

GIRL SCOUTS HEART OF THE SOUTH
FINANCIAL STATEMENTS

September 30, 2023
(with summarized comparative information for 2022)



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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 statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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, 2023, 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.

Basis for Opinion

We conducted our audit 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 audit. 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 with accounting 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 statements 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 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 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, 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, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Watkins Mikusall, PLLC

Memphis, Tennessee
February 19, 2024

GIRL SCOUTS HEART OF THE SOUTH

STATEMENT OF FINANCIAL POSITION

September 30, 2023

(with summarized comparative information at September 30, 2022)

	<u>Assets</u>	
	2023	2022
Cash and cash equivalents	\$ 8,392,158	\$ 7,323,146
Investments	4,150,436	3,749,159
Promises to give	33,362	81,000
Other receivables	-	27,290
Inventories	52,191	64,607
Prepaid expenses	9,963	7,845
Property and equipment, net	1,190,004	1,299,277
Operating lease right-of-use assets, net	1,496,322	-
	\$ 15,324,436	\$ 12,552,324
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 51,841	\$ 73,708
Accrued payroll liabilities	83,278	106,078
Funds held for others	123,711	92,292
Deferred revenue	64,307	3,481
Operating lease liability	1,510,863	-
Total liabilities	1,834,000	275,559
Net Assets		
Without Donor Restrictions		
Board-designated	5,628,754	4,902,560
Undesignated	7,802,296	7,033,537
Total without donor restrictions	13,431,050	11,936,097
With Donor Restrictions		
Purpose and time restrictions	33,017	314,299
Perpetual in nature	26,369	26,369
	59,386	340,668
Total net assets	13,490,436	12,276,765
Total liabilities and net assets	\$ 15,324,436	\$ 12,552,324

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, 2023
(with summarized comparative information for the year ended September 30, 2022)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2023	2022
Revenues and Other Support				
Gross profit from cookie sales	\$ 3,064,717	\$ -	\$ 3,064,717	\$ 2,751,866
Gross profit from merchandise sales	68,037	-	68,037	72,923
Gross profit from fall product sales	147,846	-	147,846	135,143
Contributions	347,675	113,925	461,600	1,573,256
Program service fees	99,473	-	99,473	55,780
Net investment return (loss)	431,650	-	431,650	(733,239)
Other income	238,492	-	238,492	28,836
Loss on sale of assets	(297)	-	(297)	-
Special events revenue	9,305	-	9,305	65,656
Net assets released from restrictions	395,207	(395,207)	-	-
Total revenues and other support	<u>4,802,105</u>	<u>(281,282)</u>	<u>4,520,823</u>	<u>3,950,221</u>
Expenses				
Program services	2,759,921	-	2,759,921	2,621,810
General and administrative	355,005	-	355,005	311,434
Fundraising	192,226	-	192,226	249,781
Total expenses	<u>3,307,152</u>	<u>-</u>	<u>3,307,152</u>	<u>3,183,025</u>
Change in net assets	1,494,953	(281,282)	1,213,671	767,196
Net assets, beginning of year	<u>11,936,097</u>	<u>340,668</u>	<u>12,276,765</u>	<u>11,509,569</u>
Net assets, end of year	<u>\$ 13,431,050</u>	<u>\$ 59,386</u>	<u>\$ 13,490,436</u>	<u>\$ 12,276,765</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, 2023
(with summarized comparative information for the year ended September 30, 2022)

	Program Services	Management and General	Fundraising	Totals	
				2023	2022
Salaries	\$ 1,206,310	\$ 120,430	\$ 73,405	\$ 1,400,145	\$ 1,498,772
Payroll taxes	91,222	11,412	7,418	110,052	114,740
Employee benefits	148,895	4,477	11,156	164,528	177,264
Retirement benefits	218,246	27,304	17,746	263,296	247,993
Conferences, meetings, and training	11,442	6,051	457	17,950	19,948
Vehicle and equipment maintenance	40,279	7,564	8,217	56,060	53,710
Insurance	70,124	8,618	5,612	84,354	75,788
Interest	179	22	14	215	-
Miscellaneous	9,084	627	528	10,239	7,510
Occupancy	414,862	51,902	33,733	500,497	436,927
Postage and shipping	3,519	487	268	4,274	4,212
Printing and advertising	36,137	-	-	36,137	13,866
Professional fees	135,719	95,283	6,346	237,348	150,805
Specific assistance to individuals	24,879	-	-	24,879	4,125
Supplies	141,338	2,639	10,218	154,195	129,716
Telephone and internet	51,857	5,212	3,389	60,458	78,280
Travel and meals	57,210	639	5,370	63,219	40,561
Bad debt	-	-	-	-	1,265
Depreciation	98,619	12,338	8,019	118,976	115,419
Special events	-	-	330	330	12,124
	<u>\$ 2,759,921</u>	<u>\$ 355,005</u>	<u>\$ 192,226</u>	<u>\$ 3,307,152</u>	<u>\$ 3,183,025</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, 2023
(with summarized comparative information for the year ended September 30, 2022)

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,213,671	\$ 767,196
Adjustments to Reconcile Change in Net Assets to Net Cash		
From (Used For) Operating Activities:		
Depreciation	118,976	115,419
Noncash lease expense	14,541	-
Realized and unrealized (gains) losses on investments	(273,726)	880,619
Loss on disposal of equipment	297	-
Bad debt	-	1,265
Changes in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Promises to give	47,638	35,802
Other receivables	27,290	(28,555)
Inventories	12,416	2,296
Prepaid expenses	(2,118)	1,714
Accounts payable	(21,867)	13,320
Accrued payroll liabilities	(22,800)	14,163
Funds held for others	31,419	10,274
Deferred revenue	60,826	(1,036)
Total adjustments	(7,108)	1,045,281
Net cash provided by operating activities	1,206,563	1,812,477
Cash Flows From Investing Activities:		
Purchases of property and equipment	(10,000)	(80,774)
Purchases of investments	(127,551)	(148,500)
Net cash used for investing activities	(137,551)	(229,274)
Increase in cash and cash equivalents	1,069,012	1,583,203
Cash and cash equivalents, beginning of year	7,323,146	5,739,943
Cash and cash equivalents, end of year	\$ 8,392,158	\$ 7,323,146
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 215	\$ -
Right-of-use assets and recorded upon implementation of ASC 842	\$ 1,197,065	\$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 524,152	\$ -

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

GIRL SCOUTS HEART OF THE SOUTH

NOTES TO FINANCIAL STATEMENTS

September 30, 2023
(with summarized comparative information for 2022)

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 2022 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, 2023 and 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.

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, 2023 and 2022, 100% and 98% of promises to give were due from two and three donors, respectively.

At September 30, 2023 and 2022, 48% and 80% of contributions were from three and two donors, respectively.

For both of the years ended September 30, 2023 and 2022, 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 2023 or 2022. All outstanding promises to give at September 30, 2023 and 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 2023 or 2022.

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, future development, and leadership 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.

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.

Adoption of New Accounting Pronouncement

Effective October 1, 2022, the Council adopted FASB ASC 842, Leases, which establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. The Council elected the package of practical expedients permitted under the transition guidance which, among other things, allowed it to carry forward the historical lease classification and not restate the comparative period (2022). Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Currently, all of the Council's leases are classified as operating. ROU assets and lease liabilities are not recorded for leases with a term of less than 12 months, and payments for these short-term leases are recognized in the statement of activities on a straight-line basis over the lease term. As a result of implementing ASC 842, the Council recognized ROU assets and lease liabilities of \$1,197,065 as of October 1, 2022.

Date of Management's Review

The Council evaluated its September 30, 2023 financial statements for subsequent events through February 19, 2024, 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	\$ 8,392,158
Investments not included in the endowment	4,124,067
Promises to give due within one year	33,362
Total current assets	<u>\$ 12,549,587</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>2023</u>	<u>2022</u>
	<u>Level 1</u>	<u>Level 1</u>
Investments		
Mutual Funds		
Fixed Income	\$ 1,986,720	\$ 1,890,337
Large Growth Equities	1,078,808	936,608
Large Value	515,657	443,744
Mid Value	240,275	218,367
Mid Growth	107,824	88,039
Small Value	113,072	87,859
Small Growth	108,080	84,205
Total investments	<u>\$ 4,150,436</u>	<u>\$ 3,749,159</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 280,639	\$ 280,639
Land improvements	150,563	150,563
Buildings	2,310,580	2,410,502
Building improvements	527,695	527,695
Furniture and equipment	478,586	705,295
Vehicles	236,997	236,997
Horses	28,778	28,778
	<u>4,013,838</u>	<u>4,340,469</u>
Less accumulated depreciation	(2,823,834)	(3,041,192)
Net property and equipment	<u>\$ 1,190,004</u>	<u>\$ 1,299,277</u>

NOTE 5 – LEASE OBLIGATIONS

As described in Note 1, the Council adopted FASB ASC 842, Leases, on October 1, 2022. The Council has operating leases for office space in Memphis and Tupelo. In June 2023, a new operating lease was obtained for office space in Tupelo which includes fixed payments that escalate over the term of the lease through 2032. The Memphis lease contains fixed payments that escalate over the term of the lease through 2028.

Supplemental statement of financial position lease information is as follows at September 30, 2023:

Weighted average remaining lease term (years)	6.58
Weighted average discount rate	3.73%
Lease Maturity Table	
Year ending September 30:	
2024	\$ 267,683
2025	273,787
2026	280,035
2027	286,430
2028	292,976
Thereafter	<u>303,696</u>
	1,704,607
Less effects of discounting	(193,744)
Operating lease liability recognized	<u>\$ 1,510,863</u>
Operating lease cost	<u>\$ 272,276</u>
Cash paid for operating leases	<u>\$ 257,736</u>

For the year ended September 30, 2023, operating lease expense totaled \$272,276 and cash paid for operating leases totaled \$257,735.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Purpose and Time Restrictions		
Time restrictions	\$ 24,362	\$ 108,290
Stand Beside Her	-	146,732
Toyota Mobile STEM	8,655	33,415
Kaleidoscope	-	15,359
College Road Trip Program	-	10,000
Invent It Program	-	393
Trailblazers	-	110
	<u>33,017</u>	<u>314,299</u>
Perpetual in nature	26,369	26,369
	<u>\$ 59,386</u>	<u>\$ 340,668</u>

NOTE 7 – 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>2023</u>	<u>2022</u>
Reserve fund	\$ 2,002,223	\$ 1,827,423
Future development	2,526,531	1,975,137
Leadership development	1,100,000	1,100,000
	<u>\$ 5,628,754</u>	<u>\$ 4,902,560</u>

NOTE 8 – 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, 2023 and 2022, 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>2023</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	20,622	-	20,622
	<u>\$ 20,622</u>	<u>\$ 26,369</u>	<u>\$ 46,991</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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>

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 18,701	\$ 26,369	\$ 45,070
Investment return	1,921	-	1,921
Ending endowment	<u>\$ 20,622</u>	<u>\$ 26,369</u>	<u>\$ 46,991</u>

	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>

NOTE 9 – 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, 2023 and 2022, 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, 2023 and 2022, the Council made contributions to the plan of \$52,000 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, 2023 and 2022 were \$211,296 and \$215,993, respectively. The plan was 106% funded according to the plan's most recent actuarial valuation dated January 1, 2023, 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 1, 2023, indicates that it is in compliance with ERISA regulations regarding funding.

SUPPLEMENTAL INFORMATION

GIRL SCOUTS HEART OF THE SOUTH

SCHEDULE OF PRODUCT SALES

For the Year Ended September 30, 2023

Cookie Sales	
Gross sales	\$ 5,310,186
Direct Costs:	
Cost of goods	1,235,078
Troop/SU proceeds	842,860
Rewards	105,710
Cookie dough	16,192
Shrinkage	34,519
Other expenses	8,746
75+	2,364
Gross profit from cookie sales	<u>\$ 3,064,717</u>
Merchandise Sales	
Gross sales	\$ 131,447
Direct Costs:	
Cost of goods	59,734
Returns/allowances	2,130
Other expenses	1,546
Gross profit from merchandise sales	<u>\$ 68,037</u>
Fall Product Sales	
Gross sales	\$ 342,598
Direct Costs:	
Cost of goods	91,671
Troop/SU proceeds	86,226
Rewards	16,671
Other expenses	184
Gross profit from fall product sales	<u>\$ 147,846</u>

See independent auditor's report.

GIRL SCOUTS HEART OF THE SOUTH

SCHEDULE OF PRODUCT SALES

For the Year Ended September 30, 2022

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.