

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

Financial Statements and Schedules

**December 31, 2005
(With Comparative Totals for 2004)**

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of the Middle Tennessee Council, Inc., Boy Scouts of America as of December 31, 2005, and the related statements of changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2004 financial statements and in our report dated April 8, 2005, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middle Tennessee Council, Inc., Boy Scouts of America as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Lattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
April 13, 2006

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MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Financial Position

December 31, 2005
(With Comparative Totals for 2004)

	2005			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2005	2004
<u>Assets</u>					
Cash	\$ 565,780	728,389	10,062	1,304,231	1,169,228
Pledges and accounts receivable, net	506,120	735,809	-	1,241,929	1,405,194
Inventories	264,471	-	-	264,471	315,797
Prepaid expenses	86,854	-	-	86,854	143,630
Investments	1,299,267	409,806	9,150,638	10,859,711	10,916,113
Land, buildings and equipment, net	-	6,111,850	-	6,111,850	5,019,418
Due (to) from other funds	(135,231)	5,500	129,731	-	-
Total assets	\$ 2,587,261	7,991,354	9,290,431	19,869,046	18,969,380 ^ω
<u>Liabilities and Net Assets</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ 91,775	384,556	-	476,331	108,285
Camping, activity and other fees designated for future periods	2,979	-	-	2,979	89,842
Registration fees payable to National Council	185,912	-	-	185,912	251,213
Funds held for others	96,974	26,514	-	123,488	109,741
Total liabilities	377,640	411,070	-	788,710	559,081
Net Assets:					
Unrestricted	1,804,669	7,247,962	(140,922)	8,911,709	7,252,462
Temporarily restricted	404,952	332,322	375,941	1,113,215	1,704,213
Permanently restricted	-	-	9,055,412	9,055,412	9,453,624
Total net assets	2,209,621	7,580,284	9,290,431	19,080,336	18,410,299 ^ω
Total liabilities and net assets	\$ 2,587,261	7,991,354	9,290,431	19,869,046	18,969,380

See accompanying notes to financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets

Year ended December 31, 2005
(With Comparative Totals for 2004)

	2005			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2005	2004
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 \$218,811 in 2005 and \$261,332 in 2004	\$ 2,461,267	-	-	2,461,267	2,372,109
Memorial contributions	-	-	10,510	10,510	13,127
Special events	180,231	-	-	180,231	122,184
Other direct support	15,795	7,100	-	22,895	714,347
Total direct public support	2,657,293	7,100	10,510	2,674,903	3,221,767
Indirect public support - United Way, including net assets released from expiration of time restriction of \$180,344 in 2005 and \$202,921 in 2004	332,788	-	-	332,788	370,437
Total public support	2,990,081	7,100	10,510	3,007,691	3,592,204
Other revenue:					
Sales of supplies, net of cost of goods sold of \$662,672 in 2005 and \$697,354 in 2004	291,535	-	-	291,535	318,684
Camping and related fees	693,798	-	-	693,798	684,741
Activity revenue	482,011	-	-	482,011	275,901
Product sales, net of cost of products sold of \$773,006 in 2005 and \$786,220 in 2004	483,715	-	-	483,715	489,464
Investment income	279,512	42,457	18,198	340,167	542,099
Miscellaneous revenue	69,871	-	-	69,871	62,565
Total other revenue	2,300,442	42,457	18,198	2,361,097	2,373,454
Net assets released from restrictions - restrictions satisfied by payments	-	1,428,427	-	1,428,427	784,754
Total public support and revenue	\$ 5,290,523	1,477,984	28,708	6,797,215	6,750,412

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2005
(With Comparative Totals for 2004)

	2005			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2005	2004
Changes in unrestricted net assets, continued					
Expenses:					
Program services	\$ 4,506,531	330,456	-	4,836,987	4,633,953
Supporting services:					
Management & general	284,903	3,150	-	288,053	269,003
Fundraising	337,749	56,083	-	393,832	335,413
Unallocated payments to National Council	60,169	-	-	60,169	56,828
Total expenses	<u>5,189,352</u>	<u>389,689</u>	<u>-</u>	<u>5,579,041</u>	<u>5,295,197</u>
Increase in unrestricted net assets	<u>101,171</u>	<u>1,088,295</u>	<u>28,708</u>	<u>1,218,174</u>	<u>1,455,215</u>
Changes in temporarily restricted net assets					
Public support and revenue:					
Direct public support:					
Friends of Scouting	243,877	-	-	243,877	218,811
Development campaign	-	679,622	-	679,622	1,029,390
Special event	-	-	150,080	150,080	-
Total direct public support	<u>243,877</u>	<u>679,622</u>	<u>150,080</u>	<u>1,073,579</u>	<u>1,248,201</u>
Indirect public support - United Way	<u>161,075</u>	<u>-</u>	<u>-</u>	<u>161,075</u>	<u>180,344</u>
Total public support	<u>404,952</u>	<u>679,622</u>	<u>150,080</u>	<u>1,234,654</u>	<u>1,428,545</u>
Investment income	<u>-</u>	<u>-</u>	<u>1,930</u>	<u>1,930</u>	<u>-</u>
Net assets released from restrictions:					
Expiration of time restriction	(399,155)	-	-	(399,155)	(464,253)
Restrictions satisfied by payments	-	(1,428,427)	-	(1,428,427)	(784,754)
Total net assets released from restrictions	<u>(399,155)</u>	<u>(1,428,427)</u>	<u>-</u>	<u>(1,827,582)</u>	<u>(1,249,007)</u>
Total public support and revenue, net of assets released	<u>\$ 5,797</u>	<u>(748,805)</u>	<u>152,010</u>	<u>(590,998)</u>	<u>179,538</u>

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2005
(With Comparative Totals for 2004)

	2005			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2005	2004
Changes in temporarily restricted net assets, continued					
Expenses - provision for uncollectible pledges	\$ -	-	-	-	70,937
Increase (decrease) in temporarily restricted net assets	5,797	(748,805)	152,010	(590,998)	108,601
Changes in permanently restricted net assets					
Direct public support	-	-	27,235	27,235 ✓	261,352
Investment income	-	-	15,626	15,626 ✓	70,547
Increase in permanently restricted net assets	-	-	42,861	42,861	331,899
Increase in net assets	106,968	339,490	223,579	670,037	1,895,715
Net assets at beginning of year	1,711,582	7,190,794	9,507,923	18,410,299	16,514,584
Transfers	391,071	50,000	(441,071)	-	-
Net assets at end of year	\$ 2,209,621	7,580,284	9,290,431	19,080,336	18,410,299

See accompanying notes to financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Functional Expenses

Year ended December 31, 2005
(With Comparative Totals for 2004)

	2005				Total All Funds	
	Program Services	Supporting Services		Total	2005	2004
		Management and General	General Fundraising			
Employee compensation:						
Salaries	\$ 2,050,731	145,399	207,143	352,542	2,403,273	2,328,703
Employment benefits	367,618	28,536	40,654	69,190	436,808	467,078
Payroll taxes	178,836	12,951	18,450	31,401	210,237	212,503
Total compensation expenses	2,597,185	186,886	266,247	453,133	3,050,318	3,008,284
Professional fees	23,501	37,914	2,970	40,884	64,385	40,545
Supplies and general expenses	864,037	3,976	7,260	11,236	875,273	649,511
Telephone	34,689	2,284	3,255	5,539	40,228	39,715
Postage and shipping	45,365	3,152	4,491	7,643	53,008	55,922
Occupancy expenses	302,581	5,718	8,146	13,864	316,445	324,270
Equipment rental and maintenance	73,335	5,505	7,843	13,348	86,683	96,880
Printing and publications	31,118	794	1,131	1,925	33,043	26,624
Travel and field operating expenses	185,248	14,184	20,208	34,392	219,640	228,980
Conference and meetings	36,468	3,012	4,291	7,303	43,771	42,754
Specific assistance	140,098	-	-	-	140,098	157,889
Recognition awards	35,792	2,238	3,188	5,426	41,218	44,024
Insurance	124,929	5,938	8,459	14,397	139,326	144,487
Provision for uncollectible pledges	-	12,000	-	12,000	12,000	70,937
Miscellaneous expenses	45,195	1,302	51,856	53,158	98,353	44,766
Total expenses before depreciation	4,539,541	284,903	389,345	674,248	5,213,789	4,975,588
Depreciation of buildings and equipment	297,446	3,150	4,487	7,637	305,083	333,718
	<u>\$ 4,836,987</u>	<u>288,053</u>	<u>393,832</u>	<u>681,885</u>	<u>5,518,872</u>	<u>5,309,306</u>

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2005
(With Comparative Totals for 2004)

	2005			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2005	2004
Cash flows from operating activities:					
Increase in net assets	\$ 106,968	339,490	223,579	670,037	1,895,715
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:					
Depreciation	-	305,083	-	305,083	333,718
Provision for uncollectible pledges	12,000	-	-	12,000	70,937
(Gain) loss on disposal of equipment	-	(24)	-	(24)	211
Unrealized gains on investments	(29,612)	-	(212,088)	(241,700)	(211,145)
Contributions restricted for endowment purposes	-	-	(27,235)	(27,235)	(261,352)
Contributions restricted for capital improvements	-	(679,622)	-	(679,622)	(1,029,390)
Contributions of construction in progress	-	(32,100)	-	(32,100)	-
Transfers	391,071	50,000	(441,071)	-	-
Changes in operating assets and liabilities:					
Pledges and accounts receivable	(83,962)	-	1,000	(82,962)	(56,587)
Inventories	51,326	-	-	51,326	(31,382)
Prepaid expenses	56,776	-	-	56,776	(42,927)
Due (to) from other funds	(305,840)	(35,500)	341,340	-	-
Accounts payable and accrued expenses	(14,555)	382,601	-	368,046	(35,592)
Camping and activity fees designated for future periods	(86,863)	-	-	(86,863)	85,012
Registration fees payable to National Council	(65,301)	-	-	(65,301)	(25,647)
Funds held for others	31,287	(17,540)	-	13,747	25,684
Net cash provided (used) by operating activities	63,295	312,388	(114,475)	261,208	717,255
Cash flows from investing activities:					
Proceeds from sales of investments	459,563	323,420	306,461	1,089,444	1,341,840
Purchases of investments	(545,855)	-	(245,487)	(791,342)	(2,116,759)
Proceeds from sale of equipment	-	5,700	-	5,700	-
Additions to land, buildings and equipment	-	(1,371,091)	-	(1,371,091)	(733,266)
Net cash provided (used) by investing activities	(86,292)	(1,041,971)	60,974	(1,067,289)	(1,508,185)
Cash flows from financing activities:					
Collection of endowment fund support	-	-	27,235	27,235	261,352
Collection of development campaign support	-	913,849	-	913,849	713,477
Net cash provided by financing activities	-	913,849	27,235	941,084	974,829
Net increase (decrease) in cash	(22,997)	184,266	(26,266)	135,003	183,899
Cash at beginning of year	588,777	544,123	36,328	1,169,228	985,329
Cash at end of year	\$ 565,780	728,389	10,062	1,304,231	1,169,228

See accompanying notes to financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to Financial Statements

December 31, 2005

(1) Nature of Activities

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

(2) Summary of Significant Accounting Policies

(a) Functional Expense Allocation

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

(b) Use of Estimates

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

(c) Pledges and Accounts Receivable

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

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

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

(d) Donated Materials

Donated materials are reflected as gifts in kind in the financial statements at their estimated fair market value on the date of receipt. Donated materials amounted to \$76,492 in 2005 and \$40,552 in 2004.

Notes to Financial Statements, Continued

December 31, 2005

(2) Summary of Significant Accounting Policies, Continued

(e) Donated Services

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

(f) Inventories

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

(g) Investments

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

(h) Properties

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

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

(i) Realization of Long-lived Assets

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

Notes to Financial Statements, Continued

December 31, 2005

(2) Summary of Significant Accounting Policies, Continued(j) Income Taxes

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

(k) Memorandum Totals

The financial statements include certain prior year summarized comparative information in total but not by fund or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

(3) Concentration of Credit Risk

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

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

(4) Pledges and Accounts Receivable

A summary of pledges and accounts receivable at December 31, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Friends of Scouting	\$ 329,317	215,125
United Way allocations	168,377	194,092
Development campaign	809,677	1,057,862
Other	<u>38,821</u>	<u>33,426</u>
	1,346,192	1,500,505
Less allowance for unamortized discount and doubtful accounts	<u>104,263</u>	<u>95,311</u>
	\$ <u><u>1,241,929</u></u>	<u><u>1,405,194</u></u>

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to Financial Statements, Continued

December 31, 2005

(4) Pledges and Accounts Receivable, Continued

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

	<u>2005</u>	<u>2004</u>
Receivable in less than one year	\$ 365,331	61,436
Receivable in one to five years	<u>444,346</u>	<u>996,426</u>
	\$ <u><u>809,677</u></u>	<u><u>1,057,862</u></u>

In addition to the development campaign pledges receivable shown above, the Council has been named as a beneficiary of certain estates and life insurance policies in the approximate amount of \$700,000 as of December 31, 2005.

(5) Investments

A summary of investments at December 31, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Short-term investments	\$ 997,233	1,505,374
Equities and equity funds	5,597,897	6,472,933
Bonds and bond funds	3,810,175	2,494,038
Certificate of deposit	409,805	400,000
Real estate	42,500	41,667
Notes receivable - Rock Island	<u>2,101</u>	<u>2,101</u>
	\$ <u><u>10,859,711</u></u>	<u><u>10,916,113</u></u>

The following schedule summarizes the investment return in the statement of changes in net assets for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Interest and dividend income	\$ 311,858	218,225
Net gains	105,083	458,709
Investment expenses	<u>(59,218)</u>	<u>(64,288)</u>
	\$ <u><u>357,723</u></u>	<u><u>612,646</u></u>

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to Financial Statements, Continued

December 31, 2005

(5) Investments, Continued

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

	<u>2005</u>	<u>2004</u>
Unrestricted	\$ 340,167	542,099
Temporarily restricted	1,930	-
Permanently restricted	<u>15,626</u>	<u>70,547</u>
	\$ <u><u>357,723</u></u>	<u><u>612,646</u></u>

(6) Properties

A summary of land, buildings and equipment at December 31, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Land	\$ 797,554	797,554
Council office building	1,066,492	1,066,492
Buildings - Boxwell Reservation and Canoe Base	5,249,246	5,241,746
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	258,845	397,233
Boxwell Reservation	669,183	625,401
Motor vehicles	238,707	220,799
Construction in progress	<u>1,290,140</u>	<u>-</u>
	10,499,927	9,278,985
Less accumulated depreciation	<u>4,388,077</u>	<u>4,259,567</u>
	\$ <u><u>6,111,850</u></u>	<u><u>5,019,418</u></u>

(7) Line of Credit

The Council has a \$2,000,000 revolving line of credit available with a bank. Advances under this line of credit bear interest at LIBOR rate plus 1.50%. At December 31, 2005, the Council had no borrowings under this line of credit. The line of credit matures in March 2009.

(8) Pension Plan

The Middle Tennessee Council, Inc., Boy Scouts of America participates in a multi-employer defined-benefit pension plan, administered by the National Council, Boy Scouts of America, for its full-time permanent employees. The Council contributes 5% of the salary of covered employees to the plan and the employee contributes 1% of salary. Pension plan expense was \$110,826 in 2005 and \$105,090 in 2004. The Council funds pension cost accrued. There is no unfunded initial past service cost or unfunded additional prior service cost under the valuation method.

Notes to Financial Statements, Continued

December 31, 2005

(8) Pension Plan, Continued

Separate actuarial calculations are not provided for each participating local Council but rather are provided for all Councils participating in the plan. The actuarial present value of vested accumulated plan benefits was \$618 million at February 1, 2005, the date of the latest actuarial valuation. The value of the plan assets was \$917 million, thereby exceeding the vested amount by \$299 million.

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

(9) Net Assets

Temporarily restricted net assets as of December 31, 2005 and 2004 are available for the following purposes or periods:

	<u>2005</u>	<u>2004</u>
Development campaign expenditures	\$ 296,949	1,040,852
Wildlife conservation	35,373	40,275
Scouting activities:		
Camperships	87,330	86,533
Low income Exploring	92,787	92,787
Property maintenance	44,611	44,611
Navigator scholarship program	151,213	-
Friends of Scouting for future periods	243,877	218,811
United Way allocations for future periods	<u>161,075</u>	<u>180,344</u>
	<u>\$ 1,113,215</u>	<u>1,704,213</u>

Permanently restricted net assets consist of the following as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Investments in perpetuity, the income from which is expendable to support:		
Scouting activities	\$ 662,067	648,473
Property maintenance	301,385	302,668
Any activities of the Council	<u>8,091,960</u>	<u>8,502,483</u>
	<u>\$ 9,055,412</u>	<u>9,453,624</u>

Notes to Financial Statements, Continued

December 31, 2005

(10) Operating Leases

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

<u>Year ending December 31,</u>	<u>Amount</u>
2006	\$ 123,000
2007	120,000
2008	<u>32,000</u>
	\$ <u>275,000</u>

Lease expense amounted to approximately \$136,000 in 2005 and \$164,000 in 2004. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other vehicles; thus, it is anticipated that future minimum lease expense will not be less than the amount shown for 2005.

(11) Other commitments

The Council has entered into construction contracts for approximately \$1,924,000 in building improvements. Approximately \$1,230,000 of the contract costs have been incurred, leaving a commitment of approximately \$694,000 at December 31, 2005.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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

Year ended December 31, 2005

	Operating Fund	Budget (Unaudited)	Over (Under) Budget
Public support and revenue:			
Direct public support:			
Friends of Scouting	\$ 2,461,267	2,449,798	11,469
Special events	180,231	163,500	16,731
Other direct support	15,795	-	15,795
Total direct public support	2,657,293	2,613,298	43,995
Indirect public support - United Way	332,788	410,850	(78,062)
Total public support	2,990,081	3,024,148	(34,067)
Other revenue:			
Sales of supplies, net of cost of goods sold	291,535	374,977	(83,442)
Camping and related fees	693,798	825,815	(132,017)
Activity revenue	482,011	470,611	11,400
Product sales, net of cost of products sold	483,715	491,238	(7,523)
Investment income	279,512	270,000	9,512
Miscellaneous revenue	69,871	77,500	(7,629)
Total other revenue	2,300,442	2,510,141	(209,699)
 Total public support and revenue	 5,290,523	 5,534,289	 (243,766)
Expenses:			
Employee compensation:			
Salaries	2,403,273	2,602,627	(199,354)
Employment benefits	436,808	563,077	(126,269)
Payroll taxes	210,237	241,914	(31,677)
Total compensation expenses	3,050,318	3,407,618	(357,300)
Professional fees	64,385	87,193	(22,808)
Supplies and general expenses	872,733	851,429	21,304
Telephone	40,228	42,487	(2,259)
Postage and shipping	53,008	53,546	(538)
Occupancy expenses	292,316	272,203	20,113
Equipment rental and maintenance	86,683	81,772	4,911
Printing and publications	33,044	28,700	4,344
Travel and field operating expenses	219,640	252,800	(33,160)
Conference and meetings	43,771	44,750	(979)
Specific assistance	140,098	136,865	3,233
Recognition awards	41,218	40,350	868
Insurance	139,326	132,553	6,773
Provision for uncollectible pledges	12,000	-	12,000
Miscellaneous expenses	40,415	34,122	6,293
Unallocated payments to National Council	60,169	60,069	100
Total expenses	5,189,352	5,526,457	(337,105)
 Increase in unrestricted net assets	 \$ 101,171	 7,832	 93,339

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Changes in Unrestricted Net Assets
(Operating Fund Only)

Years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Public support and revenue:		
Direct public support:		
Friends of Scouting	\$ 2,461,267	2,372,109
Special events	180,231	122,184
Other direct support	<u>15,795</u>	<u>14,347</u>
Total direct public support	2,657,293	2,508,640
Indirect public support - United Way	<u>332,788</u>	<u>370,437</u>
Total public support	<u>2,990,081</u>	<u>2,879,077</u>
Other revenue:		
Sales of supplies, net of cost of goods sold	291,535	318,684
Camping and related fees	693,798	684,741
Activity revenue	482,011	275,901
Product sales, net of cost of products sold	483,715	489,464
Investment income	279,512	233,010
Miscellaneous revenue	<u>69,871</u>	<u>62,565</u>
Total other revenue	2,300,442	2,064,365
Net assets released from restrictions - restrictions satisfied by payments	<u>-</u>	<u>50,010</u>
Total public support and revenue	<u>5,290,523</u>	<u>4,993,452</u>
Expenses:		
Program services	4,506,531	4,304,697
Supporting services		
Management & general	284,903	265,540
Fundraising	337,749	329,240
Unallocated payments to National Council	<u>60,169</u>	<u>56,828</u>
Total expenses	<u>5,189,352</u>	<u>4,956,305</u>
Increase in unrestricted net assets	\$ <u><u>101,171</u></u>	<u><u>37,147</u></u>