

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

Consolidated Financial Statements and Schedules

**December 31, 2020
(With Comparative Totals for 2019)**

(With Independent Auditors' Report Thereon)



MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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INDEPENDENT AUDITORS' REPORT

Board of Directors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Middle Tennessee Council, Inc., Boy Scouts of America (a not-for-profit organization) (the "Council") which are comprised of the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Council's 2019 consolidated financial statements, and our report dated June 4, 2020 expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated 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 consolidated financial statements as a whole. The accompanying information in the schedules on Pages 36 and 37 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and, except for the information discussed below, was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole. The budget information on Page 36 marked as "unaudited" is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements. Accordingly, we do not express an opinion or provide any assurance on that information.

LBMC, PC

Brentwood, Tennessee
May 4, 2021

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Consolidated Statement of Financial Position

December 31, 2020
(With Comparative Amounts for 2019)

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets								
Current assets:								
Cash	\$ 1,304,108	\$ 1,684,212	\$ 497,822	\$ 578,261	\$ 172,830	\$ 100,472	\$ 1,974,760	\$ 2,362,945
Restricted cash	28,314	31,314	3,299,762	2,547,393	-	-	3,328,076	2,578,707
Accounts receivable	14,640	18,779	-	-	-	-	14,640	18,779
Contributions receivable, net	436,884	424,648	664,776	600,879	15,000	-	1,116,660	1,025,527
Inventories	284,425	358,702	-	-	-	-	284,425	358,702
Interfund loans	498,613	-	(498,613)	-	-	-	-	-
Prepaid expenses	221,672	123,527	-	-	-	-	221,672	123,527
Total current assets	2,788,656	2,641,182	3,963,747	3,726,533	187,830	100,472	6,940,233	6,468,187
Land, buildings and equipment, net	-	-	15,242,690	15,133,680	-	-	15,242,690	15,133,680
Long-term portion of contributions receivable	-	-	839,090	1,162,446	-	-	839,090	1,162,446
Investments	-	-	-	-	2,362,646	2,740,796	2,362,646	2,740,796
Interest in the Boy Scout Trust Fund	-	-	-	-	17,872,979	16,331,507	17,872,979	16,331,507
Total noncurrent assets	-	-	16,081,780	16,296,126	20,235,625	19,072,303	36,317,405	35,368,429
Total assets	\$ 2,788,656	\$ 2,641,182	\$ 20,045,527	\$ 20,022,659	\$ 20,423,455	\$ 19,172,775	\$ 43,257,638	\$ 41,836,616
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 91,570	\$ 122,763	\$ -	\$ 48,047	\$ -	\$ -	\$ 91,570	\$ 170,810
Camping, activity and other fees designated for future periods	73,276	59,475	-	-	-	-	73,276	59,475
Other accrued liabilities	2,098	127,227	-	-	-	-	2,098	127,227
Registration fees payable to National Council	150,776	281,181	-	-	-	-	150,776	281,181
Funds held for others	177,169	160,107	7,853	7,853	56,371	48,887	241,393	216,847
Total current liabilities	494,889	750,753	7,853	55,900	56,371	48,887	559,113	855,540
Net assets:								
Without donor restrictions	1,670,795	1,299,087	15,470,640	15,638,201	2,362,680	2,740,796	19,504,115	19,678,084
With donor restrictions	622,972	591,342	4,567,034	4,328,558	18,004,404	16,383,092	23,194,410	21,302,992
Total net assets	2,293,767	1,890,429	20,037,674	19,966,759	20,367,084	19,123,888	42,698,525	40,981,076
Total liabilities and net assets	\$ 2,788,656	\$ 2,641,182	\$ 20,045,527	\$ 20,022,659	\$ 20,423,455	\$ 19,172,775	\$ 43,257,638	\$ 41,836,616

See accompanying notes to the consolidated financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Consolidated Statement of Changes in Net Assets

**Year ended December 31, 2020
(With Comparative Totals for 2019)**

	2020			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2020	2019
Changes in net assets without donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting, including net assets released from expiration of time restriction of \$489,174 in 2020 and \$460,009 in 2019 and net of bad debts of \$393,857 in 2020 and \$323,795 in 2019	\$ 2,184,969	\$ -	\$ -	\$ 2,184,969	\$ 2,773,361
Government grant under the Paycheck Protection Program	626,889	-	-	626,889	-
Special events, net of direct costs of \$40,681 in 2020 and \$54,640 in 2019	227,827	-	-	227,827	182,046
Other direct support	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>60,000</u>
Total direct public support	3,079,685	-	-	3,079,685	3,015,407
Indirect public support - United Way, including net assets released from expiration of time restriction of \$23,991 in 2020 and \$54,961 in 2019	<u>82,660</u>	<u>-</u>	<u>-</u>	<u>82,660</u>	<u>98,910</u>
Total public support	<u>3,162,345</u>	<u>-</u>	<u>-</u>	<u>3,162,345</u>	<u>3,114,317</u>
Other revenue:					
Scout shop and trading post sales, net of cost of goods sold of \$340,326 in 2020 and \$771,718 in 2019	185,943	-	-	185,943	469,370
Camping and related fees	257,643	-	-	257,643	1,513,071
Activity revenue	114,154	-	-	114,154	281,527
Product sales, net of cost of products sold of \$133,472 in 2020 and \$440,192 in 2019, commissions paid of \$210,623 in 2020 and \$581,662 in 2019 and cost of camp cards of \$30,308 and \$23,058 in 2020 and 2019	366,029	-	-	366,029	812,661
Receipts of distributions from the Boy Scout Trust Fund designated for current operations	677,757	-	-	677,757	645,267
Investment return not designated	-	-	121,884	121,884	526,188
Miscellaneous revenue	<u>48,886</u>	<u>-</u>	<u>-</u>	<u>48,886</u>	<u>59,796</u>
Total other revenue	<u>1,650,412</u>	<u>-</u>	<u>121,884</u>	<u>1,772,296</u>	<u>4,307,880</u>
Net assets released from donor restrictions - restrictions satisfied by payments	<u>3,000</u>	<u>620,195</u>	<u>-</u>	<u>623,195</u>	<u>635,054</u>
Total public support and revenue	<u>4,815,757</u>	<u>620,195</u>	<u>121,884</u>	<u>5,557,836</u>	<u>8,057,251</u>

See accompanying notes to the consolidated financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Consolidated Statement of Changes in Net Assets, Continued

Year ended December 31, 2020
(With Comparative Totals for 2019)

	2020			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2020	2019
Changes in net assets without donor restrictions, continued					
Expenses:					
Program services	4,163,416	689,032	-	4,852,448	6,335,852
Management and general	270,154	32,908	-	303,062	350,960
Fundraising	421,417	65,816	-	487,233	540,863
Unallocated payments to National Council	89,062	-	-	89,062	89,059
Total operating expenses	4,944,049	787,756	-	5,731,805	7,316,734
Increase (decrease) in net assets without donor restrictions	(128,292)	(167,561)	121,884	(173,969)	740,517
Changes in net assets with donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting	505,865	-	-	505,865	536,037
Development campaign	-	858,671	-	858,671	3,940,152
Endowment contributions	-	-	115,258	115,258	-
Memorial contributions	-	-	6,953	6,953	49,785
Total direct public support	505,865	858,671	122,211	1,486,747	4,525,974
Indirect public support - United Way	41,930	-	-	41,930	23,991
Total public support	547,795	858,671	122,211	1,528,677	4,549,965
Change in the interest in the Boy Scout Trust Fund	-	-	1,499,101	1,499,101	2,224,331
Net assets released from restrictions:					
Expiration of time restriction	(513,165)	-	-	(513,165)	(514,970)
Restrictions satisfied by payments	(3,000)	(620,195)	-	(623,195)	(635,054)
Total net assets released from donor restrictions	(516,165)	(620,195)	-	(1,136,360)	(1,150,024)
Increase (decrease) in net assets with donor restrictions	31,630	238,476	1,621,312	1,891,418	5,624,272

See accompanying notes to the consolidated financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Consolidated Statement of Changes in Net Assets, Continued

**Year ended December 31, 2020
(With Comparative Totals for 2019)**

	2020			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2020	2019
Increase (decrease) in net assets	(96,662)	70,915	1,743,196	1,717,449	6,364,789
Net assets at beginning of year:					
Without donor restrictions	1,299,087	15,638,201	2,740,796	19,678,084	18,937,567
With donor restrictions	<u>591,342</u>	<u>4,328,558</u>	<u>16,383,092</u>	<u>21,302,992</u>	<u>15,678,720</u>
Total net assets, beginning of year	1,890,429	19,966,759	19,123,888	40,981,076	34,616,287
Transfers between funds	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>
Net assets at end of year:					
Without donor restrictions	1,670,795	15,470,640	2,362,680	19,504,115	19,678,084
With donor restrictions	<u>622,972</u>	<u>4,567,034</u>	<u>18,004,404</u>	<u>23,194,410</u>	<u>21,302,992</u>
Total net assets, end of year	<u>\$ 2,293,767</u>	<u>\$ 20,037,674</u>	<u>\$ 20,367,084</u>	<u>\$ 42,698,525</u>	<u>\$ 40,981,076</u>

See accompanying notes to the consolidated financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Consolidated Statement of Functional Expenses

**Year ended December 31, 2020
(With Comparative Totals for 2019)**

	2020				Total All Funds	
	Program Services	Supporting Services		Total	2020	2019
		Management and General	General Fundraising			
Employee compensation:						
Salaries	\$ 2,329,832	\$ 138,019	\$ 276,038	\$ 414,057	\$ 2,743,889	\$ 3,187,570
Employment benefits	456,275	29,447	58,894	88,341	544,616	608,241
Payroll taxes	<u>185,424</u>	<u>11,203</u>	<u>22,406</u>	<u>33,609</u>	<u>219,033</u>	<u>242,762</u>
Total compensation expenses	2,971,531	178,669	357,338	536,007	3,507,538	4,038,573
 Professional fees	 171,734	 60,264	 1,637	 61,901	 233,635	 92,060
Supplies and general expenses	317,618	571	1,143	1,714	319,332	966,506
Telephone	56,087	2,144	4,287	6,431	62,518	64,480
Postage and shipping	18,819	1,044	2,089	3,133	21,952	36,715
Occupancy expenses	368,135	6,931	13,862	20,793	388,928	575,092
Equipment rental and maintenance	89,424	5,725	11,449	17,174	106,598	101,666
Printing and publications	6,535	62	124	186	6,721	6,794
Travel and field operating expenses	162,302	10,161	20,322	30,483	192,785	250,399
Conference and meetings	8,195	586	1,172	1,758	9,953	49,501
Specific assistance	41,135	-	-	-	41,135	148,958
Recognition awards	14,657	781	1,562	2,343	17,000	48,185
Insurance	105,071	1,476	2,952	4,428	109,499	178,356
Miscellaneous expenses	<u>71,463</u>	<u>1,740</u>	<u>3,480</u>	<u>5,220</u>	<u>76,683</u>	<u>115,859</u>
Total expenses before depreciation	4,402,706	270,154	421,417	691,571	5,094,277	6,673,144
 Depreciation of buildings and equipment	 <u>449,742</u>	 <u>32,908</u>	 <u>65,816</u>	 <u>98,724</u>	 <u>548,466</u>	 <u>554,531</u>
	\$ 4,852,448	\$ 303,062	\$ 487,233	\$ 790,295	\$ 5,642,743	\$ 7,227,675

See accompanying notes to the consolidated financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Consolidated Statement of Cash Flows

**Year ended December 31, 2020
(With Comparative Totals for 2019)**

	2020			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2020	2019
Cash flows from operating activities:					
Change in net assets	\$ (96,662)	\$ 70,915	\$ 1,743,196	\$ 1,717,449	\$ 6,364,789
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	-	548,466	-	548,466	554,531
Amortization of discount on pledges receivable	-	-	-	-	(920)
Net unrealized (gains) losses on investments	-	-	(86,014)	(86,014)	(526,188)
Change in interest in net assets of the Boy Scout Trust Fund	-	-	(1,541,472)	(1,541,472)	(2,245,461)
Contributions restricted for capital improvements	-	(858,671)	-	(858,671)	(3,940,152)
Changes in operating assets and liabilities:					
Contributions and accounts receivable	(8,097)	-	(15,000)	(23,097)	(42,884)
Inventories	74,277	-	-	74,277	(20,309)
Prepaid expenses	(98,145)	-	-	(98,145)	35,068
Accounts payable and other liabilities	(156,322)	(48,047)	-	(204,369)	(105,682)
Camping, activity and other fees designated for future periods	13,801	-	-	13,801	(13,857)
Registration fees payable to National Council	(130,405)	-	-	(130,405)	116,054
Funds held for others	17,062	-	7,484	24,546	229
Net cash provided (used) by operating activities	(384,491)	(287,337)	108,194	(563,634)	175,218
Cash flows from investing activities:					
Proceeds from sales of investments	-	-	500,000	500,000	-
Purchases of investments	-	-	(35,836)	(35,836)	-
Purchases of land, buildings and equipment	-	(657,475)	-	(657,475)	(686,149)
Net cash provided (used) by investing activities	-	(657,475)	464,164	(193,311)	(686,149)

See accompanying notes to the consolidated financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Consolidated Statement of Cash Flows, Continued

**Year ended December 31, 2020
(With Comparative Totals for 2019)**

	2020			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2020	2019
Cash flows from financing activities:					
Collection of capital campaign support	-	1,018,129	-	1,018,129	2,516,827
Collection of development campaign support	-	100,000	-	100,000	100,000
Interfund loans	(498,613)	498,613	-	-	-
Proceeds from (payments of) transfers between funds	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>1,387</u>	<u>1,616,742</u>	<u>(500,000)</u>	<u>1,118,129</u>	<u>2,616,827</u>
Net increase (decrease) in cash	(383,104)	671,930	72,358	361,184	2,105,896
Cash and restricted cash at beginning of year	<u>1,715,526</u>	<u>3,125,654</u>	<u>100,472</u>	<u>4,941,652</u>	<u>2,835,756</u>
Cash and restricted cash at end of year	\$ <u>1,332,422</u>	\$ <u>3,797,584</u>	\$ <u>172,830</u>	\$ <u>5,302,836</u>	\$ <u>4,941,652</u>

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same shown above:

	2020			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2020	2019
Cash	1,304,108	497,822	172,830	1,974,760	2,362,945
Restricted cash	<u>28,314</u>	<u>3,299,762</u>	<u>-</u>	<u>3,328,076</u>	<u>2,578,707</u>
	\$ <u>1,332,422</u>	\$ <u>3,797,584</u>	\$ <u>172,830</u>	\$ <u>5,302,836</u>	\$ <u>4,941,652</u>

See accompanying notes to the consolidated financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(1) Nature of organization

The Middle Tennessee Council, Inc., Boy Scouts of America (the "Middle Tennessee Council") provides services to young men and women ages 7–21 and operates in Nashville, Tennessee, including 37 counties of Middle Tennessee, and Fort Campbell, Kentucky. The Middle Tennessee Council has four camping facilities. The Middle Tennessee Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rule and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys, young men and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues. The Middle Tennessee Council also prepares them to make ethical choices over their lifetimes and achieve their full potential using the methods which are now in common use by the Boy Scouts of America.

In June 2020, the Middle Tennessee Council established the Properties Trust, a Tennessee charitable trust whose sole purpose is to support the activities, purposes and mission of MTC. The Properties Trust was established to be a supporting organization within the meaning of Section 509(a)(3) of the Internal Revenue Code (a "Supporting Organization") and, more specifically, a Type I Supporting Organization under Section 509(a)(3)(B)(i) of the Code (a "Type I Supporting Organization") with respect to MTC. For accounting purposes, the assets owned by the Properties Trust are included in this consolidated statement.

The Middle Tennessee Council and the Properties Trust, as consolidated for accounting purposes, are hereinafter collectively referred to as the "Council".

The Council's programs are classified as follows:

Cub Scouting—Family and community-centered approach to learning citizenship, compassion, and courage through service projects, ceremonies, games, and other activities promoting character development and physical fitness.

Scouts BSA—With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.

Venturing—Provides experiences to help young men and women, ages 14–20, become mature, responsible, caring adults. Young teens learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scout camping properties, a recognition program, and youth-protection training.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Sea Scouting—A co-ed program for youth 14 to 21. For over 100 years, Sea Scouting has promoted better citizenship, leadership and self-confidence through instruction and practice in water safety, boating skills, outdoor activities, social service experiences and knowledge of our maritime heritage.

Exploring—A co-ed program for youth 14 to 21. Exploring provides exciting activities and mentorship for youth looking to discover their future career. Exploring provides career exploration with an emphasis on leadership, citizenship and social service.

STEM (Science, Technology, Engineering, and Mathematics)—Program designed to teach young people subject areas such as mathematics and science by incorporating technology and engineering into regular curriculum.

Families can choose to sign up their sons and daughters who are ages 5-10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens or remain an all-boy pack. Cub Scout dens will be single gender — all boys or all girls. Using the same curriculum as the (now) former Boy Scouting program, Scouts BSA launched in February 2019, enabling all eligible youth ages 11-17, to earn the Eagle Scout rank. Scouts BSA will be single gender – all-girl troops or all-boy troops. This unique approach allows the Council to maintain the integrity of the single-gender model while also meeting the needs of today's families.

The Council's website address is www.mtcbsa.org.

(2) Summary of significant accounting policies

(a) Prior year summarized comparative information

The financial statements and certain notes 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 accounting principles generally accepted in the United States ("GAAP"). Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(b) Principles of consolidation

The Properties Trust was established to support the Council and its related activities through holding, managing and maintaining certain real and tangible personal property. The Properties Trust is governed by up to a nine-member board of trustees which are appointed by the Middle Tennessee Council. During 2020, the Middle Tennessee Council transferred all of its land, buildings and certain equipment as well as certain contributions receivable and cash to the Properties Trust. The Middle Tennessee Council leases the land and building for its headquarters and other properties from the Properties Trust under a related party lease agreement. Management has determined that the assets of the Properties Trust, which is an independent supporting entity, should be consolidated for financial reporting purposes and included within the Council's financial statement. All intercompany balances and transactions have been eliminated in the consolidation.

(c) Basis of accounting

The financial statements of the Council have been prepared on the accrual basis of accounting in accordance with GAAP. Net assets, revenues, 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 or certain grantor restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor 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.

The Council's net assets with donor restrictions consist primarily investments and related accumulated returns that are to be held in perpetuity or until appropriated by the Council for purposes stipulated by the original donors. Additionally, net assets without donor restrictions include certain land donated to the Council that must be used for outdoor camping and similar activities, consistent with the mission of the Council, that prevents the sale of the land and that stipulates the land will revert to the original donors if the use restrictions are not met or the Council no longer uses the property. Such assets were unrestricted when the donation was received as the land was put into service at that time and the likelihood of not meeting the stipulations of continued use were remote.

Notes to the Consolidated Financial Statements

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(d) Fund accounting

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Council are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The accounts of the Council are maintained in three self-balancing fund groups according to their nature and purposes as follows:

General Operating Fund – The general operating fund is used to account for the Council's operating activities.

Capital Fund – The capital fund is used to account for property, buildings, equipment, and legally restricted cash that is to be expended for property, buildings, and equipment and related debt payments. The capital fund includes the assets owned by the Properties Trust, which is consolidated with the Council's financial statements for accounting purposes. Also, included in this fund are investments either restricted or designated for capital repair and improvements where the income is either designated or restricted for those particular items. Revenues and expenses related to the capital fundraising campaign are also included in this fund.

Endowment Fund – The endowment fund is normally used to account for amounts of gifts and bequests accepted with legal restrictions based on donor stipulation that the principal be maintained intact in perpetuity, until the occurrence of a specified event or for a specified period, and that only income from the investment thereof be expended either for general purposes or for purposes specified by the donor. Investment funds with and without donor restrictions are included in the endowment fund including certain assets designated as endowment funds by the Council's board of directors as well as an interest in the net assets of the Boy Scout Trust Fund (the "Trust Fund") (Note (2)(k)).

Certain donor-restricted net assets have been restricted by donors to be maintained by the Council in perpetuity.

(e) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions which 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. Actual results could differ from those estimates.

Notes to the Consolidated Financial Statements

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(f) Restricted Cash

The Council considers cash maintained for the Navigator Scholarship program to be restricted for the distribution of future scholarships within the operating fund. Restricted cash in the property fund includes cash received from donor contributions restricted for capital projects. The funds are placed into a separate bank account and as payments are made for capital projects, operating funds are reimbursed through restricted cash.

(g) Accounts receivable

Accounts receivable are recorded primarily for product sales stated at estimated realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of December 31, 2020 and 2019.

(h) Inventories

Inventories consist of Scouting and other items available for resale and is stated at the lower of average cost or net realizable value.

(i) Land, buildings, and equipment

Land, buildings, and equipment are stated at cost. Donated land, buildings, and equipment are recorded at the approximate fair market value of the asset on the date of donation. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from disposals of land, buildings, and equipment are credited or charged to operations currently.

Construction in progress is stated at cost and consists primarily of costs incurred in the construction of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

The Council has adopted the practice of capitalizing only expenditures for land, buildings, and equipment in excess of \$10,000. Depreciation of physical properties are provided over the estimated useful lives of the respective assets on a straight-line basis. Buildings and land improvements are depreciated over 10 to 40 years, furniture, fixtures and equipment are depreciated over 3 to 20 years and motor vehicles are depreciated over 3 to 5 years. Annual depreciation is charged to the Capital Fund.

Notes to the Consolidated Financial Statements

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(j) Investments

Investments consist primarily of assets invested in marketable equity and debt securities and money-market accounts. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Investment return shown in the statement of changes in net assets includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment return is reported as an increase in net assets with donor restrictions depending on the nature of the restrictions.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(k) Interest in net assets of the Boy Scout Trust Fund

The Trust Fund was established to support the Council and its related activities. The Trust Fund is governed by a separate board of trustees that are self-elected. This board of trustees has appointed two banks as corporate trustees that hold the assets of the Trust Fund, make investment management decisions and determine the amount and timing of distributions to the Council. Currently, the trustees have established that annual distributions from Trust Fund net assets to the Council are determined based on a maximum of 4% of the three-year rolling-average balance of its investments, unless otherwise specified by donors. The trustees do not have variance power over the Trust Fund assets and all assets must be used for the benefit of the Council.

An Interest in Net Assets of the Boy Scout Trust Fund is recorded representing the Council's interest in the Trust Fund net assets for the value of contributions made to the Trust Fund by the Council. The Council recognizes distributions as income when received and any other changes in the Council's Interest in Net Assets of the Boy Scout Trust Fund are recorded in the statement of changes in net assets either as changes in net assets with or without donor restrictions based on restrictions imposed by the original donor.

(l) Inter fund loans

At certain times, inter fund loans may be made from the Endowment Fund and Operating Fund for the purpose of making advances of surplus cash funds to the Operating Fund and Capital Fund for operating purposes.

Notes to the Consolidated Financial Statements

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(m) 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.

(n) Contributions and contributions receivable

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Council's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectibility. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges is recorded when the Council determines, based on historical experience and collection efforts, that a contribution receivable is uncollectible. No allowance for uncollectible receivables was considered necessary as of December 31, 2020 and 2019.

(o) Donated materials and services

Donated land, buildings, equipment, investments and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council reports the donations as increases in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Donated materials totaled \$27,512 in 2020 and \$37,541 in 2019.

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Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Council's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

(p) Revenue recognition

Revenue from Exchange Transactions: The Council recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Council records the following exchange transaction revenue in its statements of changes in net assets for the years ending December 31, 2020 and 2019:

Scout Shop and Trading Post sales - The Council operates a Scout Shop in its Service Center and various Trading Posts at its summer camps, which sell Scouting-related merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Council based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Council recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Council estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements

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Product sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of up to 37% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units starts in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the Council and the unit. In making this collectibility assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail's End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its statements of changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions (retained by or paid to the unit). Scout units have the right to return to the Council any unsold product, subject to a specific return-by date. As of December 31, 2020 and 2019, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Camping and Activity revenue - The Council conducts program-related experiences such as Day Camps, Day Hikes, Weekend Overnights, Camporees, and Summer Camps where the performance obligation is delivery of the program. Fees for camps and activities are set by the Council. For resident camps, fees include program supplies, meals, lodging, recognition items, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. Activities such as the National Scout Jamboree may include a transportation component in the transaction price. Some special camp programs do incur additional fees (shooting sports, for example), which are separately priced. Boy Scouts of America activities such as Wood Badge may involve program supplies, recognition items, and meals, and are also considered to be one performance obligation. Fees collected in advance of delivery of the camp or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of changes in net assets after delivery of the program has occurred.

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Special fundraising event revenue - The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event - the exchange component, and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the statement of changes in net assets, if material. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Council separately presents in its statement of changes in net assets or notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

(q) **Paycheck Protection Program**

During the year, the Council received proceeds under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for forgivable loans to qualifying organizations as long as the organization maintains its payroll levels and uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities, over a “covered period” (eight or 24 weeks, not to extend beyond December 31, 2020). Up to 100% of a loan is forgivable. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

During 2020, the Council received a \$626,889 loan under the PPP. In December 2020, the SBA notified the Council that the full balance of the loan was forgiven. As such, the loan proceeds were accounted for as a government grant and are presented as direct public support within the operating fund on the accompanying statement of changes in net assets.

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(r) Functional allocation of expenses

The costs of providing Scouting programs and supporting services have been summarized on the statement of changes in net assets on a functional basis. Most expenses can be directly attributed to a program or supporting function. Certain categories of expenses are attributed to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, accounting, information technology personnel, and payroll taxes. The basis of allocation of these expenses is the result of time studies performed by management on a periodic basis. In accordance with the policy of the National Council of the Boy Scouts of America (the "National Council"), the payment of the charter fee to the National Council is not allocated as a functional expense. The financial statements report expenses by function in the Statement of Functional Expenses.

(s) Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2020 and 2019 amounted to approximately \$14,000 and \$12,000, respectively.

(t) Income taxes

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and comparable state law as a charitable organization. Only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Council currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Council had no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of December 31, 2020 or 2019. It is the Council's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Council files U.S. Federal income tax returns and is generally open to audit under the statute of limitations for three tax years from the date the return was filed.

Notes to the Consolidated Financial Statements

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(u) Events occurring after reporting date

The Council has evaluated events and transactions that occurred between December 31, 2020 and May 4, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(v) New accounting pronouncements, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

(3) Credit risk and other concentrations

The Council generally maintains cash (including restricted cash) at financial institutions in excess of the federally insured amount. The Council has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk related to its cash held at financial institutions.

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

Notes to the Consolidated Financial Statements

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(4) Liquidity

The Council's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2020</u>	<u>2019</u>
Cash -operating fund	\$ 1,304,108	\$ 1,684,212
Current operating fund contributions receivable	436,884	424,648
Accounts receivable - operating fund	<u>14,640</u>	<u>18,779</u>
Total financial assets as of end of year	1,755,632	2,127,639
Estimated appropriation from board-designated endowment for general expenditure in subsequent year	<u>96,000</u>	<u>88,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,851,632</u>	\$ <u>2,215,639</u>

The Council's endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The board-designated endowment has a spending rate of 4 percent, which will be available within the next 12 months as of December 31, 2020 and 2019.

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. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has a committed line of credit in the amount of \$500,000 (Note 8), which it could draw upon. Additionally, the Council has a board-designated endowment of \$2,362,646 at December 31, 2020. Although the Council does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(5) Contributions receivable

A summary of contributions receivable as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Friends of Scouting	\$ 417,700	\$ 401,902
United Way allocations	19,184	22,746
Capital campaign	1,503,866	1,763,325
Endowment	<u>15,000</u>	<u>-</u>
Total contributions receivable	1,955,750	2,187,973
Less current portion of contributions receivable	<u>(1,116,660)</u>	<u>(1,025,527)</u>
Long-term portion of contributions receivable	\$ <u>839,090</u>	\$ <u>1,162,446</u>

The capital campaign contributions receivable at December 31, 2020 consists of pledges from three major donors.

The Council has also been named as a beneficiary of certain estates and life insurance policies. As these do not meet the definition of unconditional promises to give, they are not recorded as an asset of the Council.

(6) Fair value measurements and investments

The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability (referred to as the “exit price”) in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration of nonperformance risk.

In determining fair value, the Council uses various valuation approaches. The FASB established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Council. Unobservable inputs are inputs that reflect the Council’s assumptions about assumptions market participants would use in pricing the assets or liabilities developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Council has access.

Notes to the Consolidated Financial Statements

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Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Council in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an organization-specific measure. Therefore, even when market assumptions are not readily available, the Council's own assumptions are set to reflect those that the Council believes market participants would use in pricing the asset or liability at the measurement date.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

- (i) *Short-term investments, equities and equity funds, and bonds and bond funds:* Valued at the closing price reported on the active market on which the individual securities are traded.
- (ii) *Interest in net assets of the Boy Scout Trust Fund:* As the present value of the perpetual income stream from the Trust Fund is not determinable, the interest in net assets of the Trust Fund has been recorded on the statement of financial position at the fair value of the underlying assets of the Trust Fund using information obtained from third party sources, including the corporate trustees of the Trust Fund. The Trust Fund assets consist primarily of short-term investments, equities and equity funds, and bonds and bond funds.

Notes to the Consolidated Financial Statements

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The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Council's assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019:

Fair Value Measurements as of
December 31, 2020 using the following inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 166,530	\$ 166,530	\$ -	\$ -
Equities and equity funds	1,763,589	1,763,589	-	-
Bonds and bond funds	432,527	432,527	-	-
Interest in net assets of Trust Fund	<u>17,872,979</u>	<u>-</u>	<u>17,872,979</u>	<u>-</u>
Total financial assets	\$ <u>20,235,625</u>	\$ <u>2,362,646</u>	\$ <u>17,872,979</u>	\$ <u>-</u>

Fair Value Measurements as of
December 31, 2019 using the following inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 171,497	\$ 171,497	\$ -	\$ -
Equities and equity funds	2,068,973	2,068,973	-	-
Bonds and bond funds	500,326	500,326	-	-
Interest in net assets of Trust Fund	<u>16,331,507</u>	<u>-</u>	<u>16,331,507</u>	<u>-</u>
Total financial assets	\$ <u>19,072,303</u>	\$ <u>2,740,796</u>	\$ <u>16,331,507</u>	\$ <u>-</u>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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The following schedule summarizes investment return included in the consolidated statement of changes in net assets for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 53,807	\$ 65,513
Net gains (losses)	<u>68,077</u>	<u>460,675</u>
	\$ <u>121,884</u>	\$ <u>526,188</u>

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments are recorded initially in the Endowment Fund. Distributions of investment income and net realized gains from the Endowment Fund are recorded as income by the Operating and Capital funds in the period in which the distributions are made in accordance with the Trust Fund and Council's spending policy (Note 10).

(7) Land, buildings, and equipment

A summary of land, buildings and equipment as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 5,324,687	\$ 5,324,687
Council office building	3,051,951	3,051,951
Buildings - Camps	14,754,655	14,134,460
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	398,227	398,227
Camps	1,063,965	1,063,965
Motor vehicles	282,958	282,958
Construction in progress	<u>424,427</u>	<u>387,145</u>
	26,230,630	25,573,153
Accumulated depreciation	<u>(10,987,940)</u>	<u>(10,439,473)</u>
	\$ <u>15,242,690</u>	\$ <u>15,133,680</u>

(8) Line of credit

The Council has an unsecured revolving line of credit with a bank in which the Council may draw up to \$500,000. The line of credit bears interest on a monthly basis at the 1-Month LIBOR rate plus 1%. The line of credit matures in February 2022. There was no outstanding balance on the line of credit at December 31, 2020.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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(9) Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specific purpose:				
Scholarships	\$ 28,314	\$ -	\$ -	\$ 28,314
United Way designation	20,429	-	-	20,429
Scouting activities	68,364	-	-	68,364
Capital improvements	-	4,567,034	-	4,567,034
Total purpose restrictions	117,107	4,567,034	-	4,684,141
Subject to the passage of time:				
Friends of Scouting and other for future periods	505,865	-	-	505,865
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	10,204,835	10,204,835
Program activities:				
Scouting activities	-	-	1,008,585	1,008,585
Property maintenance	-	-	361,920	361,920
Camp Craig property maintenance	-	-	39,986	39,986
Laura Miller scholarship program	-	-	491,380	491,380
Connelly scholarship program	-	-	65,203	65,203
Total subject to endowment spending policy and appropriation	-	-	12,171,909	12,171,909
Subject to appropriation and expenditure when a specific event occurs:				
General use	-	-	5,286,130	5,286,130
Scouting activities:				
Camperships	-	-	219,265	219,265
Low income exploring	-	-	97,984	97,984
Property maintenance	-	-	88,663	88,663
Laura Miller scholarship program	-	-	139,298	139,298
Connelly scholarship program	-	-	1,155	1,155
Total subject to appropriation and expenditure when a specific event occurs	-	-	5,832,495	5,832,495
Total net assets with donor restrictions	\$ 622,972	\$ 4,567,034	\$ 18,004,404	\$ 23,194,410

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

	2019			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specific purpose:				
Scholarships	\$ 31,314	\$ -	\$ -	\$ 31,314
United Way designation	23,991	-	-	23,991
Capital improvements	<u>-</u>	<u>4,328,558</u>	<u>-</u>	<u>4,328,558</u>
Total purpose restrictions	<u>55,305</u>	<u>4,328,558</u>	<u>-</u>	<u>4,383,863</u>
Subject to the passage of time:				
Friends of Scouting and other for future periods	<u>536,037</u>	<u>-</u>	<u>-</u>	<u>536,037</u>
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	10,036,533	10,036,533
Program activities:				
Scouting activities	-	-	897,158	897,158
Property maintenance	-	-	389,950	389,950
Camp Craig property maintenance	-	-	39,986	39,986
Laura Miller scholarship program	-	-	449,838	449,838
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>58,469</u>	<u>58,469</u>
Total subject to endowment spending policy and appropriation	<u>-</u>	<u>-</u>	<u>11,871,934</u>	<u>11,871,934</u>
Subject to appropriation and expenditure when a specific event occurs:				
General use	-	-	3,980,377	3,980,377
Scouting activities:				
Camperships	-	-	224,587	224,587
Low income exploring	-	-	106,223	106,223
Property maintenance	-	-	54,930	54,930
Laura Miller scholarship program	-	-	143,265	143,265
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>1,776</u>	<u>1,776</u>
Total subject to appropriation and expenditure when a specific event occurs	<u>-</u>	<u>-</u>	<u>4,511,158</u>	<u>4,511,158</u>
Total net assets with donor restrictions	<u>\$ 591,342</u>	<u>\$ 4,328,558</u>	<u>\$ 16,383,092</u>	<u>\$ 21,302,992</u>

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(10) Endowment fund

The Council's Endowment Fund includes donor-restricted endowment funds and funds designated by the Council to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Council's donor restricted endowments as well as certain funds contributed into the Trust Fund by the Council are reflected as the Council's Interest in Net Assets of the Trust Fund. The trustees of the Trust Fund interpret the relevant law for the Trust Fund and set the return objectives and risk parameters, strategies for achieving objectives and the spending policies for the Trust Fund; however, they are all generally similar to those outlined below for the Council's board-designated endowment. Collectively, the Trust Fund and the Council's endowment funds are referred to as the Endowment Trust. Additionally, any purpose restrictions imposed by donors related to assets held in the Trust Fund are reflected in the Council's classification of net assets on its financial statements.

Interpretation of relevant law

The Council is subject to the State Prudent Management of Institutional Funds Act ("SPMIFA") and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Council appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Council has interpreted SPMIFA as not requiring the maintenance of the purchasing power of the original gift amount that was contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Council considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Council has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Council and the donor-restricted endowment fund
- (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
- (7) The investment policies of the Council

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Return objectives and risk parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Council must hold in perpetuity or for a donor-specified period as well as board-designated funds. Asset allocations are targeted to produce expected returns consistent with this target using long-term historical returns of assets classes as a guide.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or SPMIFA requires the Council to retain as a fund of perpetual duration (underwater endowments). Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2020 and 2019, there were no such deficiencies. The Council has interpreted the SPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

Spending policy

The Board of Directors (through the Executive Committee) has approved an endowment spending policy for certain board-designated endowment funds. The trustees of the Trust Fund have approved an endowment spending policy for the Trust Fund. Both policies define the total funds available from the Endowment Trust in a given year (the distributable income) as up to 4% of the Endowment Trust's average market value over the preceding three years, unless specific donor restrictions require otherwise. Annual distributions from the Endowment Trust are further limited to the excess of annual investment income over management and trustee fees. If the market value of the Endowment Trust falls to or below the amount of the fund's donor restricted gifts, then the spending policy may be amended in accordance with the guidelines not to exceed the actual earnings of the fund. The spending policies may be amended by the trustees of the Trust Fund and/or the Council's Executive Committee (subject to the Board of Director's approval) for the respective portions of the Endowment Trust.

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December 31, 2020 and 2019

Endowment net assets consisted of the following at December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 2,362,680	\$ -	\$ 2,362,680
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	12,171,909	12,171,909
Accumulated investment gains	<u>-</u>	<u>5,832,495</u>	<u>5,832,495</u>
Total endowment net assets	\$ <u>2,362,680</u>	\$ <u>18,004,404</u>	\$ <u>20,367,084</u>

Endowment net assets consisted of the following at December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 2,740,796	\$ -	\$ 2,740,796
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,871,934	11,871,934
Accumulated investment gains	<u>-</u>	<u>4,511,158</u>	<u>4,511,158</u>
Total endowment net assets	\$ <u>2,740,796</u>	\$ <u>16,383,092</u>	\$ <u>19,123,888</u>

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December 31, 2020 and 2019

Changes in the endowment net assets for the years ended December 31, 2020 and 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, December 31, 2018	\$ 2,214,608	\$ 14,108,976	\$ 16,323,584
Investment income	65,513	-	65,513
Contributions	-	49,785	49,785
Net depreciation	551,964	-	551,964
Change in interest in net assets of the Boy Scout Trust Fund	-	2,337,252	2,337,252
Appropriation of endowment assets for expenditure	<u>(91,289)</u>	<u>(112,921)</u>	<u>(204,210)</u>
Endowment fund net assets, December 31, 2019	2,740,796	16,383,092	19,123,888
Investment income	35,870	-	35,870
Contributions	-	122,211	122,211
Net appreciation	184,126	-	184,126
Change in interest in net assets of the Boy Scout Trust Fund	-	1,621,044	1,621,044
Appropriation of endowment assets for expenditure	<u>(598,112)</u>	<u>(121,943)</u>	<u>(720,055)</u>
Endowment fund net assets, December 31, 2020	\$ <u>2,362,680</u>	\$ <u>18,004,404</u>	\$ <u>20,367,084</u>

Notes to the Consolidated Financial Statements

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(11) Employee benefit plans

Retirement Plan

The National Council has a qualified defined benefit pension plan (the "Plan") administered by the National Council, which covers eligible employees of the National Council and local councils, including the Council. The Plan name is the *Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees*. Effective December 31, 2018, the Plan was frozen to employees with less than 15 years of vesting service, and whose age plus vesting service equaled less than 60 as of December 31, 2018 ("non-grandfathered employees"). From January 1, 2019 through July 31, 2020, employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 ("grandfathered employees") contributed 4.25 percent of compensation to the Plan. Effective August 1, 2020, the Plan was frozen to grandfathered employees, thereby freezing the Plan for all BSA employees. The Council contributes 7.75 percent of eligible employees' compensation to the BSA retirement program. Pension expense (excluding the contributions made by employees) was approximately \$94,199 and \$83,008 in 2020 and 2019, respectively, and covered current service cost. Employees are fully vested in the Plan when they have five years of vesting service; the first year of employment is counted for vesting service. Credited benefit service is the number of years the employee has been a member of the Plan and is used in the retirement formula, with a 35-year maximum. The actuarial information for the Plan as of February 1, 2020, indicates that it is in compliance with ERISA regulations regarding funding.

BSA Match Savings Plan

The Council participates in a defined contribution plan established by the National Council of the Boy Scouts of America. The plan name is the BSA Match Savings Plan, which covers substantially all employees of the Council. Participants in the BSA Match Savings Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitation set forth in the Internal Revenue Code of 1986, as amended. From January 1, 2020 through July 31, 2020, contributions made by grandfathered employees were matched by the Council at 50% up to 6% of pay for a total potential match of 3%. For non-grandfathered employees, the Council made automatic contributions of 1.75% (even if the employee made no contributions) and also matched 100% of their contributions up to 6% of pay. Effective August 1, 2020, the BSA Match Savings Plan was amended for all eligible employees (grandfathered or non-grandfathered). From August 1, 2020 and beyond, contributions made by all eligible BSA employees are matched by the Council at 50% up to 6% of pay for a total potential match of 3%. During 2020 and 2019, the Council contributed \$107,669 and \$127,592 to the BSA Match Savings Plan, respectively.

Thrift Plan

The Council has a Thrift Plan covering substantially all of the employees of the Council. The Council froze the Thrift Plan effective December 31, 2018.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Healthcare Plan

The Council's employees participate in a healthcare plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2020 and 2019, the Council remitted \$232,607 and \$262,843, respectively, on behalf of its employees to the National Council related to the healthcare plan.

(12) Operating leases

The Council has entered into various operating leases for certain office equipment. A summary of approximate future minimum payments under these leases as of December 31, 2020 is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 3,000
2022	3,000
2023	<u>3,000</u>
	<u>\$ 9,000</u>

Lease expense amounted to approximately \$42,000 in 2020 and \$43,000 in 2019.

(13) Contingencies

COVID-19 Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. During 2020, the Council was forced to cancel or postpone many of its scouting activities as well as fundraising events due to local "Safer at Home" mandates. As a result, the Council experienced decreased revenue from such activities. The Council received a PPP loan totaling approximately \$627,000, which was utilized by the Council for approved expenses and recognized as government grant revenue in the accompanying statement of changes in net assets. Additionally, the Council's board of directors approved a draw from the Council's board-designated endowment of \$500,000 to provide additional operating capital. The Council is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines.

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The extent of the impact of COVID-19 on the Council's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Council's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Council's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

Litigation

The National Council provides the Council with a charter, program materials and support for administration as well as sponsoring certain benefit plans for Council employees. Since 1978 the National Council has operated a general liability insurance program in which the Council participates. On February 18, 2020, the National Council filed for protection under chapter 11 of the United States Bankruptcy Code. The National Council continues to operate its business in the ordinary course and has received bankruptcy court approval to continue its relationship with the Councils including the benefit and insurance programs noted above. Neither the Council nor any other local council are currently parties to the bankruptcy proceeding. The National Council has sought to stay litigation against both the National Council and local councils and has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020. Such plan may require a yet to be determined contribution from local councils. The ability of the National Council to confirm such a plan and the size of the potential contribution from the Council is unknown. Management of the Council is unable to assess the effect, if any, the resolution of these matters by the National Council may have on the Council's operations or its financial statements.

(14) Related party transactions

Certain board members of the Council are employed at banks and investment firms where the Council maintains significant account balances.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

**Consolidated Changes in Net Assets Without Donor
Restrictions (Operating Fund Only) Compared to Budget**

Year ended December 31, 2020

	Operating Fund	Budget (Unaudited)	Over (Under) Budget (Unaudited)
Public support and revenue:			
Direct public support:			
Friends of Scouting	\$ 2,184,969	\$ 2,800,000	\$ (615,031)
Special events, net of direct costs	227,827	196,266	31,561
Other direct support	40,000	60,000	(20,000)
Government grant under the Paycheck Protection Program	<u>626,889</u>	<u>-</u>	<u>626,889</u>
Total direct public support	3,079,685	3,056,266	23,419
Indirect public support - United Way	<u>82,660</u>	<u>76,992</u>	<u>5,668</u>
Total public support	<u>3,162,345</u>	<u>3,133,258</u>	<u>29,087</u>
Other revenue:			
Sales of supplies, net of cost of goods sold	185,943	499,100	(313,157)
Camping and related fees	257,643	1,634,130	(1,376,487)
Activity revenue	114,154	526,855	(412,701)
Product sales, net of cost of products sold	366,029	833,400	(467,371)
Investment income	677,757	655,536	22,221
Miscellaneous revenue	<u>48,886</u>	<u>49,000</u>	<u>(114)</u>
Total other revenue	<u>1,650,412</u>	<u>4,198,021</u>	<u>(2,547,609)</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total public support and revenue	<u>4,815,757</u>	<u>7,331,279</u>	<u>(2,515,522)</u>
Expenses:			
Employee compensation:			
Salaries	2,697,539	3,333,787	(636,248)
Employment benefits	543,655	638,834	(95,179)
Payroll taxes	215,487	279,636	(64,149)
Employee Related Expenses	<u>-</u>	<u>10,500</u>	<u>(10,500)</u>
Total compensation expenses	3,456,681	4,262,757	(806,076)
Professional fees	73,086	70,928	2,158
Supplies and general expenses	318,627	1,168,827	(850,200)
Telephone	62,518	68,125	(5,607)
Postage and shipping	21,952	41,800	(19,848)
Occupancy expenses	388,428	532,850	(144,422)
Equipment rental and maintenance	106,598	111,000	(4,402)
Printing and publication	6,721	10,000	(3,279)
Travel and field operating expenses	192,785	293,907	(101,122)
Conference and meetings	9,953	61,925	(51,972)
Specific assistance	41,135	171,000	(129,865)
Recognition award	17,000	33,000	(16,000)
Insurance	109,499	100,000	9,499
Miscellaneous expenses	50,004	87,003	(36,999)
Unallocated payments to National Council	<u>89,062</u>	<u>89,063</u>	<u>(1)</u>
Total expenses	<u>4,944,049</u>	<u>7,102,185</u>	<u>(2,158,136)</u>
Transfer from endowment fund	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Increase in net assets without donor restrictions	<u>\$ 371,708</u>	<u>\$ 229,094</u>	<u>\$ 142,614</u>

See accompanying independent auditors' report.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

**Consolidated Changes in Net Assets Without Donor
Restrictions (Operating Fund Only) Compared to Prior Year**

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Public support and revenue:		
Direct public support:		
Friends of Scouting	\$ 2,184,969	\$ 2,773,361
Special events, net of direct costs	227,827	182,046
Other direct support	40,000	60,000
Government grant under the Paycheck Protection Program	<u>626,889</u>	<u>-</u>
Total direct public support	3,079,685	3,015,407
Indirect public support - United Way	<u>82,660</u>	<u>98,910</u>
Total public support	<u>3,162,345</u>	<u>3,114,317</u>
 Other revenue:		
Sales of supplies, net of cost of goods sold	185,943	469,370
Camping and related fees	257,643	1,513,071
Activity revenue	114,154	281,527
Product sales, net of cost of products sold	366,029	812,661
Investment income	677,757	645,267
Miscellaneous revenue	<u>48,886</u>	<u>59,796</u>
Total other revenue	<u>1,650,412</u>	<u>3,781,692</u>
 Net assets released from restrictions - restrictions satisfied by payments	<u>3,000</u>	<u>19,500</u>
Total public support and revenue	<u>4,815,757</u>	<u>6,915,509</u>
 Expenses:		
Program services	4,163,416	5,728,545
Supporting services:		
Management and general	270,154	317,688
Fundraising	421,417	474,320
Unallocated payments to National Council	<u>89,062</u>	<u>89,059</u>
Total expenses	<u>4,944,049</u>	<u>6,609,612</u>
 Transfers		
Transfer to capital fund	-	(200,000)
Transfer from endowment fund	<u>500,000</u>	<u>-</u>
Increase in net assets without donor restrictions	\$ <u>371,708</u>	\$ <u>105,897</u>

See accompanying independent auditors' report.