

GIRL SCOUTS HEART OF THE SOUTH
FINANCIAL STATEMENTS

September 30, 2025
(with summarized comparative information for 2024)



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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, 2025, 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, 2025, 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.

Correction of Error

As discussed in Note 10 to the financial statements, beginning 2024 net assets were restated to properly reflect the disposal of a building in the appropriate period. Our opinion is not modified with respect to this matter.

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 2024 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 28, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the effects of the restatement described in the Correction of Error paragraph above.

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
March 19, 2026

GIRL SCOUTS HEART OF THE SOUTH

STATEMENT OF FINANCIAL POSITION

September 30, 2025

(with summarized comparative information at September 30, 2024, as restated)

	<u>Assets</u>	
	2025	As Restated 2024
Cash and cash equivalents	\$ 9,746,432	\$ 8,921,676
Investments	5,033,834	4,794,313
Promises to give	45,525	32,039
Inventories	48,189	48,166
Prepaid expenses	9,963	9,963
Property and equipment, net	774,905	866,085
Operating lease right-of-use assets, net	1,032,461	1,268,578
Total assets	\$ 16,691,309	\$ 15,940,820
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 7,380	\$ 7,725
Accrued payroll liabilities	146,457	94,915
Funds held for others	188,713	142,461
Deferred revenue	66,951	64,307
Operating lease liability	1,064,684	1,295,012
Total liabilities	1,474,185	1,604,420
Net Assets		
Without Donor Restrictions		
Board-designated	6,863,066	6,495,626
Undesignated	8,242,659	7,750,456
Total without donor restrictions	15,105,725	14,246,082
With Donor Restrictions		
Purpose and time restrictions	85,030	63,949
Perpetual in nature	26,369	26,369
	111,399	90,318
Total net assets	15,217,124	14,336,400
Total liabilities and net assets	\$ 16,691,309	\$ 15,940,820

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, 2025
(with summarized comparative information for the year ended September 30, 2024, as restated)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2025	As Restated 2024
Revenues and Other Support				
Gross profit from cookie sales	\$ 3,368,648	\$ -	\$ 3,368,648	\$ 2,962,440
Gross profit from merchandise sales	50,798	-	50,798	82,779
Gross profit from fall product sales	125,184	-	125,184	144,763
Contributions	376,729	82,800	459,529	384,540
Program service fees	92,702	-	92,702	76,925
Net investment return	477,334	-	477,334	869,958
Other income	274,332	-	274,332	348,457
Loss on disposal of assets	(36,938)	-	(36,938)	-
Special events revenue	32,896	-	32,896	23,834
Net assets released from restrictions	61,719	(61,719)	-	-
Total revenues and other support	<u>4,823,404</u>	<u>21,081</u>	<u>4,844,485</u>	<u>4,893,696</u>
Expenses				
Program services	3,297,611	-	3,297,611	3,167,604
General and administrative	433,962	-	433,962	380,404
Fundraising	232,188	-	232,188	131,553
Total expenses	<u>3,963,761</u>	<u>-</u>	<u>3,963,761</u>	<u>3,679,561</u>
Change in net assets	859,643	21,081	880,724	1,214,135
Net assets, beginning of year, as originally reported	14,246,082	90,318	14,336,400	13,490,436
Prior period adjustment	-	-	-	(368,171)
Net assets, beginning of year, as restated	<u>14,246,082</u>	<u>90,318</u>	<u>14,336,400</u>	<u>13,122,265</u>
Net assets, end of year	<u>\$ 15,105,725</u>	<u>\$ 111,399</u>	<u>\$ 15,217,124</u>	<u>\$ 14,336,400</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, 2025
(with summarized comparative information for the year ended September 30, 2024)

	Program Services	Management and General	Fundraising	Totals	
				2025	2024
Salaries	\$ 1,652,639	\$ 208,092	\$ 97,468	\$ 1,958,199	\$ 1,771,002
Payroll taxes	119,143	14,906	9,688	143,737	131,066
Employee benefits	186,893	14,089	10,824	211,806	207,687
Retirement benefits	202,953	25,390	16,503	244,846	282,118
Conferences, meetings, and training	3,358	8,359	353	12,070	7,974
Vehicle and equipment maintenance	66,441	3,198	2,063	71,702	54,701
Insurance	91,813	11,350	7,377	110,540	99,557
Miscellaneous	22,747	1,978	1,215	25,940	5,134
Occupancy	426,824	53,398	34,706	514,928	482,037
Postage and shipping	2,868	342	222	3,432	2,823
Printing and advertising	18,799	197	1,709	20,705	22,726
Professional fees	88,244	43,917	5,628	137,789	205,731
Specific assistance to individuals	103,417	-	-	103,417	38,345
Supplies	106,320	19,093	14,617	140,030	147,536
Telephone, internet, and technology	78,324	5,774	9,363	93,461	59,820
Travel and meals	59,641	15,473	3,482	78,596	55,142
Depreciation	67,187	8,406	5,463	81,056	105,896
Special events	-	-	11,507	11,507	266
	<u>\$ 3,297,611</u>	<u>\$ 433,962</u>	<u>\$ 232,188</u>	<u>\$ 3,963,761</u>	<u>\$ 3,679,561</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, 2025
(with summarized comparative information for the year ended September 30, 2024)

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	\$ 880,724	\$ 1,214,135
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	81,056	105,896
Noncash lease expense	5,789	11,893
Realized and unrealized (gains) losses on investments	(305,646)	(731,082)
Loss on disposal of assets	36,938	-
Changes in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Promises to give	(13,486)	1,323
Inventories	(23)	4,025
Accounts payable	(345)	(44,116)
Accrued payroll liabilities	51,542	11,637
Funds held for others	46,252	18,750
Deferred revenue	2,644	-
Net cash provided by operating activities	785,445	592,461
Cash Flows From Investing Activities:		
Purchases of property and equipment	(26,814)	(150,148)
Purchases of investments	(171,761)	(138,197)
Proceeds from sale of investments	237,886	225,402
Net cash provided by (used for) investing activities	39,311	(62,943)
Increase in cash and cash equivalents	824,756	529,518
Cash and cash equivalents, beginning of year	8,921,676	8,392,158
Cash and cash equivalents, end of year	\$ 9,746,432	\$ 8,921,676

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

GIRL SCOUTS HEART OF THE SOUTH

NOTES TO FINANCIAL STATEMENTS

September 30, 2025
(with summarized comparative information for 2024)

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 2024 financial statements.

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, 2025 and 2024, 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 fundraising 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 and investments. 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. Investments held in brokerage accounts are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least possible that changes in the values of investments will occur in the near term and such changes could materially affect the Council's financial position and changes in net assets.

For the years ended September 30, 2025 and 2024, 59% and 67% of contributions were from three donors, respectively.

For both of the years ended September 30, 2025 and 2024, 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 bank deposits, money market funds held in brokerage accounts, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and 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 2025 or 2024. All outstanding promises to give at September 30, 2025 and 2024 are expected to be collected within one year.

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 ten years for furniture and equipment, and three to ten years for vehicles. 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.

Leases

The Council follows the provisions of Accounting Standards Codification (ASC) Topic 842, *Leases*, which requires a right-of-use (ROU) asset and lease liability to be recorded on the statement of financial position for all leases with terms longer than 12 months. Management determines if an arrangement is a lease or contains a lease at inception. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Operating leases result in the recognition of expense on a straight-line basis over the lease term. The Council applies the short-term lease exemption for leases with terms of 12 months or less. Under the exemption, ROU assets and corresponding lease liabilities are not recognized for short-term leases.

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.

Date of Management’s Review

The Council evaluated its September 30, 2025 financial statements for subsequent events through March 19, 2026, the date the financial statements were available to be issued. Other than the events disclosed in Note 11, the Council is not aware of any other 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:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 9,746,432	\$ 8,921,676
Investments not included in the endowment	5,007,465	4,767,944
Promises to give due within one year	45,525	32,039
	<u>\$ 14,799,422</u>	<u>\$ 13,721,659</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 \$300,000 and \$350,000.

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 following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Valued at the daily closing price as reported on the active market on which funds 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 at September 30:

	<u>2025</u>	<u>2024</u>
	<u>Level 1</u>	<u>Level 1</u>
Investments		
Mutual Funds		
Fixed Income	\$ 2,081,566	\$ 2,012,565
Large Growth Equities	1,086,755	1,260,237
Large Value	940,748	659,841
Mid Value	394,408	304,187
Mid Growth	217,513	271,661
Small Value	157,886	140,443
Small Growth	154,958	145,379
Total investments	<u>\$ 5,033,834</u>	<u>\$ 4,794,313</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2025</u>	<u>As Restated 2024</u>
Land	\$ 280,639	\$ 280,639
Land improvements	150,563	150,563
Buildings	1,449,695	1,942,409
Building improvements	489,973	551,490
Furniture and equipment	467,463	479,780
Vehicles	225,007	236,997
Horses	-	26,325
Construction in progress	141,159	125,159
	<u>3,204,499</u>	<u>3,793,362</u>
Less accumulated depreciation	<u>(2,429,594)</u>	<u>(2,927,277)</u>
	<u>\$ 774,905</u>	<u>\$ 866,085</u>

NOTE 5 – LEASE OBLIGATIONS

The Council has operating leases for office space in Memphis and Tupelo. In June 2023, an operating lease was obtained for office space in Tupelo which includes fixed payments that escalate over the term of the lease through 2033. The Memphis lease contains fixed payments that escalate over the term of the lease through 2028. Management has elected to use the risk-free rate closest to the term of the operating lease at inception for the discount rate.

Supplemental lease information is as follows as of and for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term (years)	4.87	5.69
Weighted average discount rate	3.71%	3.72%
Operating lease cost	<u>\$ 279,576</u>	<u>\$ 279,576</u>
Cash paid for operating leases	<u>\$ 273,787</u>	<u>\$ 267,683</u>
Lease Maturity Table		
Year Ending September 30:		
2025	\$ 280,035	
2026	286,430	
2027	292,976	
2028	63,336	
2029	64,286	
Thereafter	176,073	
	<u>1,163,136</u>	
Less effects of discounting	<u>(98,452)</u>	
Operating lease liability recognized	<u>\$ 1,064,684</u>	

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Purpose and Time Restrictions		
Time restrictions	\$ 19,525	\$ 32,539
Toyota Mobile STEM	7,381	7,834
Girls of West Tennessee	<u>58,124</u>	<u>23,576</u>
	85,030	63,949
Perpetual in nature	<u>26,369</u>	<u>26,369</u>
	<u>\$ 111,399</u>	<u>\$ 90,318</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>2025</u>	<u>2024</u>
Reserve fund	\$ 2,617,000	\$ 2,406,497
Future development	3,246,091	2,989,129
Leadership development	<u>999,975</u>	<u>1,100,000</u>
	<u>\$ 6,863,066</u>	<u>\$ 6,495,626</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, 2025 and 2024, 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>2025</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	25,093	-	25,093
	<u>\$ 25,093</u>	<u>\$ 26,369</u>	<u>\$ 51,462</u>
	<u>2024</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	23,029	-	23,029
	<u>\$ 23,029</u>	<u>\$ 26,369</u>	<u>\$ 49,398</u>

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 23,029	\$ 26,369	\$ 49,398
Investment return	2,064	-	2,064
Ending endowment	<u>\$ 25,093</u>	<u>\$ 26,369</u>	<u>\$ 51,462</u>

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 20,622	\$ 26,369	\$ 46,991
Investment return	2,407	-	2,407
Ending endowment	<u>\$ 23,029</u>	<u>\$ 26,369</u>	<u>\$ 49,398</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, 2025 and 2024, 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, 2025 and 2024, the Council made contributions to the plan of \$0 and \$55,000, respectively. The plan was terminated as of May 31, 2024.

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, 2025 and 2024 were \$202,024 and \$200,298, respectively. The plan was 111.70% funded according to the plan's most recent actuarial valuation dated January 1, 2025, 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 October 20, 2025, indicates that it is in compliance with ERISA regulations regarding funding.

401(k) Plan

The Council adopted a 401(k) plan on January 1, 2024 for all employees over 21 years of age with 6 months of service. Under this plan, employees may defer the maximum amount allowed by law of their gross salary and the Council will match 100% of their contributions up to 4%. The Council's expenses for matching its employees' contributions to the 401(k) plan for the years ended September 30, 2025 and 2024 were \$42,822 and \$26,820, respectively.

NOTE 10 – CORRECTION OF ERROR

In 2025, the Council recorded a prior period adjustment to correct an error in the 2024 financial statements. Management determined that a portion of the White Station building, which was sold during fiscal year 2021, had not been properly removed from the Council's accounting records. The effects of the correction on the affected financial statement line items are as follows:

Statement of Financial Position - September 30, 2024

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Property and equipment, net	\$ 1,234,256	\$ (368,171)	\$ 866,085
Net assets without donor restrictions	\$ 14,614,253	\$ (368,171)	\$ 14,246,082

Statement of Activities - For the Year Ended September 30, 2024

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Net assets, beginning of year	\$ 13,490,436	\$ (368,171)	\$ 13,122,265

NOTE 11 – SUBSEQUENT EVENT

In December 2025, the Council sold Camp Kiwani for net proceeds of approximately \$4.7 million, resulting in an estimated gain on sale of property of approximately \$4.3 million.

SUPPLEMENTAL INFORMATION

GIRL SCOUTS HEART OF THE SOUTH

SCHEDULE OF PRODUCT SALES

For the Year Ended September 30, 2025

Cookie Sales	
Gross sales	\$ 5,965,990
Direct Costs:	
Cost of goods	1,502,527
Troop/SU proceeds	873,144
Rewards	91,248
Cookie dough	7,903
Shrinkage	121,370
Other expenses	1,150
Gross profit from cookie sales	<u>\$ 3,368,648</u>
Merchandise Sales	
Gross sales	\$ 147,426
Direct Costs:	
Cost of goods	85,146
Returns/allowances	1,123
Discounts	8,537
Other expenses	1,822
Gross profit from merchandise sales	<u>\$ 50,798</u>
Fall Product Sales	
Gross sales	\$ 297,797
Direct Costs:	
Cost of goods	86,315
Troop/SU proceeds	72,628
Rewards	13,670
Gross profit from fall product sales	<u>\$ 125,184</u>

See independent auditor's report.

GIRL SCOUTS HEART OF THE SOUTH

SCHEDULE OF PRODUCT SALES

For the Year Ended September 30, 2024

Cookie Sales	
Gross sales	\$ 5,397,401
Direct Costs:	
Cost of goods	1,381,917
Troop/SU proceeds	854,697
Rewards	110,530
Cookie dough	6,035
Shrinkage	61,837
Other expenses	17,420
75+	2,525
Gross profit from cookie sales	<u>\$ 2,962,440</u>
Merchandise Sales	
Gross sales	\$ 161,811
Direct Costs:	
Cost of goods	66,823
Returns/allowances	4,177
Discounts	7,184
Other expenses	848
Gross profit from merchandise sales	<u>\$ 82,779</u>
Fall Product Sales	
Gross sales	\$ 350,556.0
Direct Costs:	
Cost of goods	103,611
Troop/SU proceeds	86,069
Rewards	16,113
Gross profit from fall product sales	<u>\$ 144,763</u>

See independent auditor's report.