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**MIDDLE TENNESSEE COUNCIL, INC.,
BOY SCOUTS OF AMERICA**

Financial Statements and Schedules

**December 31, 2006
(With Comparative Totals for 2005)**

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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Independent Auditors' Report

Board of Directors
Middle Tennessee Council, Inc.,
Boy Scouts of America:

We have audited the accompanying statement of financial position of the Middle Tennessee Council, Inc., Boy Scouts of America as of December 31, 2006, and the related statements of changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements and in our report dated April 13, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middle Tennessee Council, Inc., Boy Scouts of America as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
May 11, 2007

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Financial Position

December 31, 2006
(With Comparatives for 2005)

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2006	2005	2006	2005	2006	2005	2006	2005
<u>Assets</u>								
Cash	\$ 515,185	565,780	224,925	728,389	23,531	10,062	763,641	1,304,231
Pledges and accounts receivable, net	511,055	506,120	451,455	735,809	-	-	962,510	1,241,929
Inventories	331,581	264,471	-	-	-	-	331,581	264,471
Prepaid expenses	79,644	86,854	-	-	-	-	79,644	86,854
Investments	1,503,480	1,299,267	430,168	409,806	11,084,908	9,150,638	13,018,556	10,859,711
Land, buildings and equipment, net	-	-	6,656,977	6,111,850	-	-	6,656,977	6,111,850
Due (to) from other funds	-	(135,231)	-	5,500	-	129,731	-	-
Total assets	\$ 2,940,945	2,587,261	7,763,525	7,991,354	11,108,439	9,290,431	21,812,909	19,869,046
<u>Liabilities and Net Assets</u>								
<u>Liabilities:</u>								
Line of credit	\$ -	-	370,000	-	-	-	370,000	-
Accounts payable and accrued expenses	252,053	91,775	5,110	384,556	-	-	257,163	476,331
Camping, activity and other fees designated for future periods	22,950	2,979	-	-	-	-	22,950	2,979
Registration fees payable to National Council	153,142	185,912	-	-	-	-	153,142	185,912
Funds held for others	86,443	96,974	20,264	26,514	-	-	106,707	123,488
Total liabilities	514,588	377,640	395,374	411,070	-	-	909,962	788,710
<u>Net Assets:</u>								
Unrestricted	1,917,045	1,804,669	7,332,778	7,247,962	174,260	(140,922)	9,424,083	8,911,709
Temporarily restricted	509,312	404,952	35,373	332,322	542,573	375,941	1,087,258	1,113,215
Permanently restricted	-	-	-	-	10,391,606	9,055,412	10,391,606	9,055,412
Total net assets	2,426,357	2,209,621	7,368,151	7,580,284	11,108,439	9,290,431	20,902,947	19,080,336
Total liabilities and net assets	\$ 2,940,945	2,587,261	7,763,525	7,991,354	11,108,439	9,290,431	21,812,909	19,869,046

See accompanying notes to financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets

Year ended December 31, 2006
(With Comparative Totals for 2005)

	2006			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2006	2005
Changes in unrestricted net assets					
Public support and revenue:					
Direct public support:					
Friends of Scouting, including net assets released from expiration of time restriction of \$243,877 in 2006 and \$218,811 in 2005	\$ 2,544,360	-	-	2,544,360	2,461,267
Memorial contributions	-	-	11,410	11,410	10,510
Special events	201,614	-	-	201,614	180,231
Other direct support	13,194	9,000	-	22,194	22,895
Total direct public support	2,759,168	9,000	11,410	2,779,578	2,674,903
Indirect public support - United Way, including net assets released from expiration of time restriction of \$161,075 in 2006 and \$180,344 in 2005	327,358	-	-	327,358	332,788
Total public support	3,086,526	9,000	11,410	3,106,936	3,007,691
Other revenue:					
Sales of supplies, net of cost of goods sold of \$680,780 in 2006 and \$662,672 in 2005	276,269	-	-	276,269	291,535
Camping and related fees	701,163	-	-	701,163	693,798
Activity revenue	237,928	-	-	237,928	482,011
Product sales, net of cost of products sold of \$907,672 in 2006 and \$773,006 in 2005	510,167	-	-	510,167	483,715
Investment income	402,491	36,591	469,969	909,051	340,167
Miscellaneous revenue	58,582	-	-	58,582	69,871
Total other revenue	2,186,600	36,591	469,969	2,693,160	2,361,097
Net assets released from restrictions - restrictions satisfied by payments	-	357,968	-	357,968	1,428,427
Total public support and revenue	\$ 5,273,126	403,559	481,379	6,158,064	6,797,215

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2006
(With Comparative Totals for 2005)

	2006			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2006	2005
Changes in unrestricted net assets, continued					
Expenses:					
Program services	\$ 4,522,567	379,184	-	4,901,751	4,836,987
Supporting services:					
Management & general	301,596	12,191	-	313,787	288,053
Fundraising	352,602	17,368	-	369,970	393,832
Unallocated payments to National Council	60,181	-	-	60,181	60,169
Total expenses	5,236,946	408,743	-	5,645,689	5,579,041
Increase (decrease) in unrestricted net assets	36,180	(5,184)	481,379	512,375	1,218,174
Changes in temporarily restricted net assets					
Public support and revenue:					
Direct public support:					
Friends of Scouting	343,138	-	-	343,138	243,877
Development campaign	-	61,019	-	61,019	679,622
Special event	-	-	136,000	136,000	150,080
Total direct public support	343,138	61,019	136,000	540,157	1,073,579
Indirect public support - United Way	166,173	-	-	166,173	161,075
Total public support	509,311	61,019	136,000	706,330	1,234,654
Investment income	-	-	30,632	30,632	1,930
Net assets released from restrictions:					
Expiration of time restriction	(404,952)	-	-	(404,952)	(399,155)
Restrictions satisfied by payments	-	(357,968)	-	(357,968)	(1,428,427)
Total net assets released from restrictions	(404,952)	(357,968)	-	(762,920)	(1,827,582)
Increase (decrease) in temporarily restricted net assets	\$ 104,359	(296,949)	166,632	(25,958)	(590,998)

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2006
(With Comparative Totals for 2005)

	2006			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2006	2005
Changes in permanently restricted net assets					
Direct public support	\$ -	-	675,796	675,796	27,235
Investment income	-	-	660,398	660,398	15,626
Increase in permanently restricted net assets	-	-	1,336,194	1,336,194	42,861
Increase (decrease) in net assets	140,539	(302,133)	1,984,205	1,822,611	670,037
Net assets at beginning of year	2,209,621	7,580,284	9,290,431	19,080,336	18,410,299
Transfers	76,197	90,000	(166,197)	-	-
Net assets at end of year	\$ 2,426,357	7,368,151	11,108,439	20,902,947	19,080,336

See accompanying notes to financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Functional Expenses

Year ended December 31, 2006
(With Comparative Totals for 2005)

	2006				Total All Funds	
	Program Services	Supporting Services		Total	2006	2005
		Management and General	General Fundraising			
Employee compensation:						
Salaries	\$ 2,103,963	149,151	212,489	361,640	2,465,603	2,403,273
Employment benefits	346,235	25,508	36,341	61,849	408,084	436,808
Payroll taxes	176,562	12,746	18,158	30,904	207,466	210,237
Total compensation expenses	2,626,760	187,405	266,988	454,393	3,081,153	3,050,318
Professional fees	49,179	40,459	6,215	46,674	95,853	64,385
Supplies and general expenses	690,573	5,057	7,205	12,262	702,835	875,273
Telephone	37,442	2,457	3,500	5,957	43,399	40,228
Postage and shipping	59,093	3,962	5,644	9,606	68,699	53,008
Occupancy expenses	346,016	8,328	11,864	20,192	366,208	316,445
Equipment rental and maintenance	73,812	6,129	8,732	14,861	88,673	86,683
Printing and publications	25,473	671	956	1,627	27,100	33,043
Travel and field operating expenses	206,788	15,658	22,308	37,966	244,754	219,640
Conference and meetings	38,906	2,896	4,126	7,022	45,928	43,771
Specific assistance	155,587	-	-	-	155,587	140,098
Recognition awards	37,240	2,212	3,152	5,364	42,604	41,218
Insurance	123,765	5,460	7,778	13,238	137,003	139,326
Interest expense	14,214	1,261	1,796	3,057	17,271	-
Provision for uncollectible pledges	-	18,000	-	18,000	18,000	12,000
Miscellaneous expenses	95,767	6,790	9,674	16,464	112,231	98,353
Total expenses before depreciation	4,580,615	306,745	359,938	666,683	5,247,298	5,213,789
Depreciation of buildings and equipment	321,136	7,042	10,032	17,074	338,210	305,083
\$	<u>4,901,751</u>	<u>313,787</u>	<u>369,970</u>	<u>683,757</u>	<u>5,585,508</u>	<u>5,518,872</u>

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2006
(With Comparative Totals for 2005)

	2006			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2006	2005
Cash flows from operating activities:					
Increase (decrease) in net assets	\$ 140,539	(302,133)	1,984,205	1,822,611	670,037
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:					
Depreciation	-	338,210	-	338,210	305,083
Provision for uncollectible pledges	18,000	-	-	18,000	12,000
Gain on disposal of equipment	-	-	-	-	(24)
Unrealized gains on investments	(84,327)	-	(270,332)	(354,659)	(241,700)
Contributions restricted for endowment purposes	-	-	(675,796)	(675,796)	(27,235)
Contributions restricted for capital improvements	-	(61,019)	-	(61,019)	(679,622)
Contributions of construction in progress	-	-	-	-	(32,100)
Transfers	76,197	90,000	(166,197)	-	-
Changes in operating assets and liabilities:					
Pledges and accounts receivable	(22,935)	-	-	(22,935)	(82,962)
Inventories	(67,110)	-	-	(67,110)	51,326
Prepaid expenses	7,210	-	-	7,210	56,776
Due (to) from other funds	(135,231)	5,500	129,731	-	-
Accounts payable and accrued expenses	160,278	(379,446)	-	(219,168)	368,046
Camping and activity fees designated for future periods	19,971	-	-	19,971	(86,863)
Registration fees payable to National Council	(32,770)	-	-	(32,770)	(65,301)
Funds held for others	(10,531)	(6,250)	-	(16,781)	13,747
Net cash provided (used) by operating activities	69,291	(315,138)	1,001,611	755,764	261,208
Cash flows from investing activities:					
Proceeds from sales of investments	545,855	(20,362)	290,293	815,786	1,089,444
Purchases of investments	(665,741)	-	(1,954,231)	(2,619,972)	(791,342)
Proceeds from sale of equipment	-	-	-	-	5,700
Additions to land, buildings and equipment	-	(883,337)	-	(883,337)	(1,371,091)
Net cash used by investing activities	(119,886)	(903,699)	(1,663,938)	(2,687,523)	(1,067,289)
Cash flows from financing activities:					
Collection of endowment fund support	-	-	675,796	675,796	27,235
Collection of development campaign support	-	345,373	-	345,373	913,849
Proceeds from line of credit	-	370,000	-	370,000	-
Net cash provided by financing activities	-	715,373	675,796	1,391,169	941,084
Net increase (decrease) in cash	(50,595)	(503,464)	13,469	(540,590)	135,003
Cash at beginning of year	565,780	728,389	10,062	1,304,231	1,169,228
Cash at end of year	\$ 515,185	224,925	23,531	763,641	1,304,231

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2006

(1) Nature of Activities

Middle Tennessee Council, Inc., Boy Scouts of America (the Council) is a not-for-profit organization located in Nashville, Tennessee and is affiliated with the National Council, Boy Scouts of America. The Council provides a scouting program to help instill in young people a code of moral and ethical conduct, a commitment to community service, leadership skills, duty to country and a reverence toward God. The Council is supported primarily through donor contributions, the United Way, and fees for camping and other activities.

(2) Summary of Significant Accounting Policies

(a) Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of certain costs is based upon time studies which were updated by the Council in 2004.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to their prospective nature, actual results could differ from those estimates.

(c) Pledges and Accounts Receivable

Pledges to make contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met or expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges collectible over more than one year are recognized at their expected discounted cash flow.

The Council uses the allowance method to estimate uncollectible pledges and accounts receivable. The allowance is based on experience and management's analysis of specific pledges made. Accounts receivable are considered past due when they have not been collected within thirty days of the invoice date.

Notes to Financial Statements, Continued

December 31, 2006

(2) Summary of Significant Accounting Policies, Continued

(d) Donated Materials

Donated materials are reflected as gifts in kind in the financial statements at their estimated fair market value on the date of receipt. Donated materials amounted to \$54,687 in 2006 and \$76,492 in 2005.

(e) Donated Services

No amounts have been reflected in the financial statements for volunteer services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant time in the Council's program services and in its fundraising campaigns.

(f) Inventories

Inventories, consisting primarily of scout uniforms and supplies, are stated at cost (below market) under the first-in, first-out method.

(g) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the statement of financial position. Investment income shown in the statement of changes in net assets includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

(h) Properties

Land, buildings, equipment and other properties purchased by the Council are stated at cost. Donated property and equipment are recorded at their estimated fair market values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service.

The Council follows the practice of capitalizing all expenditures for land, buildings, and equipment in excess of \$1,000. Depreciation of physical properties is provided over the estimated useful lives of the respective assets on a straight-line basis. Annual depreciation is charged to the capital fund.

Notes to Financial Statements, Continued

December 31, 2006

(2) Summary of Significant Accounting Policies, Continued

(i) Realization of Long-lived Assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(j) Income Taxes

The Council is exempt from federal, state and local income taxes under Internal Revenue Code section 501(c)(3) and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Internal Revenue Service has determined the Council is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code.

(k) Memorandum Totals

The financial statements include certain prior year summarized comparative information in total but not by fund or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

(3) Concentration of Credit Risk

The Council generally maintains cash at financial institutions in excess of the federally insured amount. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

The majority of the Council's public support and revenues are from donors and others in Middle Tennessee. Accordingly, substantially all pledges and accounts receivables are due from such individuals, companies, and organizations. The Council generally does not require collateral to secure receivables.

Notes to Financial Statements, Continued

December 31, 2006

(4) Pledges and Accounts Receivable

A summary of pledges and accounts receivable at December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Friends of Scouting	\$ 332,587	329,317
United Way allocations	168,140	168,377
Development campaign	498,762	809,677
Other	<u>56,536</u>	<u>38,821</u>
	1,056,025	1,346,192
Less allowance for unamortized discount and doubtful accounts	<u>93,515</u>	<u>104,263</u>
	\$ <u>962,510</u>	<u>1,241,929</u>

A discount rate of 5% is used to reflect the present value of expected future collections due after one year. Pledges and accounts receivable are due within one year except for the development campaign pledges receivable. The development campaign pledges receivable are due as follows:

	<u>2006</u>	<u>2005</u>
Receivable in less than one year	\$ 271,596	365,331
Receivable in one to five years	<u>227,166</u>	<u>444,346</u>
	\$ <u>498,762</u>	<u>809,677</u>

In addition to the development campaign pledges receivable shown above, the Council has been named as a beneficiary of certain estates and life insurance policies in the approximate amount of \$700,000 as of December 31, 2006. Because these are not unconditional promises to give they are not recorded on the books of the Council.

(5) Investments

A summary of investments at December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Short-term investments	\$ 1,183,374	997,233
Equities and equity funds	6,633,540	5,597,897
Bonds and bond funds	4,565,373	3,810,175
Certificate of deposit	430,168	409,805
Real estate	204,000	42,500
Notes receivable - Rock Island	<u>2,101</u>	<u>2,101</u>
	\$ <u>13,018,556</u>	<u>10,859,711</u>

Notes to Financial Statements, Continued

December 31, 2006

(5) Investments, Continued

The following schedule summarizes the investment return in the statement of changes in net assets for the years ended December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Interest and dividend income	\$ 397,529	311,858
Net gains	1,274,693	105,083
Investment expenses	<u>(72,141)</u>	<u>(59,218)</u>
	\$ <u>1,600,081</u>	<u>357,723</u>

The above investment return is classified in the statement of changes in net assets as follows:

	<u>2006</u>	<u>2005</u>
Unrestricted	\$ 909,051	340,167
Temporarily restricted	30,632	1,930
Permanently restricted	<u>660,398</u>	<u>15,626</u>
	\$ <u>1,600,081</u>	<u>357,723</u>

(6) Properties

A summary of land, buildings and equipment at December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Land	\$ 797,554	797,554
Council office building	2,989,238	1,066,492
Buildings - Boxwell Reservation and Canoe Base	5,249,246	5,249,246
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	427,423	258,845
Boxwell Reservation	699,181	669,183
Motor vehicles	237,108	238,707
Construction in progress	<u>-</u>	<u>1,290,140</u>
	11,329,510	10,499,927
Less accumulated depreciation	<u>4,672,533</u>	<u>4,388,077</u>
	\$ <u>6,656,977</u>	<u>6,111,850</u>

(7) Line of Credit

The Council has a \$2,000,000 revolving line of credit available with a bank. Advances under this line of credit bear interest at LIBOR rate plus 1.50%. At December 31, 2006, the Council had borrowings under this line of credit in the amount of \$370,000. The line of credit matures in March 2009.

Notes to Financial Statements, Continued

December 31, 2006

(8) Pension Plan

The Middle Tennessee Council, Inc., Boy Scouts of America participates in a multi-employer defined-benefit pension plan, administered by the National Council, Boy Scouts of America, for its full-time permanent employees. The Council contributes 5% of the salary of covered employees to the plan and the employee contributes 1% of salary. Pension plan expense was \$103,857 in 2006 and \$110,826 in 2005. The Council funds pension cost accrued. There is no unfunded initial past service cost or unfunded additional prior service cost under the valuation method.

Separate actuarial calculations are not provided for each participating local Council but rather are provided for all Councils participating in the plan. The actuarial present value of vested accumulated plan benefits was \$647 million at February 1, 2006, the date of the latest actuarial valuation. The value of the plan assets was \$988 million, thereby exceeding the vested amount by \$341 million.

The actuary used a five-year moving market average to determine the actuarial value of the plan assets. To determine the present value of vested benefits a 7.75% per annum interest rate, compounded annually, was the assumed rate of return. The estimated retirement age ranged from 55 - 70 years of age.

(9) Net Assets

Temporarily restricted net assets as of December 31, 2006 and 2005 are available for the following purposes or periods:

	<u>2006</u>	<u>2005</u>
Development campaign expenditures	\$ -	296,949
Wildlife conservation	35,373	35,373
Scouting activities:		
Camperships	87,391	87,330
Low income Exploring	92,787	92,787
Property maintenance	44,611	44,611
Navigator scholarship program	311,471	151,213
Laura Miller scholarship program	6,314	-
Friends of Scouting for future periods	343,138	243,877
United Way allocations for future periods	<u>166,173</u>	<u>161,075</u>
	\$ <u>1,087,258</u>	<u>1,113,215</u>

Notes to Financial Statements, Continued

December 31, 2006

(9) Net Assets, Continued

Permanently restricted net assets consist of the following as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Investments in perpetuity, the income from which is expendable to support:		
Scouting activities	\$ 725,259	662,067
Property maintenance	324,817	301,385
Camp Craig property maintenance	28,143	25,000
Laura Miller scholarship program	390,564	-
Any activities of the Council	<u>8,922,823</u>	<u>8,066,960</u>
	\$ <u>10,391,606</u>	<u>9,055,412</u>

(10) Operating Leases

The Council has entered into various operating leases for a fleet of automobiles and certain office equipment. The automobile leases are noncancelable, contain certain mileage restrictions and are for three year terms. Approximate minimum rental commitments during the remaining terms of these leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2007	\$ 129,000
2008	49,000
2009	17,000
2010	15,000
2011	<u>6,000</u>
	\$ <u>216,000</u>

Lease expense amounted to approximately \$123,000 in 2006 and \$136,000 in 2005. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other vehicles; thus, it is anticipated that future minimum lease expense will not be less than the commitments for 2007.

(11) Subsequent event

In February 2007 the Council entered into a contract for the purchase of real estate to be used as a wilderness camp. The purchase price is contingent upon a final survey but is expected to approximate \$4,165,000. Closing is expected to occur in May 2007.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Changes in Unrestricted Net Assets
(Operating Fund Only) Compared to Budget

Year ended December 31, 2006

	Operating Fund	Budget (Unaudited)	Over (Under) Budget
Public support and revenue:			
Direct public support:			
Friends of Scouting	\$ 2,544,360	2,557,500	(13,140)
Special events	201,614	172,000	29,614
Other direct support	13,194	-	13,194
Total direct public support	2,759,168	2,729,500	29,668
Indirect public support - United Way	327,358	352,614	(25,256)
Total public support	3,086,526	3,082,114	4,412
Other revenue:			
Sales of supplies, net of cost of goods sold	276,269	378,607	(102,338)
Camping and related fees	701,163	807,700	(106,537)
Activity revenue	237,928	331,476	(93,548)
Product sales, net of cost of products sold	510,167	504,147	6,020
Investment income	402,491	260,000	142,491
Miscellaneous revenue	58,582	75,000	(16,418)
Total other revenue	2,186,600	2,356,930	(170,330)
Total public support and revenue	5,273,126	5,439,044	(165,918)
Expenses:			
Employee compensation:			
Salaries	2,465,603	2,600,541	(134,938)
Employment benefits	408,084	538,369	(130,285)
Payroll taxes	207,466	240,674	(33,208)
Total compensation expenses	3,081,153	3,379,584	(298,431)
Professional fees	95,853	92,988	2,865
Supplies and general expenses	702,836	715,661	(12,825)
Telephone	43,399	40,886	2,513
Postage and shipping	68,699	59,488	9,211
Occupancy expenses	350,414	269,101	81,313
Equipment rental and maintenance	88,673	90,060	(1,387)
Printing and publications	27,100	39,000	(11,900)
Travel and field operating expenses	244,754	214,910	29,844
Conference and meetings	45,928	51,000	(5,072)
Specific assistance	155,587	162,115	(6,528)
Recognition awards	42,604	49,600	(6,996)
Insurance	137,003	151,223	(14,220)
Provision for uncollectible pledges	18,000	-	18,000
Miscellaneous expenses	74,762	46,341	28,421
Unallocated payments to National Council	60,181	60,069	112
Total expenses	5,236,946	5,422,026	(185,080)
Increase in unrestricted net assets	\$ 36,180	17,018	19,162

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Changes in Unrestricted Net Assets
(Operating Fund Only)

Years ended December 31, 2006 and 2005

	2006	2005
Public support and revenue:		
Direct public support:		
Friends of Scouting	\$ 2,544,360	2,461,267
Special events	201,614	180,231
Other direct support	13,194	15,795
Total direct public support	2,759,168	2,657,293
Indirect public support - United Way	327,358	332,788
Total public support	3,086,526	2,990,081
Other revenue:		
Sales of supplies, net of cost of goods sold	276,269	291,535
Camping and related fees	701,163	693,798
Activity revenue	237,928	482,011
Product sales, net of cost of products sold	510,167	483,715
Investment income	402,491	279,512
Miscellaneous revenue	58,582	69,871
Total other revenue	2,186,600	2,300,442
Net assets released from restrictions - restrictions satisfied by payments	-	-
Total public support and revenue	5,273,126	5,290,523
Expenses:		
Program services	4,522,567	4,506,531
Supporting services		
Management & general	301,596	284,903
Fundraising	352,602	337,749
Unallocated payments to National Council	60,181	60,169
Total expenses	5,236,946	5,189,352
Increase in unrestricted net assets	\$ 36,180	101,171