

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

**Consolidated Financial Statements and Schedules**

**December 31, 2022  
(With Comparative Totals for 2021)**

**(With Independent Auditors' Report Thereon)**



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

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Middle Tennessee Council, Inc., Boy Scouts of America (a not-for-profit organization) (the "Council"), which comprise the consolidated statement of financial position as of December 31, 2022, 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.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

#### Report on Summarized Comparative Information

We have previously audited the Council's 2021 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules of consolidated changes in net assets without donor restrictions compared to budget and compared to prior year are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The prior year information on Page 36 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 35 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  
April 25, 2023

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Consolidated Statement of Financial Position

December 31, 2022  
(With Comparative Amounts for 2021)

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Assets</b>								
Current assets:								
Cash	\$ 1,319,342	\$ 1,380,163	\$ 676,287	\$ 706,706	\$ 574,547	\$ 536,535	\$ 2,570,176	\$ 2,623,404
Restricted cash	-	28,314	2,280,285	3,683,740	-	-	2,280,285	3,712,054
Certificates of deposit	222,667	-	-	-	-	-	222,667	-
Contributions receivable, net	349,683	469,180	588,152	563,798	5,000	10,000	942,835	1,042,978
Inventories	241,888	184,435	-	-	-	-	241,888	184,435
Interfund loans	-	693,408	-	(693,408)	-	-	-	-
Prepaid expenses and other assets	171,664	282,124	-	-	-	-	171,664	282,124
Total current assets	2,305,244	3,037,624	3,544,724	4,260,836	579,547	546,535	6,429,515	7,844,995
Land, buildings and equipment, net	-	-	15,888,597	15,058,832	-	-	15,888,597	15,058,832
Long-term portion of contributions receivable	-	-	309,266	625,030	-	-	309,266	625,030
Certificates of deposit	685,333	-	-	-	300,000	-	985,333	-
Investments	-	-	-	-	-	2,687,073	-	2,687,073
Interest in the Boy Scout Trust Fund	-	-	-	-	15,590,658	19,476,906	15,590,658	19,476,906
Total noncurrent assets	685,333	-	16,197,863	15,683,862	15,890,658	22,163,979	32,773,854	37,847,841
Total assets	\$ 2,990,577	\$ 3,037,624	\$ 19,742,587	\$ 19,944,698	\$ 16,470,205	\$ 22,710,514	\$ 39,203,369	\$ 45,692,836
<b>Liabilities and Net Assets</b>								
Current liabilities:								
Accounts payable	\$ 123,680	\$ 83,649	\$ -	\$ -	\$ -	\$ -	\$ 123,680	\$ 83,649
Camping, activity and other fees designated for future periods	81,984	33,173	-	-	-	-	81,984	33,173
Other accrued liabilities	133,500	146,130	-	-	-	-	133,500	146,130
Contribution payable - Settlement Trust (Note 2)	-	3,586,493	-	-	-	-	-	3,586,493
Registration fees payable to National Council	200,210	138,905	-	-	-	-	200,210	138,905
Current installments of note payable	222,667	-	-	-	-	-	222,667	-
Funds held for others	178,197	172,456	-	-	52,225	62,577	230,422	235,033
Total current liabilities	940,238	4,160,806	-	-	52,225	62,577	992,463	4,223,383
Note payable, excluding current installments	445,333	-	-	-	-	-	445,333	-
Total liabilities	1,385,571	4,160,806	-	-	52,225	62,577	1,437,796	4,223,383
Net assets:								
Without donor restrictions	1,114,534	(1,841,929)	15,331,169	15,478,902	600,073	2,987,108	17,045,776	16,624,081
With donor restrictions	490,472	718,747	4,411,418	4,465,796	15,817,907	19,660,829	20,719,797	24,845,372
Total net assets	1,605,006	(1,123,182)	19,742,587	19,944,698	16,417,980	22,647,937	37,765,573	41,469,453
Total liabilities and net assets	\$ 2,990,577	\$ 3,037,624	\$ 19,742,587	\$ 19,944,698	\$ 16,470,205	\$ 22,710,514	\$ 39,203,369	\$ 45,692,836

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, 2022  
(With Comparative Totals for 2021)**

	<u>2022</u>			<u>Total All Funds</u>	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2022</u>	<u>2021</u>
<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 \$605,475 in 2022 and \$564,149 in 2021 and net of bad debts of \$169,940 in 2022 and \$275,123 in 2021	\$ 2,505,045	\$ -	\$ -	\$ 2,505,045	\$ 2,333,056
Government grant under the Paycheck Protection Program	-	-	-	-	626,890
Special events, net of direct costs of \$74,567 in 2022 and \$68,637 in 2021	303,555	-	-	303,555	312,821
Contributed nonfinancial assets	50,820	-	-	50,820	48,701
Other direct support	<u>285,000</u>	<u>-</u>	<u>-</u>	<u>285,000</u>	<u>40,000</u>
<b>Total direct public support</b>	<b>3,144,420</b>	<b>-</b>	<b>-</b>	<b>3,144,420</b>	<b>3,361,468</b>
<b>Indirect public support - United Way, including net assets released from       expiration of time restriction of \$16,250 in 2022 and 2021</b>	<u>51,010</u>	<u>-</u>	<u>-</u>	<u>51,010</u>	<u>50,127</u>
<b>Total public support</b>	<u><b>3,195,430</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>3,195,430</b></u>	<u><b>3,411,595</b></u>
<b>Other revenue:</b>					
Scout shop and trading post sales, net of cost of goods sold of \$632,501 in 2022 and \$546,319 in 2021	404,063	-	-	404,063	344,655
Camping and related fees	1,109,466	-	-	1,109,466	1,121,262
Activity revenue	225,280	-	-	225,280	261,153
Product sales, net of cost of products sold of \$367,932 in 2022 and \$336,998 in 2021, commissions paid of \$461,259 in 2022 and \$389,739 in 2021 and cost of camp cards of \$27,888 and \$22,860 in 2022 and 2021	557,309	-	-	557,309	451,984
Receipts of distributions from the Boy Scout Trust Fund designated for current operations	959,383	-	-	959,383	619,701
Investment return not designated	-	-	(12,675)	(12,675)	324,428
Miscellaneous revenue	<u>350,209</u>	<u>-</u>	<u>-</u>	<u>350,209</u>	<u>186,889</u>
<b>Total other revenue</b>	<u><b>3,605,710</b></u>	<u><b>-</b></u>	<u><b>(12,675)</b></u>	<u><b>3,593,035</b></u>	<u><b>3,310,072</b></u>
<b>Net assets released from donor restrictions - restrictions satisfied by payments</b>	<u><b>28,314</b></u>	<u><b>239,123</b></u>	<u><b>-</b></u>	<u><b>267,437</b></u>	<u><b>436,856</b></u>
<b>Total public support and revenue</b>	<u><b>6,829,454</b></u>	<u><b>239,123</b></u>	<u><b>(12,675)</b></u>	<u><b>7,055,902</b></u>	<u><b>7,158,523</b></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, 2022  
(With Comparative Totals for 2021)**

	<b>2022</b>			<b>Total All Funds</b>	
	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>2022</b>	<b>2021</b>
<b>Changes in net assets without donor restrictions, continued</b>					
Expenses:					
Program services	5,055,069	591,199	-	5,646,268	5,573,006
Management and general	379,672	31,886	-	411,558	308,150
Fundraising	410,187	63,771	-	473,958	481,845
Unallocated payments to National Council	102,423	-	-	102,423	89,063
Contribution to Settlement Trust	-	-	-	-	3,586,493
<b>Total operating expenses</b>	<b>5,947,351</b>	<b>686,856</b>	<b>-</b>	<b>6,634,207</b>	<b>10,038,557</b>
<b>Increase (decrease) in net assets without donor restrictions</b>	<b>882,103</b>	<b>(447,733)</b>	<b>(12,675)</b>	<b>421,695</b>	<b>(2,880,034)</b>
<b>Changes in net assets with donor restrictions</b>					
Public support and revenue:					
Direct public support:					
Friends of Scouting	421,764	-	-	421,764	607,475
Development campaign	-	184,745	-	184,745	335,618
Endowment contributions	-	-	77,641	77,641	55,125
Memorial contributions	-	-	5,371	5,371	6,260
<b>Total direct public support</b>	<b>421,764</b>	<b>184,745</b>	<b>83,012</b>	<b>689,521</b>	<b>1,004,478</b>
Indirect public support - United Way	-	-	-	-	16,250
<b>Total public support</b>	<b>421,764</b>	<b>184,745</b>	<b>83,012</b>	<b>689,521</b>	<b>1,020,728</b>
<b>Change in the interest in the Boy Scout Trust Fund</b>	<b>-</b>	<b>-</b>	<b>(3,925,934)</b>	<b>(3,925,934)</b>	<b>1,595,040</b>
<b>Net assets released from restrictions:</b>					
Expiration of time restriction	(621,725)	-	-	(621,725)	(527,950)
Restrictions satisfied by payments	(28,314)	(239,123)	-	(267,437)	(436,856)
<b>Total net assets released from donor restrictions</b>	<b>(650,039)</b>	<b>(239,123)</b>	<b>-</b>	<b>(889,162)</b>	<b>(964,806)</b>
<b>Increase (decrease) in net assets with donor restrictions</b>	<b>(228,275)</b>	<b>(54,378)</b>	<b>(3,842,922)</b>	<b>(4,125,575)</b>	<b>1,650,962</b>

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, 2022  
(With Comparative Totals for 2021)**

	<b>2022</b>			<b>Total All Funds</b>	
	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>2022</b>	<b>2021</b>
Increase (decrease) in net assets	653,828	(502,111)	(3,855,597)	(3,703,880)	(1,229,072)
Net assets at beginning of year:					
Without donor restrictions	(1,841,929)	15,478,902	2,987,108	16,624,081	19,504,115
With donor restrictions	<u>718,747</u>	<u>4,465,796</u>	<u>19,660,829</u>	<u>24,845,372</u>	<u>23,194,410</u>
Total net assets, beginning of year	(1,123,182)	19,944,698	22,647,937	41,469,453	42,698,525
Transfers between funds	<u>2,074,360</u>	<u>300,000</u>	<u>(2,374,360)</u>	-	-
Net assets at end of year:					
Without donor restrictions	1,114,534	15,331,169	600,073	17,045,776	16,624,081
With donor restrictions	<u>490,472</u>	<u>4,411,418</u>	<u>15,817,907</u>	<u>20,719,797</u>	<u>24,845,372</u>
Total net assets, end of year	<u>\$ 1,605,006</u>	<u>\$ 19,742,587</u>	<u>\$ 16,417,980</u>	<u>\$ 37,765,573</u>	<u>\$ 41,469,453</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, 2022  
(With Comparative Totals for 2021)

	2022				Total All Funds	
	Program Services	Supporting Services			2022	2021
		Management and General	General Fundraising	Total		
Employee compensation:						
Salaries	\$ 2,387,467	\$ 127,393	\$ 254,786	\$ 382,179	\$ 2,769,646	\$ 2,935,128
Employment benefits	519,026	30,800	61,600	92,400	611,426	596,630
Payroll taxes	<u>176,479</u>	<u>9,575</u>	<u>19,149</u>	<u>28,724</u>	<u>205,203</u>	<u>204,758</u>
Total compensation expenses	3,082,972	167,768	335,535	503,303	3,586,275	3,736,516
Professional fees	18,451	175,405	1,658	177,063	195,514	139,499
Supplies and general expenses	825,954	751	1,502	2,253	828,207	725,719
Telephone	51,798	1,858	3,717	5,575	57,373	58,492
Postage and shipping	20,641	1,081	2,161	3,242	23,883	24,679
Occupancy expenses	574,981	8,178	16,355	24,533	599,514	530,489
Equipment rental and maintenance	91,243	5,234	10,469	15,703	106,946	89,033
Printing and publications	1,872	105	204	309	2,181	1,676
Travel and field operating expenses	196,960	10,150	20,299	30,449	227,409	200,044
Conference and meetings	32,157	2,080	4,161	6,241	38,398	16,151
Specific assistance	68,651	-	-	-	68,651	55,142
Recognition awards	29,609	1,543	3,087	4,630	34,239	38,431
Insurance	119,634	2,473	4,946	7,419	127,053	107,763
Interest expense	8,020	-	-	-	8,020	-
Miscellaneous expenses	<u>89,780</u>	<u>3,209</u>	<u>6,418</u>	<u>9,627</u>	<u>99,407</u>	<u>86,791</u>
Total expenses before depreciation	5,212,723	379,835	410,512	790,347	6,003,070	5,810,425
Depreciation of buildings and equipment	<u>433,545</u>	<u>31,723</u>	<u>63,446</u>	<u>95,169</u>	<u>528,714</u>	<u>552,576</u>
	<u>\$ 5,646,268</u>	<u>\$ 411,558</u>	<u>\$ 473,958</u>	<u>\$ 885,516</u>	<u>\$ 6,531,784</u>	<u>\$ 6,363,001</u>

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, 2022  
(With Comparative Totals for 2021)**

	2022			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2022	2021
Cash flows from operating activities:					
Change in net assets	\$ 653,828	\$ (502,111)	\$ (3,855,597)	\$ (3,703,880)	\$ (1,229,072)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	-	528,714	-	528,714	552,576
Net unrealized (gains) losses on investments	-	-	12,959	12,959	(324,611)
Change in interest in net assets of the Boy Scout Trust Fund	-	-	3,925,934	3,925,934	(1,595,040)
Contributions restricted for endowment purposes	-	-	(83,012)	(83,012)	-
Contributions restricted for capital improvements	-	(184,745)	-	(184,745)	(335,618)
Changes in operating assets and liabilities:					
Contributions and accounts receivable	119,497	-	5,000	124,497	(26,123)
Inventories	(57,453)	-	-	(57,453)	99,990
Prepaid expenses	110,460	-	-	110,460	(46,985)
Contribution payable - Settlement Fund	(3,586,493)	-	-	(3,586,493)	3,586,493
Accounts payable and other liabilities	27,401	-	-	27,401	136,111
Camping, activity and other fees designated for future periods	48,811	-	-	48,811	(40,103)
Registration fees payable to National Council	61,305	-	-	61,305	(11,871)
Funds held for others	5,741	-	(10,352)	(4,611)	(6,360)
Net cash provided (used) by operating activities	(2,616,903)	(158,142)	(5,068)	(2,780,113)	759,387
Cash flows from investing activities:					
Proceeds from sales of investments	-	-	2,674,114	2,674,114	-
Purchases of investments	-	-	(39,686)	(39,686)	(8,703)
Purchases of certifications of deposit	(908,000)	-	(300,000)	(1,208,000)	-
Purchases of land, buildings and equipment	-	(1,358,479)	-	(1,358,479)	(368,717)
Net cash provided (used) by investing activities	(908,000)	(1,358,479)	2,334,428	67,949	(377,420)

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, 2022  
(With Comparative Totals for 2021)**

	<u>2022</u>			<u>Total All Funds</u>	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2022</u>	<u>2021</u>
Cash flows from financing activities:					
Collection of capital campaign support	-	476,155	-	476,155	650,655
Collection of endowment contributions	-	-	83,012	83,012	-
Proceeds from issuance of note payable	668,000	-	-	668,000	-
Interfund loans	693,408	(693,408)	-	-	-
Proceeds from (payments of) transfers between funds	<u>2,074,360</u>	<u>300,000</u>	<u>(2,374,360)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>3,435,768</u>	<u>82,747</u>	<u>(2,291,348)</u>	<u>1,227,167</u>	<u>650,655</u>
Increase (decrease) in cash	(89,135)	(1,433,874)	38,012	(1,484,997)	1,032,622
Cash and restricted cash at beginning of year	<u>1,408,477</u>	<u>4,390,446</u>	<u>536,535</u>	<u>6,335,458</u>	<u>5,302,836</u>
Cash and restricted cash at end of year	\$ <u>1,319,342</u>	\$ <u>2,956,572</u>	\$ <u>574,547</u>	\$ <u>4,850,461</u>	\$ <u>6,335,458</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:

	<u>2022</u>			<u>Total All Funds</u>	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2022</u>	<u>2021</u>
Cash	1,319,342	676,287	574,547	2,570,176	2,623,404
Restricted cash	<u>-</u>	<u>2,280,285</u>	<u>-</u>	<u>2,280,285</u>	<u>3,712,054</u>
	\$ <u>1,319,342</u>	\$ <u>2,956,572</u>	\$ <u>574,547</u>	\$ <u>4,850,461</u>	\$ <u>6,335,458</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, 2022 and 2021

### (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 Rules 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.

The Properties Trust is a Tennessee charitable trust whose sole purpose is to support the activities, purposes and mission of Middle Tennessee Council. 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.

*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.

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

## Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

**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](http://www.mtcbsa.org).

### (2) Summary of significant accounting policies

#### (a) Recently adopted accounting pronouncements

Effective January 1, 2022, the Council adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases*. ASC 842 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 those with a lease term of twelve months or less. Leases are classified as either finance leases or operating leases. The Council adopted FASB ASC 842 effective January 1, 2022. Management determined that there were no material right of use ("ROU") assets or lease liabilities required to be recorded upon adoption.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

Effective January 1, 2022, the Council adopted the provisions of FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in ASU 2020-07 apply to nonprofit organizations that receive contributed nonfinancial assets (also referred to as gifts-in-kind) and address presentation and disclosure of those contributed nonfinancial assets. The term "nonfinancial assets" includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, cryptocurrency, services, and unconditional promises of those assets. Under ASU 2020-07, organizations must present gifts-in-kind as a separate line item in the statement of activities, apart from gifts of cash and other financial assets. In addition to this presentation requirement, the gifts-in-kind must be further broken down into categories (fixed assets, supplies, contributed services, etc.) in the notes to the financial statements. For each category of contributed nonfinancial assets recognized in the financial statements, further footnote disclosures are required under the ASU, including whether the gifts-in-kind were sold or used, among other disclosures. The provisions of ASU 2020-07 must be applied on a retrospective basis (meaning that all periods presented in comparative financial statements must reflect the requirements of the new standard). Adoption of this standard had no effect on its net assets for the years ending December 31, 2022 and 2021.

(b) Prior year summarized comparative information

The consolidated financial statements and related 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 consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

(c) Principles of consolidation

The Properties Trust was established to be a supporting organization within the meaning of Section 509(a)(3) of the Internal Revenue Code (the "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 Middle Tennessee Council. For accounting purposes, the assets owned by the Properties Trust are included in this consolidated statement. The Properties Trust supports 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. 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 consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(d) Basis of accounting

The consolidated 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.

(e) 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.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

**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 consolidated 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)(l)).

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

(f) **Use of estimates**

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) **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. The Council also considers \$668,000 of certificates of deposit to be restricted for the repayment of the note payable.

(h) **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, 2022 and 2021.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(i) Inventories

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

(j) 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.

(k) 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 consolidated statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Investment return shown in the consolidated 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 consolidated statement of financial position.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

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. Prior to January 1, 2022, the trustees 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. Effective January 1, 2022, the maximum percentage was increased to 6% of the three-year rolling-average balance of its investments. 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 consolidated 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.

(m) Inter fund loans

At certain times, inter fund loans may be made between the Endowment Fund, Operating Fund, and Capital Fund for the purpose of making temporary advances of surplus cash funds when cash may be needed for operating, capital or investing related purposes.

(n) 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.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(o) 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, 2022 and 2021.

(p) Contributed non-financial assets

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 in the net assets without donor restrictions category, 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 in the net assets with donor restrictions category. 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 services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. Some members of the Council have donated significant amounts of time to the Council in furthering its programs and objectives. However, no amounts have been included in the consolidated financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(q) Revenue recognition

***Revenue from Exchange Transactions:*** The Council recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. Topic 606 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 consolidated statements of changes in net assets for the years ending December 31, 2022 and 2021:

***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, 2022 and 2021.

***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 Topic 606, 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 consolidated 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, 2022 and 2021, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

**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.

**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 consolidated 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. Topic 606 requires allocation of the transaction price to the performance obligations. Accordingly, the Council separately presents in its consolidated statement of changes in net assets or notes to the consolidated 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.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(r) Leases

From time to time, the Council may enter into noncancelable leasing arrangements. If the arrangements provide the Council the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. The Council has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Council has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. Upon the adoption of the new lease guidance and through December 31, 2022, the Council did not have any material operating or financing leases for which the lease term exceeded 12 months; therefore, no right of use assets or lease liabilities are recorded.

(s) Paycheck Protection Program and other governmental aid

During 2020, the Council received \$626,890 in 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 Council met certain requirements of the loan. In November 2021, 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 in the summarized comparative information on the accompanying 2021 consolidated statement of changes in net assets.

Under the provisions of the CARES Act, the Council was eligible for a refundable employee retention credit subject to certain criteria. The Council recognized approximately \$332,000 during 2022 which is included in miscellaneous revenue of the operating fund in the accompanying 2022 consolidated statement of changes in net assets.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(t) Functional allocation of expenses

The costs of providing Scouting programs and supporting services have been summarized on the consolidated 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 consolidated financial statements report expenses by function in the consolidated statement of functional expenses.

(u) Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expenses incurred in 2022 and 2021 totaled approximately \$14,000.

(v) Contribution to the Settlement Trust

The Council evaluates and accounts for potential contingent losses in accordance with ASC Topic 450, *Contingencies* ("Topic 450"). As such, management records potential losses when a loss is considered probable of occurring and reasonably estimable.

During 2021, the Council executed a non-binding letter of intent indicating to the National Council that the Council would participate in contributing an amount equal to approximately \$3,586,000 to the Settlement Trust in order to help facilitate a potential resolution to the National Council's bankruptcy proceedings subject to certain conditions, including but not limited to the release of the Council from abuse claims prior to February 18, 2020 and the contributions of other local councils to the Settlement Fund satisfactory to the bankruptcy court.

At December 31, 2021, the Council had accrued a liability in the Operating Fund for the estimated payment to the settlement trust. During 2022, the Council paid the liability utilizing approximately \$2,700,000 in cash from the liquidation of board designated investments and approximately \$660,000 from cash received from a bank loan.

(w) Income taxes

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of 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.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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 consolidated financial statements as of December 31, 2022 or 2021. 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.

(x) Reclassifications

Certain reclassifications have been made to the 2021 summarized financial statement information to conform to the current year presentation. These reclassifications had no effect on the change in net assets for 2021.

(y) Events occurring after reporting date

The Council has evaluated events and transactions that occurred between December 31, 2022 and April 25, 2023 which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in 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

December 31, 2022 and 2021

(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>2022</u>	<u>2021</u>
Cash - operating fund	\$ 1,319,342	\$ 1,380,163
Current operating fund contributions receivable	349,683	469,180
Accounts receivable - operating fund	<u>-</u>	<u>13,467</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,669,025</u>	\$ <u>1,862,810</u>

Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

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.

(5) Contributions receivable

A summary of contributions receivable as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Friends of Scouting	\$ 349,683	\$ 452,930
United Way allocations	-	16,250
Capital campaign	897,418	1,188,828
Endowment	<u>5,000</u>	<u>10,000</u>
Total contributions receivable	1,252,101	1,668,008
Less current portion of contributions receivable	<u>(942,835)</u>	<u>(1,042,978)</u>
Long-term portion of contributions receivable	\$ <u>309,266</u>	\$ <u>625,030</u>

The capital campaign contributions receivable at December 31, 2022 consists of pledges from two 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.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

**(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.

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.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Consolidated Financial Statements

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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, 2022 and 2021.

- (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 consolidated 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.

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, 2022 and 2021:

Fair Value Measurements as of December 31, 2022 using the following inputs				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Interest in net assets of Trust Fund	\$ <u>15,890,658</u>	\$ <u>-</u>	\$ <u>15,890,658</u>	\$ <u>-</u>
Total financial assets	\$ <u>15,890,658</u>	\$ <u>-</u>	\$ <u>15,890,658</u>	\$ <u>-</u>

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**Fair Value Measurements as of  
December 31, 2021 using the following inputs**

	<u><b>Total</b></u>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>
<b>Investments:</b>				
Short-term investments	\$ 2,610,761	\$ 2,610,761	\$ -	\$ -
Bonds and bond funds	76,312	76,312	-	-
Interest in net assets of Trust Fund	<u>19,476,906</u>	<u>-</u>	<u>19,476,906</u>	<u>-</u>
<b>Total financial assets</b>	<b>\$ <u>22,163,979</u></b>	<b>\$ <u>2,687,073</u></b>	<b>\$ <u>19,476,906</u></b>	<b>\$ <u>-</u></b>

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 consolidated financial statements.

The following schedule summarizes investment return included in the consolidated statement of changes in net assets for 2022 and 2021:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Interest and dividend income	\$ 284	\$ 27,382
Net gains (losses)	<u>(12,959)</u>	<u>297,046</u>
	<u><b>\$ (12,675)</b></u>	<u><b>\$ 324,428</b></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 11).

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

**Notes to the Consolidated Financial Statements**

**December 31, 2022 and 2021**

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

A summary of land, buildings and equipment as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 5,324,687	\$ 5,324,687
Council office building	3,121,451	3,121,451
Buildings - Camps	15,312,773	15,111,117
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	398,227	398,227
Camps	1,112,324	1,074,859
Motor vehicles	282,958	282,958
Construction in progress	<u>1,475,643</u>	<u>356,288</u>
	27,957,823	26,599,347
Accumulated depreciation	<u>(12,069,226)</u>	<u>(11,540,515)</u>
	<u>\$ 15,888,597</u>	<u>\$ 15,058,832</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 Prime rate plus 2.15%. The line of credit matures in February 2024. There was no outstanding balance on the line of credit at December 31, 2022.

**(9) Long-term debt**

During 2022, the Council entered into a term note with a financial institution in the principal amount of \$668,000. The term note is secured by certificates of deposit. Payments of monthly interest at a fixed rate of 1.50% will be made from November 2022 through September 2025. Principal payments of \$222,667 will be made in September each year until the maturity date on September 30, 2025.

A summary of future maturities of long-term debt as of December 31, 2022 is as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 222,667
2024	222,667
2025	<u>222,666</u>
	<u>\$ 668,000</u>

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

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**December 31, 2022 and 2021**

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

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

	<b>2022</b>			
	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
Subject to expenditure for specific purpose:				
Scholarships	\$ -	\$ -	\$ -	\$ -
Scouting activities	68,708	-	-	68,708
Capital improvements	-	4,411,418	-	4,411,418
<b>Total purpose restrictions</b>	<b>68,708</b>	<b>4,411,418</b>	<b>-</b>	<b>4,480,126</b>
Subject to the passage of time:				
Friends of Scouting and other for future periods	421,764	-	-	421,764
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	9,922,320	9,922,320
Program activities:				
Scouting activities	-	-	833,106	833,106
Property maintenance	-	-	244,285	244,285
Camp Craig property maintenance	-	-	39,986	39,986
Laura Miller scholarship program	-	-	432,164	432,164
Connelly scholarship program	-	-	104,409	104,409
<b>Total subject to endowment spending policy and appropriation</b>	<b>-</b>	<b>-</b>	<b>11,576,270</b>	<b>11,576,270</b>
Subject to appropriation and expenditure when a specific event occurs:				
General use	-	-	3,633,738	3,633,738
Scouting activities:				
Camperships	-	-	257,432	257,432
Low income exploring	-	-	117,692	117,692
Property maintenance	-	-	23,397	23,397
Laura Miller scholarship program	-	-	205,201	205,201
Connelly scholarship program	-	-	4,177	4,177
<b>Total subject to appropriation and expenditure when a specific event occurs</b>	<b>-</b>	<b>-</b>	<b>4,241,637</b>	<b>4,241,637</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 490,472</b>	<b>\$ 4,411,418</b>	<b>\$ 15,817,907</b>	<b>\$ 20,719,797</b>

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

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**December 31, 2022 and 2021**

	<b>2021</b>			
	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
Subject to expenditure for specific purpose:				
Scholarships	\$ 28,314	\$ -	\$ -	\$ 28,314
United Way designation	16,250	-	-	16,250
Scouting Activities	66,886	-	-	66,886
Capital improvements	<u>-</u>	<u>4,465,796</u>	<u>-</u>	<u>4,465,796</u>
Total purpose restrictions	<u>111,450</u>	<u>4,465,796</u>	<u>-</u>	<u>4,577,246</u>
Subject to the passage of time:				
Friends of Scouting and other for future periods	<u>607,297</u>	<u>-</u>	<u>-</u>	<u>607,297</u>
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	10,321,931	10,321,931
Program activities:				
Scouting activities	-	-	1,087,964	1,087,964
Property maintenance	-	-	331,909	331,909
Camp Craig property maintenance	-	-	39,986	39,986
Laura Miller scholarship program	-	-	520,447	520,447
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>72,744</u>	<u>72,744</u>
Total subject to endowment spending policy and appropriation	<u>-</u>	<u>-</u>	<u>12,374,981</u>	<u>12,374,981</u>
Subject to appropriation and expenditure when a specific event occurs:				
General use	-	-	6,600,913	6,600,913
Scouting activities:				
Camperships	-	-	261,243	261,243
Low income exploring	-	-	133,908	133,908
Property maintenance	-	-	102,714	102,714
Laura Miller scholarship program	-	-	182,121	182,121
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>4,949</u>	<u>4,949</u>
Total subject to appropriation and expenditure when a specific event occurs	<u>-</u>	<u>-</u>	<u>7,285,848</u>	<u>7,285,848</u>
Total net assets with donor restrictions	<u>\$ 718,747</u>	<u>\$ 4,465,796</u>	<u>\$ 19,660,829</u>	<u>\$ 24,845,372</u>

**(11) 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.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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 consolidated financial statements.

Interpretation of relevant law

The Endowment Trust 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 Endowment Trust 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 Endowment Trust 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 Endowment Trust 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 Endowment Trust 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 Endowment Trust 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 Endowment Trust
- (7) The investment policies of the Endowment Trust

Return objectives and risk parameters

The Endowment Trust 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 Endowment Trust 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.

Notes to the Consolidated Financial Statements

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Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Endowment Trust 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 Endowment Trust 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 Endowment Trust 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, 2022 and 2021, there were no such deficiencies. The Endowment Trust 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 a percentage of the Endowment Trust's average market value over the preceding three years, unless specific donor restrictions require otherwise. Prior to January 1, 2022, the spending rate percentage was up to 4% annually. Effective January 1, 2022, the Board of Directors increased the applicable spending rate percentage up to 6%. 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.

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

**Notes to the Consolidated Financial Statements**

**December 31, 2022 and 2021**

Endowment net assets consisted of the following at December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 600,073	\$ -	\$ 600,073
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,576,270	11,576,270
Accumulated investment gains	<u>-</u>	<u>4,241,637</u>	<u>4,241,637</u>
Total endowment net assets	\$ <u>600,073</u>	\$ <u>15,817,907</u>	\$ <u>16,417,980</u>

Endowment net assets consisted of the following at December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 2,987,108	\$ -	\$ 2,987,108
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	12,374,981	12,374,981
Accumulated investment gains	<u>-</u>	<u>7,285,848</u>	<u>7,285,848</u>
Total endowment net assets	\$ <u>2,987,108</u>	\$ <u>19,660,829</u>	\$ <u>22,647,937</u>

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

**Notes to the Consolidated Financial Statements**

**December 31, 2022 and 2021**

Changes in the endowment net assets for the years ended December 31, 2022 and 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, December 31, 2020	\$ 2,362,680	\$ 18,004,404	\$ 20,367,084
Investment income	27,382	-	27,382
Contributions	300,000	61,385	361,385
Net appreciation	297,046	-	297,046
Change in interest in net assets of the Boy Scout Trust Fund	<u>-</u>	<u>1,595,040</u>	<u>1,595,040</u>
Endowment fund net assets, December 31, 2021	2,987,108	19,660,829	22,647,937
Investment income	(12,921)	-	(12,921)
Contributions	300,000	83,012	383,012
Withdrawals	(2,674,114)	-	(2,674,114)
Change in interest in net assets of the Boy Scout Trust Fund	<u>-</u>	<u>(3,925,934)</u>	<u>(3,925,934)</u>
Endowment fund net assets, December 31, 2022	\$ <u>600,073</u>	\$ <u>15,817,907</u>	\$ <u>16,417,980</u>

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(12) 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 \$189,888 and \$170,418 in 2022 and 2021, 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, 2022, 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 Code, as amended. 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 2022 and 2021, the Council contributed \$59,013 and \$59,611 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.

*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, 2022 and 2021, the Council remitted \$217,657 and \$229,738, respectively, on behalf of its employees to the National Council related to the healthcare plan.

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

**(13) Contributed nonfinancial assets**

The Council is dependent on donated materials from diverse groups to fulfill its mission. For the years ended December 31, 2022 and 2021, donated materials recorded in the consolidated financial statements as contributed nonfinancial assets totaled \$50,820 and \$48,701, respectively. Contributed nonfinancial assets consist mainly of food and services. In valuing food, the Council estimates the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

**(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, 2022**

	<b>Operating Fund</b>	<b>Budget (Unaudited)</b>	<b>Over (Under) Budget (Unaudited)</b>
<b>Public support and revenue:</b>			
<b>Direct public support:</b>			
Friends of Scouting	\$ 2,505,045	\$ 2,360,000	\$ 145,045
Special events, net of direct costs	303,555	291,250	12,305
Other direct support	285,000	178,000	107,000
Contributed nonfinancial assets	<u>50,820</u>	<u>-</u>	<u>50,820</u>
<b>Total direct public support</b>	<b>3,144,420</b>	<b>2,829,250</b>	<b>315,170</b>
<b>Indirect public support - United Way</b>	<u>51,010</u>	<u>47,600</u>	<u>3,410</u>
<b>Total public support</b>	<u><b>3,195,430</b></u>	<u><b>2,876,850</b></u>	<u><b>318,580</b></u>
<b>Other revenue:</b>			
Sales of supplies, net of cost of goods sold	404,063	380,700	23,363
Camping and related fees	1,109,466	1,364,750	(255,284)
Activity revenue	225,280	282,074	(56,794)
Product sales, net of cost of products sold	557,309	530,500	26,809
Investment income	959,383	924,612	34,771
Miscellaneous revenue	<u>350,209</u>	<u>44,000</u>	<u>306,209</u>
<b>Total other revenue</b>	<u><b>3,605,710</b></u>	<u><b>3,526,636</b></u>	<u><b>79,074</b></u>
<b>Net assets released from restrictions - restrictions   satisfied by payments</b>	<u>28,314</u>	<u>-</u>	<u>28,314</u>
<b>Total public support and revenue</b>	<u><b>6,829,454</b></u>	<u><b>6,403,486</b></u>	<u><b>425,968</b></u>
<b>Expenses:</b>			
<b>Employee compensation:</b>			
Salaries	2,718,587	2,805,778	(87,191)
Employment benefits	608,043	591,088	16,955
Payroll taxes	201,296	229,195	(27,899)
Employee Related Expenses	<u>-</u>	<u>6,500</u>	<u>(6,500)</u>
<b>Total compensation expenses</b>	<b>3,527,926</b>	<b>3,632,561</b>	<b>(104,635)</b>
Professional fees	188,393	150,200	38,193
Supplies and general expenses	826,986	848,250	(21,264)
Telephone	57,373	64,550	(7,177)
Postage and shipping	23,883	33,850	(9,967)
Occupancy expenses	511,248	493,650	17,598
Equipment rental and maintenance	106,946	103,205	3,741
Printing and publication	2,182	1,600	582
Travel and field operating expenses	227,409	231,634	(4,225)
Conference and meetings	38,398	21,950	16,448
Specific assistance	68,651	87,500	(18,849)
Recognition award	34,239	22,000	12,239
Insurance	124,343	136,516	(12,173)
Interest expense	8,020	-	8,020
Miscellaneous expenses	98,931	440,170	(341,239)
Unallocated payments to National Council	<u>102,423</u>	<u>102,422</u>	<u>1</u>
<b>Total expenses</b>	<u><b>5,947,351</b></u>	<u><b>6,370,058</b></u>	<u><b>(422,707)</b></u>
<b>Net transfers from capital and endowment funds</b>	<u>2,074,360</u>	<u>-</u>	<u>2,074,360</u>
<b>Increase in net assets without donor restrictions</b>	<u><b>\$ 2,956,463</b></u>	<u><b>\$ 33,428</b></u>	<u><b>\$ 2,923,035</b></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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Public support and revenue:</b>		
<b>Direct public support:</b>		
Friends of Scouting	\$ 2,505,045	\$ 2,333,056
Special events, net of direct costs	303,555	312,821
Contributed nonfinancial assets	50,820	48,701
Other direct support	285,000	40,000
Government grant under the Paycheck Protection Program	<u>-</u>	<u>626,890</u>
<b>Total direct public support</b>	<b>3,144,420</b>	<b>3,361,468</b>
<b>Indirect public support - United Way</b>	<u><b>51,010</b></u>	<u><b>50,127</b></u>
<b>Total public support</b>	<u><b>3,195,430</b></u>	<u><b>3,411,595</b></u>
<b>Other revenue:</b>		
Sales of supplies, net of cost of goods sold	404,063	344,655
Camping and related fees	1,109,466	1,121,262
Activity revenue	225,280	261,153
Product sales, net of cost of products sold	557,309	451,984
Investment income	959,383	619,701
Miscellaneous revenue	<u>350,209</u>	<u>186,889</u>
<b>Total other revenue</b>	<u><b>3,605,710</b></u>	<u><b>2,985,644</b></u>
<b>Net assets released from restrictions - restrictions satisfied by payments</b>	<u><b>28,314</b></u>	<u><b>-</b></u>
<b>Total public support and revenue</b>	<u><b>6,829,454</b></u>	<u><b>6,397,239</b></u>
<b>Expenses:</b>		
Program services	5,055,069	4,943,876
Supporting services:		
Management and general	379,672	274,995
Fundraising	410,187	415,536
Contribution to Settlement Trust	-	3,586,493
Unallocated payments to National Council	<u>102,423</u>	<u>89,063</u>
<b>Total expenses</b>	<u><b>5,947,351</b></u>	<u><b>9,309,963</b></u>
<b>Transfers</b>		
Transfer to capital fund	(300,000)	(300,000)
Transfer from endowment fund	<u>2,374,360</u>	<u>(300,000)</u>
<b>Increase (decrease) in net assets without donor restrictions</b>	<u><b>\$ 2,956,463</b></u>	<u><b>\$ (3,512,724)</b></u>

See accompanying independent auditors' report.