

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

**Financial Statements and Schedules**

**December 31, 2018  
(With Comparative Totals for 2017)**

**(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 financial statements of Middle Tennessee Council, Inc., Boy Scouts of America ("Council") (a not-for-profit organization) which are comprised of the statement of financial position as of December 31, 2018, and the related statements of changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Middle Tennessee Council, Inc., Boy Scouts of America as of December 31, 2018, 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 2017 financial statements, and our report dated April 24, 2018 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information in the schedules on Pages 29 and 30 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The budget information on Page 29 marked as "unaudited" is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on that information.

*LBMC, PC*

Brentwood, Tennessee  
April 24, 2019

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

**Statement of Financial Position**

**December 31, 2018  
(With Comparative Amounts for 2017)**

**Assets**

	<b>Operating Fund</b>		<b>Capital Fund</b>		<b>Endowment Fund</b>		<b>Total All Funds</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Current assets:</b>								
Cash	\$ 1,462,917	\$ 1,393,079	\$ 1,258,465	\$ 985,669	\$ 63,560	\$ 66,318	\$ 2,784,942	\$ 2,445,066
Restricted cash	50,814	81,564	-	-	-	-	50,814	81,564
Accounts receivable	517	516	-	-	-	-	517	516
Contributions receivable, net	400,026	367,449	189,080	97,255	-	-	589,106	464,704
Inventories	338,393	300,592	-	-	-	-	338,393	300,592
Prepaid expenses	158,595	177,549	-	-	-	-	158,595	177,549
<b>Total current assets</b>	<b>2,411,262</b>	<b>2,320,749</b>	<b>1,447,545</b>	<b>1,082,924</b>	<b>63,560</b>	<b>66,318</b>	<b>3,922,367</b>	<b>3,469,991</b>
Land, buildings and equipment, net	-	-	15,002,062	15,161,345	-	-	15,002,062	15,161,345
Long-term portion of pledges receivable	-	-	250,000	99,080	-	-	250,000	99,080
Investments	-	2,346,106	-	-	16,300,654	15,423,962	16,300,654	17,770,068
<b>Total noncurrent assets</b>	<b>-</b>	<b>2,346,106</b>	<b>15,252,062</b>	<b>15,260,425</b>	<b>16,300,654</b>	<b>15,423,962</b>	<b>31,552,716</b>	<b>33,030,493</b>
<b>Total assets</b>	<b>\$ 2,411,262</b>	<b>\$ 4,666,855</b>	<b>\$ 16,699,607</b>	<b>\$ 16,343,349</b>	<b>\$ 16,364,214</b>	<b>\$ 15,490,280</b>	<b>\$ 35,475,083</b>	<b>\$ 36,500,484</b>

**Liabilities and Net Assets**

<b>Current liabilities:</b>								
Accounts payable	\$ 119,026	\$ 145,331	\$ 158,025	\$ -	\$ -	\$ -	\$ 277,051	\$ 145,331
Camping, activity and other fees designated for future periods	73,332	53,049	-	-	-	-	73,332	53,049
Other accrued liabilities	126,668	124,320	-	-	-	-	126,668	124,320
Registration fees payable to National Council	165,127	190,250	-	-	-	-	165,127	190,250
Funds held for others	168,135	160,528	7,853	7,853	40,630	42,387	216,618	210,768
<b>Total current liabilities</b>	<b>652,288</b>	<b>673,478</b>	<b>165,878</b>	<b>7,853</b>	<b>40,630</b>	<b>42,387</b>	<b>858,796</b>	<b>723,718</b>
<b>Net assets:</b>								
Without donor restrictions	1,193,190	3,453,536	15,529,769	16,134,619	4,291,947	3,055,385	21,014,906	22,643,540
With donor restrictions	565,784	539,841	1,003,960	200,877	12,031,637	12,392,508	13,601,381	13,133,226
<b>Total net assets</b>	<b>1,758,974</b>	<b>3,993,377</b>	<b>16,533,729</b>	<b>16,335,496</b>	<b>16,323,584</b>	<b>15,447,893</b>	<b>34,616,287</b>	<b>35,776,766</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,411,262</b>	<b>\$ 4,666,855</b>	<b>\$ 16,699,607</b>	<b>\$ 16,343,349</b>	<b>\$ 16,364,214</b>	<b>\$ 15,490,280</b>	<b>\$ 35,475,083</b>	<b>\$ 36,500,484</b>

See accompanying notes to the financial statements.

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

**Statement of Changes in Net Assets**

**Year ended December 31, 2018  
(With Comparative Totals for 2017)**

	2018			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2018	2017
<b>Changes in net assets without donor restrictions</b>					
<b>Public support and revenue:</b>					
<b>Direct public support:</b>					
Friends of Scouting, including net assets released from expiration of time restriction of \$408,445 in 2018 and \$430,456 in 2017 and net of bad debts of \$358,375 in 2018 and \$278,492 in 2017	\$ 2,703,402	\$ -	\$ -	\$ 2,703,402	\$ 2,661,182
Memorial contributions	-	-	79,102	79,102	38,649
Special events, net of direct costs of \$53,033 in 2018 and \$68,624 in 2017	180,394	-	-	180,394	189,272
Other direct support	<u>7,376</u>	<u>-</u>	<u>-</u>	<u>7,376</u>	<u>58,120</u>
<b>Total direct public support</b>	<b>2,891,172</b>	<b>-</b>	<b>79,102</b>	<b>2,970,274</b>	<b>2,947,223</b>
<b>Indirect public support - United Way, including net assets released from expiration of time restriction of \$49,832 in 2018 and \$52,980 in 2017</b>	<u>105,860</u>	<u>-</u>	<u>-</u>	<u>105,860</u>	<u>119,636</u>
<b>Total public support</b>	<b><u>2,997,032</u></b>	<b><u>-</u></b>	<b><u>79,102</u></b>	<b><u>3,076,134</u></b>	<b><u>3,066,859</u></b>
<b>Other revenue:</b>					
Sales of supplies, net of cost of goods sold of \$760,828 in 2018 and \$799,745 in 2017	472,840	-	-	472,840	499,460
Camping and related fees	1,586,848	-	-	1,586,848	1,592,352
Activity revenue	247,696	-	-	247,696	545,506
Product sales, net of cost of products sold of \$415,096 in 2018 and \$402,750 in 2017, commissions paid of \$506,808 in 2018 and \$498,329 in 2017 and cost of camp cards of \$20,648 and \$20,202 in 2018 and 2017	717,285	-	-	717,285	691,602
Investment return designated for current operations	603,442	-	-	603,442	800,903
Investment return not designated	-	-	(1,188,646)	(1,188,646)	1,401,028
Miscellaneous revenue	42,413	-	-	42,413	24,841
Gain on disposal of vehicles	<u>-</u>	<u>8,937</u>	<u>-</u>	<u>8,937</u>	<u>-</u>
<b>Total other revenue</b>	<b><u>3,670,524</u></b>	<b><u>8,937</u></b>	<b><u>(1,188,646)</u></b>	<b><u>2,490,815</u></b>	<b><u>5,555,692</u></b>
<b>Net assets released from restrictions - restrictions satisfied by payments</b>	<u>30,750</u>	<u>69,753</u>	<u>-</u>	<u>100,503</u>	<u>880,641</u>
<b>Total public support and revenue</b>	<b><u>6,698,306</u></b>	<b><u>78,690</u></b>	<b><u>(1,109,544)</u></b>	<b><u>5,667,452</u></b>	<b><u>9,503,192</u></b>

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

**Statement of Changes in Net Assets, Continued**

**Year ended December 31, 2018  
(With Comparative Totals for 2017)**

	<u>2018</u>			<u>Total All Funds</u>	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions, continued					
Expenses:					
Program services	5,778,226	574,666	-	6,352,892	6,258,452
Management and general	285,985	36,291	-	322,276	369,917
Fundraising	466,828	72,583	-	539,411	715,869
Unallocated payments to National Council	<u>81,507</u>	<u>-</u>	<u>-</u>	<u>81,507</u>	<u>77,870</u>
Total operating expenses	<u>6,612,546</u>	<u>683,540</u>	<u>-</u>	<u>7,296,086</u>	<u>7,422,108</u>
Increase (decrease) in net assets without donor restrictions	<u>85,760</u>	<u>(604,850)</u>	<u>(1,109,544)</u>	<u>(1,628,634)</u>	<u>2,081,084</u>
Changes in net assets with donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting	460,009	-	-	460,009	408,443
Development campaign	-	872,836	-	872,836	571,041
Memorial contributions	<u>-</u>	<u>-</u>	<u>2,395</u>	<u>2,395</u>	<u>4,600</u>
Total direct public support	460,009	872,836	2,395	1,335,240	984,084
Indirect public support - United Way	<u>54,961</u>	<u>-</u>	<u>-</u>	<u>54,961</u>	<u>49,832</u>
Total public support	<u>514,970</u>	<u>872,836</u>	<u>2,395</u>	<u>1,390,201</u>	<u>1,033,916</u>
Investment return	<u>-</u>	<u>-</u>	<u>(363,266)</u>	<u>(363,266)</u>	<u>223,028</u>
Net assets released from restrictions:					
Expiration of time restriction	(458,277)	-	-	(458,277)	(483,436)
Restrictions satisfied by payments	<u>(30,750)</u>	<u>(69,753)</u>	<u>-</u>	<u>(100,503)</u>	<u>(880,641)</u>
Total net assets released from restrictions	<u>(489,027)</u>	<u>(69,753)</u>	<u>-</u>	<u>(558,780)</u>	<u>(1,364,077)</u>
Increase (decrease) in net assets with donor restrictions	<u>25,943</u>	<u>803,083</u>	<u>(360,871)</u>	<u>468,155</u>	<u>(107,133)</u>

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2018  
(With Comparative Totals for 2017)

	2018			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2018	2017
Increase (decrease) in net assets	111,703	198,233	(1,470,415)	(1,160,479)	1,973,951
Net assets at beginning of year:					
Without donor restrictions	3,453,536	16,134,619	3,055,385	22,643,540	20,558,768
With donor restrictions	<u>539,841</u>	<u>200,877</u>	<u>12,392,508</u>	<u>13,133,226</u>	<u>13,244,047</u>
Total net assets, beginning of year	3,993,377	16,335,496	15,447,893	35,776,766	33,802,815
Transfers between funds	<u>(2,346,106)</u>	<u>-</u>	<u>2,346,106</u>	<u>-</u>	<u>-</u>
Net assets at end of year:					
Without donor restrictions	1,193,190	15,529,769	4,291,947	21,014,906	22,643,540
With donor restrictions	<u>565,784</u>	<u>1,003,960</u>	<u>12,031,637</u>	<u>13,601,381</u>	<u>13,133,226</u>
Total net assets, end of year	<u>\$ 1,758,974</u>	<u>\$ 16,533,729</u>	<u>\$ 16,323,584</u>	<u>\$ 34,616,287</u>	<u>\$ 35,776,766</u>

See accompanying notes to the financial statements.

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

**Statement of Functional Expenses**

**Year ended December 31, 2018  
(With Comparative Totals for 2017)**

	2018				Total All Funds	
	Program Services	Supporting Services		Total	2018	2017
		Management and General	General Fundraising			
Employee compensation:						
Salaries	\$ 2,685,554	\$ 145,854	\$ 291,708	\$ 437,562	\$ 3,123,116	\$ 3,121,738
Employment benefits	503,147	28,362	56,725	85,087	588,234	586,166
Payroll taxes	<u>206,117</u>	<u>11,260</u>	<u>22,519</u>	<u>33,779</u>	<u>239,896</u>	<u>248,550</u>
Total compensation expenses	3,394,818	185,476	370,952	556,428	3,951,246	3,956,454
Professional fees	38,950	55,421	5,700	61,121	100,071	68,374
Supplies and general expenses	1,013,382	749	1,497	2,246	1,015,628	1,234,915
Telephone	55,934	2,288	4,576	6,864	62,798	60,789
Postage and shipping	24,053	1,768	3,536	5,304	29,357	34,347
Occupancy expenses	586,985	11,716	23,431	35,147	622,132	577,583
Equipment rental and maintenance	101,651	5,659	11,319	16,978	118,629	110,238
Printing and publications	8,274	56	113	169	8,443	9,490
Travel and field operating expenses	221,622	13,360	26,720	40,080	261,702	207,508
Conference and meetings	34,817	1,986	3,973	5,959	40,776	31,601
Specific assistance	114,735	-	-	-	114,735	96,613
Recognition awards	34,525	1,643	3,287	4,930	39,455	31,914
Insurance	168,920	6,695	13,389	20,084	189,004	222,016
Miscellaneous expenses	<u>112,417</u>	<u>3,132</u>	<u>6,263</u>	<u>9,395</u>	<u>121,812</u>	<u>141,047</u>
Total expenses before depreciation	5,911,083	289,949	474,756	764,705	6,675,788	6,782,889
Depreciation of buildings and equipment	<u>441,809</u>	<u>32,327</u>	<u>64,655</u>	<u>96,982</u>	<u>538,791</u>	<u>561,349</u>
	<u>\$ 6,352,892</u>	<u>\$ 322,276</u>	<u>\$ 539,411</u>	<u>\$ 861,687</u>	<u>\$ 7,214,579</u>	<u>\$ 7,344,238</u>

See accompanying notes to the financial statements.

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

**Statement of Cash Flows**

**Year ended December 31, 2018  
(With Comparative Totals for 2017)**

	<u>2018</u>			<u>Total All Funds</u>	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>					
Change in net assets	\$ <u>111,703</u>	\$ <u>198,233</u>	\$ <u>(1,470,415)</u>	\$ <u>(1,160,479)</u>	\$ <u>1,973,951</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	-	538,791	-	538,791	561,349
Amortization of discount on pledges receivable	-	(2,745)	-	(2,745)	(3,665)
Gain on disposal of vehicles	-	(8,937)	-	(8,937)	-
Net unrealized (gains) losses on investments	-	-	1,836,996	1,836,996	(93,235)
Contributions restricted for endowment purposes	-	-	(2,395)	(2,395)	(4,600)
Contributions restricted for capital improvements	-	(872,836)	-	(872,836)	(571,041)
<b>Changes in operating assets and liabilities:</b>					
Restricted cash	30,750	-	-	30,750	41,250
Contributions and accounts receivable	(32,578)	(340,000)	-	(372,578)	105,047
Inventories	(37,801)	-	-	(37,801)	(32,304)
Prepaid expenses	18,954	-	-	18,954	(6,694)
Accounts payable and other liabilities	(23,957)	158,025	-	134,068	10,532
Camping, activity and other fees designated for future periods	20,283	-	-	20,283	(88,002)
Registration fees payable to National Council	(25,123)	-	-	(25,123)	7,238
Funds held for others	<u>7,607</u>	<u>-</u>	<u>(1,757)</u>	<u>5,850</u>	<u>20,330</u>
<b>Net cash provided by operating activities</b>	<u>69,838</u>	<u>(329,469)</u>	<u>362,429</u>	<u>102,798</u>	<u>1,920,156</u>
<b>Cash flows from investing activities:</b>					
Proceeds from sales of investments	-	-	5,056	5,056	574,610
Purchases of investments	-	-	(372,638)	(372,638)	(2,427,051)
Proceeds from sale of land, buildings and equipment	-	23,802	-	23,802	-
Purchases of land, buildings and equipment	<u>-</u>	<u>(394,373)</u>	<u>-</u>	<u>(394,373)</u>	<u>(838,800)</u>
<b>Net cash used by investing activities</b>	<u>-</u>	<u>(370,571)</u>	<u>(367,582)</u>	<u>(738,153)</u>	<u>(2,691,241)</u>

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Cash Flows, Continued

Year ended December 31, 2018  
(With Comparative Totals for 2017)

	2018			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2018	2017
Cash flows from financing activities:					
Collection of endowment fund support	-	100,000	2,395	102,395	-
Collection of development campaign support	-	872,836	-	872,836	571,041
Net cash provided by financing activities	-	972,836	2,395	975,231	571,041
Net increase (decrease) in cash	69,838	272,796	(2,758)	339,876	(200,044)
Cash at beginning of year	1,393,079	985,669	66,318	2,445,066	2,645,110
Cash at end of year	\$ 1,462,917	\$ 1,258,465	\$ 63,560	\$ 2,784,942	\$ 2,445,066

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2018 and 2017

(1) Nature of Organization

The Middle Tennessee Council, Inc., Boy Scouts of America (the "Council"), provides service to young men ages 7–21, and young women ages 14–21, and operates in Nashville, Tennessee, including 37 counties of Middle Tennessee, and Fort Campbell, Kentucky. The Council has four camping facilities. The 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 program, the ability of boys, young men, and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, and self-reliance. The 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.

The Council's programs are classified as follows:

*Tiger Cubs*—One-year, family-oriented program for a group of teams, each consisting of a first-grade (or 7-year-old) boy and an adult partner (usually a parent). A tiger cub den is part of the Cub Scout pack.

*Cub Scouts*—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.

*Boy Scouting*—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.

*Varsity Scouting*—Program for young men ages 14–17 that provides options for those who are looking for rugged high adventure or challenging sporting activities and still want to be a part of a Scouting program that offers the advancement opportunities and values of the Boy Scouts of America. There are five fields of emphasis, including advancement, high adventure/sports, personal development, service, and special programs and events.

*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.

*Learning for Life*—Program to enable young people to become responsible individuals by teaching positive character traits, career development, leadership, and life skills so they can make ethical choices and achieve their full potential.

## Notes to the Financial Statements

December 31, 2018 and 2017

**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.

Starting in 2018, 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 Boy Scouting program, Scouts BSA is scheduled to launch 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 organization 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](http://www.mtcbsa.org).

(2) Summary of significant accounting policies(a) Recently adopted accounting pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies the current net asset classification requirements and improves the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The standard is effective for years beginning after December 15, 2017. Total net assets did not change as a result of adoption of this ASU. The effect of early adoption on net asset classifications in the 2017 comparative information is as follows:

	Operating Fund	Capital Fund	Endowment Fund	Total of All Funds
	2017			
As originally stated:				
Net assets end of year:				
Unrestricted net assets	\$ 3,453,536	\$ 16,134,619	\$ 3,055,385	\$ 22,643,540
Temporarily restricted net assets	539,841	200,877	705,577	1,446,295
Permanently restricted net assets	<u>-</u>	<u>-</u>	<u>11,686,931</u>	<u>11,686,931</u>
Total net assets, end of year	<u>\$ 3,993,377</u>	<u>\$ 16,335,496</u>	<u>\$ 15,447,893</u>	<u>\$ 35,776,766</u>
	2017			
As restated:				
Net assets, end of year:				
Without donor restrictions	\$ 3,453,536	\$ 16,134,619	\$ 3,055,385	\$ 22,643,540
With donor restrictions	<u>539,841</u>	<u>200,877</u>	<u>12,392,508</u>	<u>13,133,226</u>
Total net assets, end of year	<u>\$ 3,993,377</u>	<u>\$ 16,335,496</u>	<u>\$ 15,447,893</u>	<u>\$ 35,776,766</u>

Notes to the Financial Statements

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(b) 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

(c) Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. 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.

(d) Fund accounting

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization 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.

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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. 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 also included in the endowment fund.

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 accounting principles generally accepted in the United States 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. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

(f) Restricted Cash

The Council considers cash maintained for the Navigator Scholarship program to be restricted for the distribution of future scholarships.

(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, 2018 and 2017.

(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.

Notes to the Financial Statements

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(i) Land, buildings, and equipment

Land, buildings, and equipment purchased by the Council 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 represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

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. Annual depreciation is charged to the Capital Fund.

(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) 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. No such inter fund loans were outstanding at December 31, 2018 or 2017.

Notes to the Financial Statements

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(l) 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.

(m) 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, 2018 and 2017.

(n) 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 \$39,220 in 2018 and \$40,234 in 2017.

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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.

(o) Revenue recognition

Camping and activity revenue is recognized in the period in which the service is provided. Funds received in advance of providing these services are recorded as deferred income until the services are provided.

(p) Functional allocation of expenses

The costs of providing Scouting programs and supporting services have been summarized on the statement of activities and 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 a time studies performed by management on a periodical 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.

(q) Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2018 and 2017 amounted to approximately \$13,000 and \$12,000, respectively.

(r) 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 whereby 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.

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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, 2018 or 2017. 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.

(s) Events occurring after reporting date

The Council has evaluated events and transactions that occurred between December 31, 2018 and April 24, 2019 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(t) New accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09 *"Revenue from Contracts with Customers (Topic 606)"* ("ASU 2014-09") which will eliminate the transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principles-based approach. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The five step model defined by ASU 2014-09 requires the Council to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The FASB has also issued several ASUs to provide entities further clarity on the application of ASU 2014-09. ASU 2014-09 additionally enhances the required disclosures surrounding the nature, amount, timing and uncertainty of revenues and the associated cash flows. ASU 2014-09 may be applied retrospectively to each period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). ASU 2014-09, as amended, is effective for the Council beginning January 1, 2019 and the Council has not yet made a determination of the transition approach to be utilized for ASU 2014-09. Management of the Council is currently evaluating the impact adoption of ASU 2014-09 will have on its financial statements and disclosures.

## Notes to the Financial Statements

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The FASB's new lease accounting standard, ASU No. 2016-02, "*Leases*", which was issued in February 2016, will generally require on-balance sheet recognition for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of operations). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. The guidance is effective for the Council beginning January 1, 2020.

(3) Credit risk and other concentrations

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 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.

(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>2018</u>	<u>2017</u>
Cash -operating fund	\$ 1,462,917	\$ 1,393,079
Current operating fund contributions receivable	400,026	367,449
Accounts receivable - operating fund	<u>517</u>	<u>516</u>
Total financial assets as of end of year	1,863,460	1,761,044
Estimated appropriation from quasi-endowment for general expenditure in subsequent year	<u>159,000</u>	<u>54,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,022,460</u>	\$ <u>1,815,044</u>

The Council's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The quasi-endowment has a spending rate of 4 percent, which will be available within the next 12 months as of December 31, 2018 and 2017.

## Notes to the Financial Statements

December 31, 2018 and 2017

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 committed lines of credit in the amount of \$500,000 (Note 8), which it could draw upon. Additionally, the Council has a quasi-endowment of \$4,291,947 at December 31, 2018. Although the Council does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

(5) Contributions receivable

A summary of contributions receivable as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Friends of Scouting	\$ 346,309	\$ 317,853
United Way allocations	53,717	49,596
Development campaign	<u>440,000</u>	<u>200,000</u>
	840,026	567,449
Less discount to net present value at rates of approximately 1.85%	<u>(920)</u>	<u>(3,665)</u>
Total contributions receivable	839,106	563,784
Less current portion of contributions receivable	<u>(589,106)</u>	<u>(464,704)</u>
Long-term portion of contributions receivable	\$ <u>250,000</u>	\$ <u>99,080</u>

The contributions receivable at December 31, 2018 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.

Notes to the Financial Statements

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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.

**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.

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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, 2018 and 2017.

- (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.

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 table sets 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, 2018 and 2017:

Fair Value Measurements as of  
December 31, 2018 using the following inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 241,103	\$ 241,103	\$ -	\$ -
Equities and equity fund	13,076,100	13,076,100	-	-
Bonds and bond fund	<u>2,983,451</u>	<u>2,983,451</u>	-	-
Total financial assets	<u>\$ 16,300,654</u>	<u>\$ 16,300,654</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurements as of  
December 31, 2017 using the following inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 649,403	\$ 649,403	\$ -	\$ -
Equities and equity fund	14,275,294	14,275,294	-	-
Bonds and bond fund	<u>2,845,371</u>	<u>2,845,371</u>	-	-
Total financial assets	<u>\$ 17,770,068</u>	<u>\$ 17,770,068</u>	<u>\$ -</u>	<u>\$ -</u>

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Investments totaling \$2,214,608 at December 31, 2018 above have been designated by the Organization's board of directors as investments for an operating reserve. These investments are included in the Organization's endowment fund as net assets without donor restrictions. These investments were transferred from the operating fund to the endowment fund during 2018.

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.

The following schedule summarizes investment return included in the statement of changes in net assets for 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 484,679	\$ 469,281
Net gains (losses)	<u>(1,433,149)</u>	<u>1,955,678</u>
	<u>\$ (948,470)</u>	<u>\$ 2,424,959</u>

The above investment return is classified in the statement of changes in net assets for 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Without donor restrictions:		
Investment return designated for current operations	\$ 603,442	\$ 800,903
Investment return not designated	(1,188,646)	1,401,028
With donor restrictions	<u>(363,266)</u>	<u>223,028</u>
	<u>\$ (948,470)</u>	<u>\$ 2,424,959</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 Council's spending policy (Note 10).

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**(7) Land, buildings, and equipment**

A summary of land, buildings and equipment as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 5,324,687	\$ 5,324,687
Council office building	3,051,951	3,051,951
Buildings - Camps	13,553,906	13,484,153
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	398,227	398,227
Camps	1,028,965	1,028,965
Motor Vehicles	282,958	373,189
Construction in progress	<u>324,620</u>	<u>-</u>
	24,895,074	24,590,932
Accumulated depreciation	<u>(9,893,012)</u>	<u>(9,429,587)</u>
	<u>\$ 15,002,062</u>	<u>\$ 15,161,345</u>

**(8) Line of credit**

During 2018, the Council entered into 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%. There was no outstanding balance on the line of credit at December 31, 2018.

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**(9) Net assets with donor restrictions**

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

	<b>2018</b>			
	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
Subject to expenditure for specific purpose:				
Scholarships	\$ 50,814	\$ -	\$ -	\$ 50,814
United Way designation	54,961	-	-	54,961
Capital improvements	<u>-</u>	<u>1,003,960</u>	<u>-</u>	<u>1,003,960</u>
Total purpose restrictions	105,775	1,003,960	-	1,109,735
Subject to the passage of time:				
Friends of Scouting and other for future periods	<u>460,009</u>	<u>-</u>	<u>-</u>	<u>460,009</u>
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	9,793,810	9,793,810
Program activities:				
Scouting activities	-	-	728,993	728,993
Property maintenance	-	-	335,818	335,818
Camp Craig property maintenance	-	-	39,986	39,986
Laura Miller scholarship program	-	-	384,904	384,904
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>48,325</u>	<u>48,325</u>
Total subject to endowment spending policy and appropriation	<u>-</u>	<u>-</u>	<u>11,331,836</u>	<u>11,331,836</u>
Subject to appropriation and expenditure when a specific event occurs:				
Scouting activities:				
Camperships	-	-	415,115	415,115
Low income exploring	-	-	92,787	92,787
Property maintenance	-	-	44,611	44,611
Laura Miller scholarship program	-	-	133,346	133,346
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>13,942</u>	<u>13,942</u>
Total subject to appropriation and expenditure when a specific event occurs	<u>-</u>	<u>-</u>	<u>699,801</u>	<u>699,801</u>
Total net assets with donor restrictions	<u>\$ 565,784</u>	<u>\$ 1,003,960</u>	<u>\$ 12,031,637</u>	<u>\$ 13,601,381</u>

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	2017			
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Subject to expenditure for specific purpose:				
Scholarships	\$ 81,564	\$ -	\$ -	\$ 81,564
United Way allocations for future periods	49,832	-	-	49,832
Capital improvements	<u>-</u>	<u>200,877</u>	<u>-</u>	<u>200,877</u>
Total purpose restrictions	131,396	200,877	-	332,273
Subject to the passage of time:				
Friends of Scouting and other for future periods	<u>408,445</u>	<u>-</u>	<u>-</u>	<u>408,445</u>
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	9,943,852	9,943,852
Program activities:				
Scouting activities	-	-	836,740	836,740
Property maintenance	-	-	387,998	387,998
Camp Craig property maintenance	-	-	39,986	39,986
Laura Miller scholarship program	-	-	426,161	426,161
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>52,194</u>	<u>52,194</u>
Total subject to endowment spending policy and appropriation	<u>-</u>	<u>-</u>	<u>11,686,931</u>	<u>11,686,931</u>
Subject to appropriation and expenditure when a specific event occurs:				
Scouting activities:				
Camperships	-	-	415,115	415,115
Low income exploring	-	-	92,787	92,787
Property maintenance	-	-	44,611	44,611
Laura Miller scholarship program	-	-	139,901	139,901
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>13,163</u>	<u>13,163</u>
Total subject to appropriation and expenditure when a specific event occurs	<u>-</u>	<u>-</u>	<u>705,577</u>	<u>705,577</u>
Total net assets with donor restrictions	<u>\$ 539,841</u>	<u>\$ 200,877</u>	<u>\$ 12,392,508</u>	<u>\$ 13,133,226</u>

**(10) Endowment fund**

The Council's Endowment Fund includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including 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.

Notes to the Financial Statements

December 31, 2018 and 2017

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 Board of Directors 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 Board of Directors 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

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.

Spending policy

The Board of Directors (through the Executive Committee) has approved an endowment spending policy. The policy defines the total funds available from the Endowment Fund in a given year (the distributable income) as up to 4 percent of the Endowment Fund's average market value over the preceding three years. The Endowment Fund is to have returns greater than the proposed distribution plus management and trustee fees. If the market value of the Endowment Fund 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 Executive Committee (subject to the Board of Director's approval) may amend this spending policy.

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

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

Endowment net assets consisted of the following at December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 4,291,947	\$ -	\$ 4,291,947
Donor-restricted endowment funds:			
Original door-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,331,836	11,331,836
Accumulated investment gains	<u>-</u>	<u>699,801</u>	<u>699,801</u>
Total endowment net assets	\$ <u>4,291,947</u>	\$ <u>12,031,637</u>	\$ <u>16,323,584</u>

Endowment net assets consisted of the following at December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 3,055,385	\$ -	\$ 3,055,385
Donor-restricted endowment funds:			
Original door-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,686,931	11,686,931
Accumulated investment gains	<u>-</u>	<u>705,577</u>	<u>705,577</u>
Total endowment net assets	\$ <u>3,055,385</u>	\$ <u>12,392,508</u>	\$ <u>15,447,893</u>

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

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

Changes in the endowment net assets for the years ended December 31, 2018 and 2017 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, December 31, 2016	\$ 1,612,019	\$ 12,168,569	\$ 13,780,588
Investment income	358,522	458,596	817,118
Contributions	38,649	4,600	43,249
Net appreciation (depreciation)	1,132,596	148,250	1,280,846
Transfers	(86,401)	-	(86,401)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(387,507)</u>	<u>(387,507)</u>
Endowment fund net assets, December 31, 2017	3,055,385	12,392,508	15,447,893
Investment income	84,377	112,198	196,575
Contributions	79,102	2,395	81,497
Net appreciation (depreciation)	(1,273,023)	(357,489)	(1,630,512)
Board designations of net assets	2,346,106	-	2,346,106
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(117,975)</u>	<u>(117,975)</u>
Endowment fund net assets, December 31, 2018	\$ <u>4,291,947</u>	\$ <u>12,031,637</u>	\$ <u>16,323,584</u>

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. Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2018 and 2017, 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.

Notes to the Financial Statements

December 31, 2018 and 2017

(11) Employee benefit plans

*Retirement Plan*

The National Council has a qualified defined benefit multiemployer retirement plan that covers eligible employees of the National Council and this Council and is administered by the National Council. The plan name is the *Boy Scouts of America Retirement Plan for Employees* (the "Retirement Plan") and the Retirement Plan's three-digit plan number and its Employer Identification Number ("EIN") are 001 and EIN 22-1576300, respectively. The risks of participating in the multiemployer plan are different from a single employer plan in that the assets contributed to a multiemployer plan may be used to provide benefits to employees of other participating employers (i.e. other local councils). And, if a participating employer stops contributing to the plan, the unfunded obligations of the plan will be borne by the remaining participating employers.

Eligible employees contribute 2% of compensation and the Council contributes an additional 7% to the Plan. Pension expenses for the years ending December 31, 2018 and 2017 totaled \$138,337 and \$145,681, respectively, and covered current service costs. The actuarial information for the Plan as of February 1, 2017, indicated that the Plan is in compliance with the Employee Retirement Income Security Act of 1974 ("ERISA") regulations requiring funding.

*Thrift Plan*

The Council has established a Thrift Plan covering substantially all of the employees of the Council. Participants in the Thrift Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Code. The Council has elected to match employee contributions to the Thrift Plan up to 50% of contributions from each participant, limited to 3% of each employee's gross pay. The Council contributed \$37,970 and \$44,228 to the Thrift Plan in 2018 and 2017, respectively.

During 2018, the Council and National Council made certain changes to the Retirement Plan and Thrift Plans discussed above. See Note 14 for further discussion.

*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, 2018 and 2017, the Council remitted \$273,401 and \$272,473, respectively, on behalf of its employees to the National Council related to the healthcare plan.

Notes to the Financial Statements

December 31, 2018 and 2017

(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, 2018 is as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 35,000
2020	<u>8,000</u>
	<u>\$ 43,000</u>

Lease expense amounted to approximately \$50,000 in 2018 and \$138,000 in 2017.

(13) Related party transactions

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

(14) Subsequent event

Effective January 1, 2019, the National Council froze the Retirement Plan to new participants. Employees meeting certain age and tenure criteria will be grandfathered into the Retirement Plan. The National Council is adopting a new defined contribution plan (the "Match Savings Plan") in which participating councils will contribute 7.75% of eligible salaries to the Match Savings Plan. Eligible participants in the Match Savings Plan may contribute up to 6% of their eligible compensation which will be matched 100%. Additionally, participants in the Match Savings Plan will receive an automatic 1.75% contribution even if not contributing to the Match Savings Plan. As a result of these changes, the Council froze the Thrift Plan effective December 31, 2018.

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

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

**Year ended December 31, 2018**

	<b>Operating Fund</b>	<b>Budget (Unaudited)</b>	<b>Over (Under) Budget</b>
<b>Public support and revenue:</b>			
<b>Direct public support:</b>			
Friends of Scouting	\$ 2,703,402	\$ 2,673,000	\$ 30,402
Special events, net of direct costs	180,394	195,500	(15,106)
Other direct support	<u>7,376</u>	<u>-</u>	<u>7,376</u>
<b>Total direct public support</b>	<b>2,891,172</b>	<b>2,868,500</b>	<b>22,672</b>
<b>Indirect public support - United Way</b>	<u>105,860</u>	<u>116,600</u>	<u>(10,740)</u>
<b>Total public support</b>	<u><b>2,997,032</b></u>	<u><b>2,985,100</b></u>	<u><b>11,932</b></u>
<b>Other revenue:</b>			
Sales of supplies, net of cost of goods sold	472,840	469,400	3,440
Camping and related fees	1,586,848	1,646,816	(59,968)
Activity revenue	247,696	401,363	(153,667)
Product sales, net of cost of products sold	717,285	685,500	31,785
Investment income	603,442	594,604	8,838
Miscellaneous revenue	<u>42,413</u>	<u>34,058</u>	<u>8,355</u>
<b>Total other revenue</b>	<u><b>3,670,524</b></u>	<u><b>3,831,741</b></u>	<u><b>(161,217)</b></u>
<b>Net assets released from restrictions - restrictions   satisfied by payments</b>	<u>30,750</u>	<u>-</u>	<u>30,750</u>
<b>Total public support and revenue</b>	<u><b>6,698,306</b></u>	<u><b>6,816,841</b></u>	<u><b>(118,535)</b></u>
<b>Expenses:</b>			
<b>Employee compensation:</b>			
Salaries	3,098,741	3,180,500	(81,759)
Employment benefits	587,761	610,718	(22,957)
Payroll taxes	238,031	278,660	(40,629)
Employee Related Expenses	<u>-</u>	<u>6,000</u>	<u>(6,000)</u>
<b>Total compensation expenses</b>	<b>3,924,533</b>	<b>4,075,878</b>	<b>(151,345)</b>
Professional fees	100,071	68,300	31,771
Supplies and general expenses	1,001,913	1,107,256	(105,343)
Telephone	62,798	69,200	(6,402)
Postage and shipping	29,357	50,078	(20,721)
Occupancy expenses	557,060	504,550	52,510
Equipment rental and maintenance	118,629	117,500	1,129
Printing and publication	8,443	12,000	(3,557)
Travel and field operating expenses	261,318	269,760	(8,442)
Conference and meetings	39,780	35,900	3,880
Specific assistance	114,735	117,500	(2,765)
Recognition award	39,455	33,500	5,955
Insurance	189,004	175,800	13,204
Miscellaneous expenses	83,943	91,950	(8,007)
Unallocated payments to National Council	<u>81,507</u>	<u>81,000</u>	<u>507</u>
<b>Total expenses</b>	<u><b>6,612,546</b></u>	<u><b>6,810,172</b></u>	<u><b>(197,626)</b></u>
<b>Transfer to capital fund</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase in net assets without restrictions</b>	<u><b>\$ 85,760</b></u>	<u><b>\$ 6,669</b></u>	<u><b>\$ 79,091</b></u>

See accompanying independent auditors' report.

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

**Changes in Net Assets Without Donor Restrictions (Operating Fund Only)**

**Years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Public support and revenue:</b>		
<b>Direct public support:</b>		
Friends of Scouting	\$ 2,703,402	\$ 2,661,182
Special events, net of direct costs	180,394	189,272
Other direct support	<u>7,376</u>	<u>58,120</u>
<b>Total direct public support</b>	<b>2,891,172</b>	<b>2,908,574</b>
<b>Indirect public support - United Way</b>	<u>105,860</u>	<u>119,636</u>
<b>Total public support</b>	<u><b>2,997,032</b></u>	<u><b>3,028,210</b></u>
<b>Other revenue:</b>		
Sales of supplies, net of cost of goods sold	472,840	499,460
Camping and related fees	1,586,848	1,592,352
Activity revenue	247,696	545,506
Product sales, net of cost of products sold	717,285	691,602
Investment income	603,442	800,903
Miscellaneous revenue	<u>42,413</u>	<u>24,841</u>
<b>Total other revenue</b>	<u><b>3,670,524</b></u>	<u><b>4,154,664</b></u>
<b>Net assets released from restrictions - restrictions satisfied by payments</b>	<u>30,750</u>	<u>41,250</u>
<b>Total public support and revenue</b>	<u><b>6,698,306</b></u>	<u><b>7,224,124</b></u>
<b>Expenses:</b>		
Program services	5,778,226	5,748,702
Supporting services:		
Management and general	285,985	325,117
Fundraising	466,828	613,468
Unallocated payments to National Council	<u>81,507</u>	<u>77,870</u>
<b>Total expenses</b>	<u><b>6,612,546</b></u>	<u><b>6,765,157</b></u>
Transfer to capital fund	<u>-</u>	<u>250,000</u>
<b>Increase in net assets without donor restrictions</b>	<u><b>\$ 85,760</b></u>	<u><b>\$ 208,967</b></u>

See accompanying independent auditors' report.