890,337	\$ 2,071,284
Large Growth Equities	936,608	1,209,031
Large Value	443,744	578,058
Mid Value	218,367	248,905
Mid Growth	88,039	121,354
Small Value	87,859	129,398
Small Growth	84,205	123,248
Total investments	<u>\$ 3,749,159</u>	<u>\$ 4,481,278</u>

#### **NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 280,639	\$ 280,639
Land improvements	150,563	150,563
Buildings	2,410,502	2,410,502
Building improvements	527,695	527,695
Furniture and equipment	705,295	701,585
Vehicles	236,997	159,933
Horses	28,778	28,778
	<u>4,340,469</u>	<u>4,259,695</u>
Less accumulated depreciation	<u>(3,041,192)</u>	<u>(2,925,773)</u>
Net property and equipment	<u>\$ 1,299,277</u>	<u>\$ 1,333,922</u>

## NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted by donors at September 30 as follows:

	<u>2022</u>	<u>2021</u>
Purpose and Time Restrictions		
Time restrictions	\$ 108,290	\$ 115,538
Stand Beside Her	146,732	146,732
Toyota Mobile STEM	33,415	-
Kaleidoscope	15,359	15,359
College Road Trip Program	10,000	10,000
Invent It Program	393	393
Trailblazers	110	110
	<u>314,299</u>	<u>288,132</u>
Perpetual in nature	26,369	26,369
	<u>\$ 340,668</u>	<u>\$ 314,501</u>

## NOTE 6 – BOARD-DESIGNATED NET ASSETS

The Board of Directors has designated certain 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 leadership development fund is designated to provide leadership development for Girl Scout members.

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

	<u>2022</u>	<u>2021</u>
Reserve fund	\$ 1,827,423	\$ 2,180,445
Future development	1,975,137	2,653,371
Leadership development	1,100,000	-
	<u>\$ 4,902,560</u>	<u>\$ 4,833,816</u>

## NOTE 7 – ENDOWMENT FUND

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

### 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 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 retains the following in perpetuity:

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

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

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>
Total Equity	30%	80%
Total Fixed Income	10%	50%
Real Estate Assets	0%	10%
Alternative Investments	0%	30%

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, 2022 and 2021, 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>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 26,369	\$ 26,369
Board-designated endowment funds	18,701	-	18,701
	<u>\$ 18,701</u>	<u>\$ 26,369</u>	<u>\$ 45,070</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 26,369	\$ 26,369
Board-designated endowment funds	18,491	-	18,491
	<u>\$ 18,491</u>	<u>\$ 26,369</u>	<u>\$ 44,860</u>

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 18,491	\$ 26,369	\$ 44,860
Investment return	210	-	210
Ending endowment	<u>\$ 18,701</u>	<u>\$ 26,369</u>	<u>\$ 45,070</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 18,487	\$ 26,369	\$ 44,856
Investment return	4	-	4
Ending endowment	<u>\$ 18,491</u>	<u>\$ 26,369</u>	<u>\$ 44,860</u>

## 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, 2022 and 2021, 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 one 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 the years ended September 30, 2022 and 2021, the Council made contributions to the plan of \$64,000 and \$32,000, respectively.

### Multi-Employer 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, 2022 and 2021 were \$215,993 and \$216,384, respectively. The plan was 94% funded according to the plan's most recent actuarial valuation dated January 1, 2022, and the Council's contributions to the plan represented less than five percent of total plan contributions. The actuarial information for the plan as of November 18, 2022, 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:

2023	\$	248,052
2024		215,521
2025		219,303
2026		221,817
2027		225,711
Thereafter		230,576
		<u>\$ 1,360,980</u>

Rent expense was \$268,857 and \$122,484, for the years ended September 30, 2022 and 2021, respectively.

**SUPPLEMENTAL INFORMATION**

**GIRL SCOUTS HEART OF THE SOUTH**

**SCHEDULE OF PRODUCT SALES**

For the Year Ended September 30, 2022

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Cookie Sales	
Gross sales	\$ 4,740,633
Direct Costs:	
Cost of goods	1,070,512
Troop/SU proceeds	753,692
Rewards	86,302
Cookie dough	8,335
Shrinkage	52,710
Other expenses	15,391
75+	1,625
20+	200
Gross profit from cookie sales	<u>\$ 2,751,866</u>
Merchandise Sales	
Gross sales	142,381
Direct Costs:	
Cost of goods	65,557
Returns/allowances	2,030
Other expenses	1,871
Gross profit from merchandise sales	<u>\$ 72,923</u>
Fall Product Sales	
Gross sales	\$ 315,370
Direct Costs:	
Cost of goods	85,325
Troop/SU proceeds	78,077
Rewards	16,825
Gross profit from fall product sales	<u>\$ 135,143</u>

See independent auditor's report.

**GIRL SCOUTS HEART OF THE SOUTH**

**SCHEDULE OF PRODUCT SALES**

For the Year Ended September 30, 2021

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Cookie Sales

Gross sales	\$ 4,105,214
Direct Costs:	
Cost of goods	924,492
Troop/SU proceeds	644,227
Rewards	78,855
Cookie dough	10,743
Shrinkage	8,165
Other expenses	14,945
75+	46,025
20+	7,725
Gross profit from cookie sales	<u>\$ 2,370,037</u>

Merchandise Sales

Gross sales	99,606
Direct Costs:	
Cost of goods	41,186
Returns/allowances	2,267
Other expenses	2,083
Gross profit from merchandise sales	<u>\$ 54,070</u>

Fall Product Sales

Gross sales	\$ 284,499
Direct Costs:	
Cost of goods	75,601
Troop/SU proceeds	72,234
Rewards	16,094
Other expenses	163
Gross profit from fall product sales	<u>\$ 120,407</u>