

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

Financial Statements and Schedules

**December 31, 2016
(With Comparative Totals for 2015)**

(With Independent Auditors' Report Thereon)

LBMC

MAKE A GOOD
BUSINESS **BETTER**

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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, 2016, 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, 2016, 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 2015 financial statements, and our report dated April 13, 2016 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, 2015, 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 26 and 27 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 26 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 12, 2017

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Financial Position

December 31, 2016
(With Comparative Amounts for 2015)

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Current assets:								
Cash	\$ 1,578,958	\$ 942,408	\$ 1,019,095	\$ 281,390	\$ 47,057	\$ 151,166	\$ 2,645,110	\$ 1,374,964
Restricted cash	122,814	164,314	-	-	-	-	122,814	164,314
Accounts receivable	5,013	73,538	-	-	-	-	5,013	73,538
Pledge contributions receivable, net	368,850	436,974	95,484	93,735	-	-	464,334	530,709
Inventories	268,288	358,963	-	-	-	-	268,288	358,963
Interfund loans	-	228,981	-	(251,446)	-	22,465	-	-
Prepaid expenses	170,855	166,488	-	-	-	-	170,855	166,488
Total current assets	2,514,778	2,371,666	1,114,579	123,679	47,057	173,631	3,676,414	2,668,976
Land, buildings and equipment, net	-	-	14,883,894	15,369,386	-	-	14,883,894	15,369,386
Long-term portion of pledges receivable	-	-	196,335	291,819	-	-	196,335	291,819
Investments	2,051,072	1,891,694	-	-	13,768,720	12,869,955	15,819,792	14,761,649
Total noncurrent assets	2,051,072	1,891,694	15,080,229	15,661,205	13,768,720	12,869,955	30,900,021	30,422,854
Total assets	\$ 4,565,850	\$ 4,263,360	\$ 16,194,808	\$ 15,784,884	\$ 13,815,777	\$ 13,043,586	\$ 34,576,435	\$ 33,091,830
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 110,299	\$ 116,383	\$ 15,549	\$ 4,286	\$ -	\$ 2,514	\$ 125,848	\$ 123,183
Camping, activity and other fees designated for future periods	141,051	44,073	-	-	-	-	141,051	44,073
Other accrued liabilities	133,271	109,517	-	-	-	-	133,271	109,517
Registration fees payable to National Council	183,012	159,406	-	-	-	-	183,012	159,406
Funds held for others	147,396	200,654	7,853	15,722	35,189	18,622	190,438	234,998
Total current liabilities	715,029	630,033	23,402	20,008	35,189	21,136	773,620	671,177
Net assets:								
Unrestricted net assets	3,244,569	3,077,983	15,702,180	15,494,802	1,612,019	963,143	20,558,768	19,535,928
Temporarily restricted net assets	606,252	555,344	469,226	270,074	634,488	633,568	1,709,966	1,458,986
Permanently restricted net assets	-	-	-	-	11,534,081	11,425,739	11,534,081	11,425,739
Total net assets	3,850,821	3,633,327	16,171,406	15,764,876	13,780,588	13,022,450	33,802,815	32,420,653
Total liabilities and net assets	\$ 4,565,850	\$ 4,263,360	\$ 16,194,808	\$ 15,784,884	\$ 13,815,777	\$ 13,043,586	\$ 34,576,435	\$ 33,091,830

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, 2016 (With Comparative Totals for 2015)

	2016			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2016	2015
Changes in unrestricted net assets					
Public support and revenue:					
Direct public support:					
Friends of Scouting, including net assets released from expiration of time restriction of \$318,177 in 2016 and \$85,245 in 2015 and net of bad debts of \$228,509 in 2016 and \$275,394 in 2015	\$ 2,433,610	\$ -	\$ -	\$ 2,433,610	\$ 2,349,818
Memorial contributions	-	-	207,230	207,230	82,467
Special events, net of direct costs of \$50,714 in 2016 and \$59,577 in 2015	177,795	-	-	177,795	174,709
Other direct support	32,916	-	-	32,916	5,058
Total direct public support	2,644,321	-	207,230	2,851,551	2,612,052
Indirect public support - United Way, including net assets released from expiration of time restriction of \$44,885 in 2016 and \$62,285 in 2015	128,038	-	-	128,038	140,700
Total public support	2,772,359	-	207,230	2,979,589	2,752,752
Other revenue:					
Sales of supplies, net of cost of goods sold of \$771,655 in 2016 and \$684,020 in 2015	452,692	-	-	452,692	443,636
Camping and related fees	1,560,534	-	-	1,560,534	1,546,395
Activity revenue	298,728	-	-	298,728	262,295
Product sales, net of cost of products sold of \$375,773 in 2016 and \$323,955 in 2015, commissions paid of \$485,994 in 2016 and \$436,917 in 2015 and cost of camp cards of \$20,202 in 2016 and \$18,690 in 2015	657,017	-	-	657,017	623,914
Investment return designated for current operations	648,822	-	-	648,822	412,681
Investment income (loss) not designated	-	-	441,646	441,646	(539,164)
Miscellaneous revenue	30,901	-	-	30,901	32,050
Gain on sale of land	-	633,882	-	633,882	-
Total other revenue	3,648,694	633,882	441,646	4,724,222	2,781,807
Net assets released from restrictions - restrictions satisfied by payments	41,500	19,548	-	61,048	286,164
Total public support and revenue	6,462,553	653,430	648,876	7,764,859	5,820,723

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2016
(With Comparative Totals for 2015)

	2016			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2016	2015
Changes in unrestricted net assets, continued					
Expenses:					
Program services	5,223,401	439,740	-	5,663,141	5,381,353
Management and general	308,261	39,964	-	348,225	332,440
Fundraising	568,514	91,348	-	659,862	639,244
Unallocated payments to National Council	70,791	-	-	70,791	70,791
Total operating expenses	6,170,967	571,052	-	6,742,019	6,423,828
Increase (decrease) in unrestricted net assets	291,586	82,378	648,876	1,022,840	(603,105)
Changes in temporarily restricted net assets					
Public support and revenue:					
Direct public support:					
Friends of Scouting	430,456	-	-	430,456	344,901
Development campaign	-	218,700	-	218,700	388,662
Total direct public support	430,456	218,700	-	649,156	733,563
Indirect public support - United Way	52,980	-	-	52,980	46,129
Total public support	483,436	218,700	-	702,136	779,692
Investment income	-	-	920	920	6,667
Net assets released from restrictions:					
Expiration of time restriction	(391,028)	-	-	(391,028)	(196,250)
Restrictions satisfied by payments	(41,500)	(19,548)	-	(61,048)	(286,164)
Total net assets released from restrictions	(432,528)	(19,548)	-	(452,076)	(482,414)
Increase in temporarily restricted net assets	50,908	199,152	920	250,980	303,945

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2016 (With Comparative Totals for 2015)

	2016			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2016	2015
Changes in permanently restricted net assets:					
Direct public support	-	-	1,600	1,600	350
Investment income (loss)	-	-	106,742	106,742	(269,904)
Increase (decrease) in permanently restricted net assets	-	-	108,342	108,342	(269,554)
Increase (decrease) in net assets	342,494	281,530	758,138	1,382,162	(568,714)
Net assets at beginning of year	3,633,327	15,764,876	13,022,450	32,420,653	32,989,367
Transfers between funds	(125,000)	125,000	-	-	-
Net assets at end of year	\$ 3,850,821	\$ 16,171,406	\$ 13,780,588	\$ 33,802,815	\$ 32,420,653

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Functional Expenses

Year ended December 31, 2016
(With Comparative Totals for 2015)

	2016					Total All Funds	
	Program Services	Management and General	Supporting Services General	Fundraising	Total	2016	2015
Employee compensation:							
Salaries	\$ 2,382,268	\$ 160,281	\$ 366,357		\$ 526,638	\$ 2,908,906	\$ 2,721,964
Employment benefits	441,972	30,253	69,149		99,402	541,374	520,351
Payroll taxes	184,068	12,617	28,839		41,456	225,524	220,517
Total compensation expenses	3,008,308	203,151	464,345		667,496	3,675,804	3,462,832
Professional fees	6,169	60,094	1,282		61,376	67,545	58,596
Supplies and general expenses	1,043,476	1,475	3,371		4,846	1,048,322	958,387
Telephone	53,716	2,535	5,793		8,328	62,044	67,090
Postage and shipping	34,065	2,295	5,246		7,541	41,606	27,197
Occupancy expenses	483,151	10,919	24,959		35,878	519,029	522,875
Equipment rental and maintenance	65,501	4,821	11,020		15,841	81,342	75,582
Printing and publications	7,246	39	89		128	7,374	10,466
Travel and field operating expenses	153,503	10,498	23,995		34,493	187,996	186,215
Conference and meetings	21,935	1,704	3,894		5,598	27,533	34,791
Specific assistance	94,917	-	-		-	94,917	58,638
Recognition awards	32,068	795	1,816		2,611	34,679	23,214
Insurance	175,927	9,827	22,461		32,288	208,215	185,923
Miscellaneous expenses	74,803	2,949	6,738		9,687	84,490	86,709
Total expenses before depreciation	5,254,785	311,102	575,009		886,111	6,140,896	5,758,515
Depreciation of buildings and equipment	408,356	37,123	84,853		121,976	530,332	594,342
	\$ 5,663,141	\$ 348,225	\$ 659,862		\$ 1,008,087	\$ 6,671,228	\$ 6,352,857

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Cash Flows

Year ended December 31, 2016
(With Comparative Totals for 2015)

	2016			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2016	2015
Cash flows from operating activities:					
Increase (decrease) in net assets	\$ 342,494	\$ 281,530	\$ 758,138	\$ 1,382,162	\$ (568,714)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Depreciation	-	530,332	-	530,332	594,342
Amortization of discount on pledges receivable	-	(8,181)	-	(8,181)	(7,990)
Gain on disposal of equipment	-	(633,882)	-	(633,882)	-
Net unrealized (gains) losses on investments	(118,991)	-	(569,170)	(688,161)	899,565
Contributions restricted for endowment purposes	-	-	(1,600)	(1,600)	(305)
Contributions restricted for capital improvements	-	(218,701)	-	(218,701)	(388,662)
Changes in operating assets and liabilities:					
Restricted cash	41,500	-	-	41,500	(164,314)
Pledges and accounts receivable	136,649	101,916	-	238,565	(182,688)
Inventories	90,675	-	-	90,675	(71,034)
Prepaid expenses	(4,367)	-	-	(4,367)	78,040
Interfund loans	228,981	(251,446)	22,465	-	-
Accounts payable and other liabilities	17,670	3,394	(2,514)	18,550	(164,172)
Camping, activity and other fees designated for future periods	96,978	-	-	96,978	(7,178)
Registration fees payable to National Council	23,606	-	-	23,606	(10,609)
Funds held for others	(53,258)	-	16,567	(36,691)	29,175
Net cash provided by operating activities	801,937	(195,038)	223,886	830,785	35,456
Cash flows from investing activities:					
Proceeds from sales of investments	-	-	283,150	283,150	993,979
Purchases of investments	(40,387)	(339,740)	(611,145)	(991,272)	(486,672)
Proceeds from sale of land, buildings and equipment	-	928,782	-	928,782	-
Additions to land, buildings and equipment	-	-	-	-	(286,166)
Net cash provided (used) by investing activities	(40,387)	589,042	(327,995)	220,660	221,141

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Cash Flows, Continued

Year ended December 31, 2016
(With Comparative Totals for 2015)

	2016			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2016	2015
Cash flows from financing activities:					
Collection of endowment fund support	-	-	-	-	305
Collection of development campaign support	-	218,701	-	218,701	388,662
Proceeds from (payments of) transfers between funds	(125,000)	125,000	-	-	-
Net cash provided (used) by financing activities	(125,000)	343,701	-	218,701	388,967
Net increase (decrease) in cash	636,550	737,705	(104,109)	1,270,146	645,564
Cash at beginning of year	942,408	281,390	151,166	1,374,964	729,400
Cash at end of year	\$ 1,578,958	\$ 1,019,095	\$ 47,057	\$ 2,645,110	\$ 1,374,964

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2016 and 2015

(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, 2016 and 2015

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.

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

(2) Summary of significant accounting policies

(a) Prior-period information

The financial statements include certain prior year summarized comparative information in total but not by fund or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

(b) 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. Accordingly, the accounts of the Council are reported in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions requiring that the principal be maintained in perpetuity but permit the nonprofit organization to expend all or part of the income earned thereon.

(c) 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.

Notes to the Financial Statements

December 31, 2016 and 2015

The Council prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements* ("ASC 958-205"), and subsections. Under ASC 958-205, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Council is required to present a statement of cash flows.

(d) Restricted Cash

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

(e) 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) 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, 2016 and 2015.

(g) Inventories

Inventories consist of Scouting and other items available for resale and is stated at the lower of cost or market. Cost is determined using the average cost method.

Notes to the Financial Statements

December 31, 2016 and 2015

(h) Investments

Investments consist primarily of assets invested in marketable equity and debt securities and money-market accounts. The Council accounts for investments in accordance with FASB ASC 958-320, *Investments - Debt and Equity Securities*, and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be 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 income shown in the statement of changes in net assets includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

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.

(i) Investment policy

The Council's investment policy intends for the Council to invest in assets that would produce results exceeding the investment's purchase price and incur a significant yield of return, while assuming a moderate level of investment risk. The Council expects its Endowment Fund, over time, to provide a reasonable rate of return. To satisfy the long-term rate-of-return objective, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on marketable equity and debt securities and money-market accounts to achieve its long-term return objectives within prudent risk constraints.

(j) 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.

Notes to the Financial Statements

December 31, 2016 and 2015

(k) 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.

(l) Inter fund loans

The inter fund loans result from the Endowment Fund and Operating Fund making advances of surplus cash funds to the Operating Fund and Capital Fund for operating purposes.

(m) Realization of long-lived assets

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

(n) Contributions

Pledges receivable for contributions are recognized upon notification of a donor's unconditional promise to give to the Council. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of changes in net assets as assets released from restrictions.

Notes to the Financial Statements

December 31, 2016 and 2015

(o) Donated materials and services

Donated land, buildings, equipment, investments and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council reports the donations as unrestricted support, 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 restricted support. 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 \$34,026 in 2016 and \$36,572 in 2015.

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

(p) Revenue recognition

Revenue from product and supply sales is recognized when the transaction occurs. Camping and activity revenue is deferred and recognized when the activity takes place.

(q) Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs which are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Council providing those services. 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.

(r) Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2016 and 2015 amounted to approximately \$8,000 and \$6,000, respectively.

(s) 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.

Notes to the Financial Statements

December 31, 2016 and 2015

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, 2016 or 2015. 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.

(t) Reclassifications

Certain reclassifications have been made to the 2015 summarized financial statement information to conform to the current year presentation. These reclassifications had no effect on the change in net assets for 2015.

(u) Events occurring after reporting date

The Council has evaluated events and transactions that occurred between December 31, 2016 and April 12, 2017 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(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) Assets and liabilities measured at fair value

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity’s own assumptions about market participant assumptions (Level 3).

Notes to the Financial Statements

December 31, 2016 and 2015

See Note 7 for presentation of the fair value measurement levels of investments.

(5) Pledges receivable

A summary of pledges receivable as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Friends of Scouting	\$ 315,353	\$ 384,777
United Way allocations	53,497	52,197
Development campaign	<u>300,000</u>	<u>400,000</u>
	668,850	836,974
Less allowance for unamortized discount and doubtful accounts	<u>8,181</u>	<u>14,446</u>
Total pledges receivable	660,669	822,528
Less current portion of pledges receivable	<u>(464,334)</u>	<u>(530,709)</u>
Long-term portion of pledges receivable	<u>\$ 196,335</u>	<u>\$ 291,819</u>

Pledges receivable at December 31, 2016 are due within one year, excluding approximately \$200,000 of the development campaign pledges receivable which are due within two years. Development campaign pledges at December 31, 2016 consist of pledges from one major donor. Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of approximately 1.85%.

In addition to the development campaign pledges receivable shown above, the Council has been named as a beneficiary of certain estates and life insurance policies. As these do not meet the definition of unconditional promises to give they are not recorded as an asset of the Council.

(6) Investments

A summary of investments as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Short-term investments	\$ 345,716	\$ 469,488
Equities and equity funds	12,684,080	11,716,393
Bonds and bond funds	2,573,695	2,359,467
Real estate	214,200	214,200
Notes receivable - Rock Island	<u>2,101</u>	<u>2,101</u>
	<u>\$ 15,819,792</u>	<u>\$ 14,761,649</u>

Notes to the Financial Statements

December 31, 2016 and 2015

The following schedule summarizes the investment income included in the statement of changes in net assets for 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 400,496	\$ 415,422
Net gains (losses)	893,674	(704,601)
Investment expenses	<u>(96,040)</u>	<u>(100,541)</u>
	<u>\$ 1,198,130</u>	<u>\$ (389,720)</u>

The above investment income is classified in the statement of changes in net assets for 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 1,090,468	\$ (126,483)
Temporarily restricted	920	6,667
Permanently restricted	<u>106,742</u>	<u>(269,904)</u>
	<u>\$ 1,198,130</u>	<u>\$ (389,720)</u>

(7) Fair value measurements

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, 2016 and 2015.

- (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) *Real estate:* Valued at the estimated fair market price determined by third party appraisal.
- (iii) *Note receivable:* Valued at the outstanding principal balance, which approximates fair value.

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.

Notes to the Financial Statements

December 31, 2016 and 2015

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, 2016 and 2015:

Fair Value Measurements as of
December 31, 2016 using the following inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 345,716	\$ 345,716	\$ -	\$ -
Equities and equity fund	12,684,080	12,684,080	-	-
Bonds and bond fund	2,573,695	2,573,695	-	-
Real estate	214,200	-	-	214,200
Note receivable - Rock Island	<u>2,101</u>	<u>-</u>	<u>-</u>	<u>2,101</u>
Total financial assets	<u>\$ 15,819,792</u>	<u>\$ 15,603,491</u>	<u>\$ -</u>	<u>\$ 216,301</u>

Fair Value Measurements as of
December 31, 2015 using the following inputs

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 469,488	\$ 469,488	\$ -	\$ -
Equities and equity fund	11,716,393	11,716,393	-	-
Bonds and bond fund	2,359,467	2,359,467	-	-
Real estate	214,200	-	-	214,200
Note receivable - Rock Island	<u>2,101</u>	<u>-</u>	<u>-</u>	<u>2,101</u>
Total financial assets	<u>\$ 14,761,649</u>	<u>\$ 14,545,348</u>	<u>\$ -</u>	<u>\$ 216,301</u>

Notes to the Financial Statements

December 31, 2016 and 2015

(8) Land, buildings, and equipment

A summary of land, buildings and equipment as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 5,324,687	\$ 5,602,486
Council office building	3,101,545	2,989,238
Buildings - Camps	12,632,117	12,573,271
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	336,652	336,652
Camps	1,110,519	1,050,813
Motor Vehicles	258,963	309,281
Construction in progress	<u>118,610</u>	<u>1,804</u>
	23,812,853	23,793,305
Accumulated depreciation	<u>(8,928,959)</u>	<u>(8,423,919)</u>
	<u>\$ 14,883,894</u>	<u>\$ 15,369,386</u>

During 2016, the Council sold two parcels of land that resulted in a gain of approximately \$634,000.

(9) 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 "Plan") and the 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, 2016 and 2015 totaled \$128,218 and \$121,345, respectively, and covered current service costs. The actuarial information for the Plan as of February 1, 2016, indicated that the Plan is in compliance with the Employee Retirement Income Security Act of 1974 ("ERISA") regulations requiring funding.

Notes to the Financial Statements

December 31, 2016 and 2015

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 \$39,212 and \$36,283 to the Thrift Plan in 2016 and 2015, respectively.

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, 2016 and 2015, the Council remitted \$252,985 and \$237,005, respectively, on behalf of its employees to the National Council related to the healthcare plan.

(10) Net assets

Although restricted contributions typically are reported as support that increases restricted net assets, they may be reported as unrestricted support if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed. Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Development campaign	\$ 469,226	\$ 270,074
Scouting activities:		
Camperships	415,115	415,115
Low income exploring	92,787	92,787
Property maintenance	44,611	44,611
Navigator scholarship	122,814	164,314
Laura Miller scholarship program	77,293	77,022
Connelly scholarship program	4,682	4,033
Friends of Scouting and other for future periods	430,458	344,901
United Way allocations for future periods	<u>52,980</u>	<u>46,129</u>
	<u>\$ 1,709,966</u>	<u>\$ 1,458,986</u>

Notes to the Financial Statements

December 31, 2016 and 2015

Permanently restricted net assets consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Investments in perpetuity, the income from which is expendable to support:		
Scouting activities	\$ 923,215	\$ 883,383
Property maintenance	366,736	345,915
Camp Craig property maintenance	39,986	39,986
Laura Miller scholarship program	459,470	443,401
Connelly scholarship program	52,899	49,076
Any activities of the Council	<u>9,691,775</u>	<u>9,663,978</u>
	<u>\$ 11,534,081</u>	<u>\$ 11,425,739</u>

(11) Endowment

The Council's Endowment Fund includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted net assets, identified by the Council's Board of Directors to be used for future investment and growth, are included in unrestricted net assets—board designated.

The Council has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Council and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Council
- (7) The investment policies of the Council

Notes to the Financial Statements

December 31, 2016 and 2015

The endowment pool market value to net asset analysis as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment pool:				
Donor-restricted	\$ -	\$ 634,488	\$ 11,534,081	\$ 12,168,569
Board-designated	<u>1,564,961</u>	<u>-</u>	<u>-</u>	<u>1,564,961</u>
	1,564,961	634,488	11,534,081	13,733,530
Other net assets	<u>47,058</u>	<u>-</u>	<u>-</u>	<u>47,058</u>
Total	<u>\$ 1,612,019</u>	<u>\$ 634,488</u>	<u>\$ 11,534,081</u>	<u>\$ 13,780,588</u>

The endowment pool market value to net asset analysis as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment pool:				
Donor-restricted	\$ -	\$ 633,568	\$ 11,425,739	\$ 12,059,307
Board-designated	<u>789,512</u>	<u>-</u>	<u>-</u>	<u>789,512</u>
	789,512	633,568	11,425,739	12,848,819
Other net assets	<u>173,631</u>	<u>-</u>	<u>-</u>	<u>173,631</u>
Total	<u>\$ 963,143</u>	<u>\$ 633,568</u>	<u>\$ 11,425,739</u>	<u>\$ 13,022,450</u>

Notes to the Financial Statements

December 31, 2016 and 2015

Changes in endowment net assets as of December 31, 2016 and 2015 are as follows:

	<u>Total Net Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Assets</u>
Endowment net assets, December 31, 2014	\$ 1,418,810	\$ 791,215	\$ 11,695,293	\$ 13,905,318
Contributions	82,467	-	350	82,817
Investment income	81,563	107,127	-	188,690
Net appreciation (depreciation)	(398,195)	-	(269,904)	(668,099)
Amounts appropriated for expenditures	-	(100,460)	-	(100,460)
Investment fees	(59,579)	-	-	(59,579)
Transfers	<u>(161,923)</u>	<u>(164,314)</u>	<u>-</u>	<u>(326,237)</u>
Endowment net assets, December 31, 2015	963,143	633,568	11,425,739	13,022,450
Contributions	207,230	-	1,600	208,830
Investment income	81,772	103,497	-	185,269
Net appreciation (depreciation)	492,882	-	106,742	599,624
Amounts appropriated for expenditures	-	(102,577)	-	(102,577)
Investment fees	(59,716)	-	-	(59,716)
Transfers	<u>(73,292)</u>	<u>-</u>	<u>-</u>	<u>(73,292)</u>
Endowment net assets, December 31, 2016	\$ <u>1,612,019</u>	\$ <u>634,488</u>	\$ <u>11,534,081</u>	\$ <u>13,780,588</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 permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. As shown above, no such deficiencies existed as of December 31, 2016 or 2015.

Notes to the Financial Statements

December 31, 2016 and 2015

(12) Operating leases

The Council has entered into various operating leases for a fleet of automobiles and certain office equipment. The automobile leases are noncancelable, contain certain mileage restrictions and are for three year terms.

A summary of approximate future minimum payments under these equipment leases as of December 31, 2016 is as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 106,000
2018	98,000
2019	12,000
2020	<u>8,000</u>
	<u>\$ 224,000</u>

Lease expense amounted to approximately \$135,000 in 2016 and \$141,000 in 2015. Leases which expire are likely to be renewed or replaced by other leases; thus, it is anticipated future lease payments will not be less than the expense for 2016.

(13) Related party transactions

At December 31, 2016 and 2015, accounts payable to an affiliate totaled \$2,351 and \$38,232, respectively.

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

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

Year ended December 31, 2016

	Operating Fund	Budget (Unaudited)	Over (Under) Budget
Public support and revenue:			
Direct public support:			
Friends of Scouting	\$ 2,433,610	\$ 2,392,000	\$ 41,610
Special events, net of direct costs	177,795	170,500	7,295
Other direct support	<u>32,916</u>	<u>25,000</u>	<u>7,916</u>
Total direct public support	2,644,321	2,587,500	56,821
Indirect public support - United Way	<u>128,038</u>	<u>141,954</u>	<u>(13,916)</u>
Total public support	<u>2,772,359</u>	<u>2,729,454</u>	<u>42,905</u>
Other revenue:			
Sales of supplies, net of cost of goods sold	452,692	462,420	(9,728)
Camping and related fees	1,560,534	1,583,535	(23,001)
Activity revenue	298,728	320,869	(22,141)
Product sales, net of cost of products sold	657,017	701,500	(44,483)
Investment income	648,822	551,781	97,041
Miscellaneous revenue	<u>30,901</u>	<u>28,500</u>	<u>2,401</u>
Total other revenue	<u>3,648,694</u>	<u>3,648,605</u>	<u>89</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>41,500</u>	<u>-</u>	<u>41,500</u>
Total public support and revenue	<u>6,462,553</u>	<u>6,378,059</u>	<u>42,994</u>
Expenses:			
Employee compensation:			
Salaries	2,908,906	2,947,777	(38,871)
Employment benefits	541,374	538,272	3,102
Payroll taxes	225,524	263,253	(37,729)
Employee Related Expenses	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>
Total compensation expenses	3,675,804	3,779,302	(103,498)
Professional fees	67,545	64,134	3,411
Supplies and general expenses	1,048,322	1,020,374	27,948
Telephone	62,044	63,900	(1,856)
Postage and shipping	41,606	47,700	(6,094)
Occupancy expenses	478,438	448,535	29,903
Equipment rental and maintenance	81,342	124,200	(42,858)
Printing and publication	7,374	14,300	(6,926)
Travel and field operating expenses	187,995	282,236	(94,241)
Conference and meetings	27,533	39,400	(11,867)
Specific assistance	94,917	84,500	10,417
Recognition award	34,678	40,500	(5,822)
Insurance	208,215	206,788	1,427
Miscellaneous expenses	84,363	77,000	7,363
Unallocated payments to National Council	<u>70,791</u>	<u>78,000</u>	<u>(7,209)</u>
Total expenses	<u>6,170,967</u>	<u>6,370,869</u>	<u>(199,902)</u>
Transfer to capital fund	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Increase in unrestricted net assets	<u>\$ 166,586</u>	<u>\$ 7,190</u>	<u>\$ 159,396</u>

See accompanying independent auditors' report.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Changes in Unrestricted Net Assets (Operating Fund Only)

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Public support and revenue:		
Direct public support:		
Friends of Scouting	\$ 2,433,610	\$ 2,349,818
Special events, net of direct costs	177,795	174,709
Other direct support	<u>32,916</u>	<u>5,058</u>
Total direct public support	2,644,321	2,529,585
Indirect public support - United Way	<u>128,038</u>	<u>140,700</u>
Total public support	<u>2,772,359</u>	<u>2,670,285</u>
 Other revenue:		
Sales of supplies, net of cost of goods sold	452,692	443,636
Camping and related fees	1,560,534	1,546,395
Activity revenue	298,728	262,295
Product sales, net of cost of products sold	657,017	623,914
Investment income	648,822	412,681
Miscellaneous revenue	<u>30,901</u>	<u>32,050</u>
Total other revenue	<u>3,648,694</u>	<u>3,320,971</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>41,500</u>	<u>-</u>
Total public support and revenue	<u>6,462,553</u>	<u>5,991,256</u>
 Expenses:		
Program services	5,223,401	4,886,955
Supporting services:		
Management and general	308,261	287,929
Fundraising	568,514	537,506
Unallocated payments to National Council	<u>70,791</u>	<u>70,791</u>
Total expenses	<u>6,170,967</u>	<u>5,783,181</u>
Transfer to capital fund	<u>125,000</u>	<u>100,000</u>
Increase in unrestricted net assets	\$ <u>166,586</u>	\$ <u>108,075</u>

See accompanying independent auditors' report.