

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

Financial Statements and Schedules

**December 31, 2019
(With Comparative Totals for 2018)**

(With Independent Auditors' Report Thereon)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Changes in Net Assets	4 - 6
Statement of Functional Expenses	7
Statement of Cash Flows	8 - 9
Notes to the Financial Statements	10 - 35
Schedules:	
Changes in Net Assets Without Donor Restrictions (Operating Fund Only) Compared to Budget	36
Changes in Net Assets Without Donor Restrictions (Operating Fund Only)	37

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 (a not-for-profit organization) (the "Council") which are comprised of the statement of financial position as of December 31, 2019, 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 the Council as of December 31, 2019, 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.

Restatement of Prior Year Financial Statements

As described in Note 14 to the financial statements, the Council determined that the Council and the Boy Scout Trust Fund are financially interrelated entities. As a result, the financial statements have been restated effective January 1, 2018 to properly present this interest and reclassify certain net assets without donor restrictions to net assets with donor restrictions.

Report on Summarized Comparative Information

We have previously audited the Council's 2018 financial statements, and our report dated April 24, 2019 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, 2018 (as restated), 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 36 and 37 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 36 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
June 4, 2020

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Financial Position

December 31, 2019
(With Comparative Amounts for 2018)

Assets

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	2018	2019	2018	2019	2018	2019	(Restated) 2018
Current assets:								
Cash	\$ 1,684,212	\$ 1,462,917	\$ 578,261	\$ 1,258,465	\$ 100,472	\$ 63,560	\$ 2,362,945	\$ 2,784,942
Restricted cash	31,314	50,814	2,547,393	-	-	-	2,578,707	50,814
Accounts receivable	18,779	517	-	-	-	-	18,779	517
Contributions receivable, net	424,648	400,026	600,879	189,080	-	-	1,025,527	589,106
Inventories	358,702	338,393	-	-	-	-	358,702	338,393
Prepaid expenses	123,527	158,595	-	-	-	-	123,527	158,595
Total current assets	2,641,182	2,411,262	3,726,533	1,447,545	100,472	63,560	6,468,187	3,922,367
Land, buildings and equipment, net	-	-	15,133,680	15,002,062	-	-	15,133,680	15,002,062
Long-term portion of contributions receivable	-	-	1,162,446	250,000	-	-	1,162,446	250,000
Investments	-	-	-	-	2,740,796	2,214,608	2,740,796	2,214,608
Interest in the Boy Scout Trust Fund	-	-	-	-	16,331,507	14,086,046	16,331,507	14,086,046
Total noncurrent assets	-	-	16,296,126	15,252,062	19,072,303	16,300,654	35,368,429	31,552,716
Total assets	\$ 2,641,182	\$ 2,411,262	\$ 20,022,659	\$ 16,699,607	\$ 19,172,775	\$ 16,364,214	\$ 41,836,616	\$ 35,475,083

Liabilities and Net Assets

Current liabilities:								
Accounts payable	\$ 122,763	\$ 119,026	\$ 48,047	\$ 158,025	\$ -	\$ -	\$ 170,810	\$ 277,051
Camping, activity and other fees designated for future periods	59,475	73,332	-	-	-	-	59,475	73,332
Other accrued liabilities	127,227	126,668	-	-	-	-	127,227	126,668
Registration fees payable to National Council	281,181	165,127	-	-	-	-	281,181	165,127
Funds held for others	160,107	168,135	7,853	7,853	48,887	40,630	216,847	216,618
Total current liabilities	750,753	652,288	55,900	165,878	48,887	40,630	855,540	858,796
Net assets:								
Without donor restrictions	1,299,087	1,193,190	15,638,201	15,529,769	2,740,796	2,214,608	19,678,084	18,937,567
With donor restrictions	591,342	565,784	4,328,558	1,003,960	16,383,092	14,108,976	21,302,992	15,678,720
Total net assets	1,890,429	1,758,974	19,966,759	16,533,729	19,123,888	16,323,584	40,981,076	34,616,287
Total liabilities and net assets	\$ 2,641,182	\$ 2,411,262	\$ 20,022,659	\$ 16,699,607	\$ 19,172,775	\$ 16,364,214	\$ 41,836,616	\$ 35,475,083

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, 2019
(With Comparative Totals for 2018)**

	<u>2019</u>			<u>Total All Funds</u>	
	<u>Operating</u>	<u>Capital</u>	<u>Endowment</u>	<u>2019</u>	<u>(Restated)</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		<u>2018</u>
Changes in net assets without donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting, including net assets released from expiration of time restriction of \$460,009 in 2019 and \$408,445 in 2018 and net of bad debts of \$323,795 in 2019 and \$358,375 in 2018	\$ 2,773,361	\$ -	\$ -	\$ 2,773,361	\$ 2,703,402
Special events, net of direct costs of \$54,640 in 2019 and \$53,033 in 2018	182,046	-	-	182,046	180,394
Other direct support	<u>65,961</u>	<u>-</u>	<u>-</u>	<u>65,961</u>	<u>7,376</u>
Total direct public support	3,021,368	-	-	3,021,368	2,891,172
Indirect public support - United Way, including net assets released from expiration of time restriction of \$54,961 in 2019 and \$49,832 in 2018	<u>98,910</u>	<u>-</u>	<u>-</u>	<u>98,910</u>	<u>105,860</u>
Total public support	<u>3,120,278</u>	<u>-</u>	<u>-</u>	<u>3,120,278</u>	<u>2,997,032</u>
Other revenue:					
Scout shop and trading post sales, net of cost of goods sold of \$771,718 in 2019 and \$760,828 in 2018	469,370	-	-	469,370	472,840
Camping and related fees	1,513,071	-	-	1,513,071	1,586,848
Activity revenue	281,527	-	-	281,527	247,696
Product sales, net of cost of products sold of \$440,192 in 2019 and \$415,096 in 2018, commissions paid of \$581,662 in 2019 and \$506,808 in 2018 and cost of camp cards of \$23,058 and \$20,648 in 2019 and 2018	812,661	-	-	812,661	717,285
Investment return designated for current operations	645,267	-	-	645,267	603,442
Investment return not designated	-	-	526,188	526,188	(131,498)
Miscellaneous revenue	53,835	-	-	53,835	42,413
Gain on disposal of vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,937</u>
Total other revenue	<u>3,775,731</u>	<u>-</u>	<u>526,188</u>	<u>4,301,919</u>	<u>3,547,963</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>19,500</u>	<u>615,554</u>	<u>-</u>	<u>635,054</u>	<u>100,503</u>
Total public support and revenue	<u>6,915,509</u>	<u>615,554</u>	<u>526,188</u>	<u>8,057,251</u>	<u>6,645,498</u>

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

**Year ended December 31, 2019
(With Comparative Totals for 2018)**

	2019			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2019	(Restated) 2018
Changes in net assets without donor restrictions, continued					
Expenses:					
Program services	5,728,545	607,307	-	6,335,852	6,352,892
Management and general	317,688	33,272	-	350,960	322,276
Fundraising	474,320	66,543	-	540,863	539,411
Unallocated payments to National Council	<u>89,059</u>	<u>-</u>	<u>-</u>	<u>89,059</u>	<u>81,507</u>
Total operating expenses	<u>6,609,612</u>	<u>707,122</u>	<u>-</u>	<u>7,316,734</u>	<u>7,296,086</u>
Increase (decrease) in net assets without donor restrictions	<u>305,897</u>	<u>(91,568)</u>	<u>526,188</u>	<u>740,517</u>	<u>(650,588)</u>
Changes in net assets with donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting	536,037	-	-	536,037	460,009
Development campaign	-	3,940,152	-	3,940,152	872,837
Memorial contributions	<u>-</u>	<u>-</u>	<u>49,785</u>	<u>49,785</u>	<u>81,497</u>
Total direct public support	536,037	3,940,152	49,785	4,525,974	1,414,343
Indirect public support - United Way	<u>23,991</u>	<u>-</u>	<u>-</u>	<u>23,991</u>	<u>54,961</u>
Total public support	<u>560,028</u>	<u>3,940,152</u>	<u>49,785</u>	<u>4,549,965</u>	<u>1,469,304</u>
Change in the interest in the Boy Scout Trust Fund	<u>-</u>	<u>-</u>	<u>2,224,331</u>	<u>2,224,331</u>	<u>(1,420,415)</u>
Net assets released from restrictions:					
Expiration of time restriction	(514,970)	-	-	(514,970)	(458,277)
Restrictions satisfied by payments	<u>(19,500)</u>	<u>(615,554)</u>	<u>-</u>	<u>(635,054)</u>	<u>(100,503)</u>
Total net assets released from restrictions	<u>(534,470)</u>	<u>(615,554)</u>	<u>-</u>	<u>(1,150,024)</u>	<u>(558,780)</u>
Increase in net assets with donor restrictions	<u>25,558</u>	<u>3,324,598</u>	<u>2,274,116</u>	<u>5,624,272</u>	<u>(509,891)</u>

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2019
(With Comparative Totals for 2018)

	2019			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2019	(Restated) 2018
Increase (decrease) in net assets	331,455	3,233,030	2,800,304	6,364,789	(1,160,479)
Net assets at beginning of year:					
Without donor restrictions	1,193,190	15,529,769	2,214,608	18,937,567	19,588,155
With donor restrictions	<u>565,784</u>	<u>1,003,960</u>	<u>14,108,976</u>	<u>15,678,720</u>	<u>16,188,611</u>
Total net assets, beginning of year	1,758,974	16,533,729	16,323,584	34,616,287	35,776,766
Transfers between funds	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year:					
Without donor restrictions	1,299,087	15,638,201	2,740,796	19,678,084	18,937,567
With donor restrictions	<u>591,342</u>	<u>4,328,558</u>	<u>16,383,092</u>	<u>21,302,992</u>	<u>15,678,720</u>
Total net assets, end of year	<u>\$ 1,890,429</u>	<u>\$ 19,966,759</u>	<u>\$ 19,123,888</u>	<u>\$ 40,981,076</u>	<u>\$ 34,616,287</u>

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Functional Expenses

**Year ended December 31, 2019
(With Comparative Totals for 2018)**

	2019				Total All Funds	
	Program Services	Supporting Services			2019	(Restated) 2018
		Management and General	General Fundraising	Total		
Employee compensation:						
Salaries	\$ 2,742,826	\$ 148,248	\$ 296,496	\$ 444,744	\$ 3,187,570	\$ 3,123,116
Employment benefits	510,531	32,570	65,140	97,710	608,241	588,234
Payroll taxes	208,674	11,363	22,725	34,088	242,762	239,896
Total compensation expenses	3,462,031	192,181	384,361	576,542	4,038,573	3,951,246
Professional fees	9,456	81,220	1,384	82,604	92,060	100,071
Supplies and general expenses	964,041	822	1,643	2,465	966,506	1,015,628
Telephone	58,013	2,156	4,311	6,467	64,480	62,798
Postage and shipping	31,675	1,680	3,360	5,040	36,715	29,357
Occupancy expenses	550,876	8,072	16,144	24,216	575,092	622,132
Equipment rental and maintenance	84,727	5,646	11,293	16,939	101,666	118,629
Printing and publications	6,629	55	110	165	6,794	8,443
Travel and field operating expenses	214,441	11,986	23,972	35,958	250,399	261,702
Conference and meetings	41,710	2,597	5,194	7,791	49,501	40,776
Specific assistance	148,958	-	-	-	148,958	114,735
Recognition awards	40,826	2,453	4,906	7,359	48,185	39,455
Insurance	160,331	6,008	12,017	18,025	178,356	189,004
Miscellaneous expenses	107,423	2,812	5,624	8,436	115,859	121,812
Total expenses before depreciation	5,881,137	317,688	474,319	792,007	6,673,144	6,675,788
Depreciation of buildings and equipment	454,715	33,272	66,544	99,816	554,531	538,791
	<u>\$ 6,335,852</u>	<u>\$ 350,960</u>	<u>\$ 540,863</u>	<u>\$ 891,823</u>	<u>\$ 7,227,675</u>	<u>\$ 7,214,579</u>

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Cash Flows

**Year ended December 31, 2019
(With Comparative Totals for 2018)**

	2019			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2019	(Restated) 2018
Cash flows from operating activities:					
Change in net assets	\$ 331,455	\$ 3,233,030	\$ 2,800,304	\$ 6,364,789	\$ (1,160,479)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	-	554,531	-	554,531	538,791
Amortization of discount on pledges receivable	-	(920)	-	(920)	(2,745)
Gain on disposal of vehicles	-	-	-	-	(8,937)
Net unrealized (gains) losses on investments	-	-	(526,188)	(526,188)	131,498
Change in interest in net assets of the Boy Scout Trust Fund	-	-	(2,245,461)	(2,245,461)	1,337,916
Contributions restricted for endowment purposes	-	-	-	-	(2,395)
Contributions restricted for capital improvements	-	(3,940,152)	-	(3,940,152)	(872,836)
Changes in operating assets and liabilities:					
Contributions and accounts receivable	(42,884)	-	-	(42,884)	(372,578)
Inventories	(20,309)	-	-	(20,309)	(37,801)
Prepaid expenses	35,068	-	-	35,068	18,954
Accounts payable and other liabilities	4,296	(109,978)	-	(105,682)	134,068
Camping, activity and other fees designated for future periods	(13,857)	-	-	(13,857)	20,283
Registration fees payable to National Council	116,054	-	-	116,054	(25,123)
Funds held for others	(8,028)	-	8,257	229	5,850
Net cash provided (used) by operating activities	401,795	(263,489)	36,912	175,218	(295,534)
Cash flows from investing activities:					
Proceeds from sale of land, buildings and equipment	-	-	-	-	23,802
Purchases of land, buildings and equipment	-	(686,149)	-	(686,149)	(394,373)
Net cash used by investing activities	-	(686,149)	-	(686,149)	(370,571)

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Cash Flows, Continued

**Year ended December 31, 2019
(With Comparative Totals for 2018)**

	2019			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2019	(Restated) 2018
Cash flows from financing activities:					
Collection of capital campaign support	-	2,516,827	-	2,516,827	102,395
Collection of development campaign support	-	100,000	-	100,000	872,836
Proceeds from (payments of) transfers between funds	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(200,000)</u>	<u>2,816,827</u>	<u>-</u>	<u>2,616,827</u>	<u>975,231</u>
Net increase (decrease) in cash	201,795	1,867,189	36,912	2,105,896	309,126
Cash and restricted cash at beginning of year	<u>1,513,731</u>	<u>1,258,465</u>	<u>63,560</u>	<u>2,835,756</u>	<u>2,526,630</u>
Cash and restricted cash at end of year	<u><u>\$ 1,715,526</u></u>	<u><u>\$ 3,125,654</u></u>	<u><u>\$ 100,472</u></u>	<u><u>\$ 4,941,652</u></u>	<u><u>\$ 2,835,756</u></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:

	2019			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2019	2018
Cash	1,684,212	578,261	100,472	2,362,945	2,784,942
Restricted cash	<u>31,314</u>	<u>2,547,393</u>	<u>-</u>	<u>2,578,707</u>	<u>50,814</u>
	<u><u>\$ 1,715,526</u></u>	<u><u>\$ 3,125,654</u></u>	<u><u>\$ 100,472</u></u>	<u><u>\$ 4,941,652</u></u>	<u><u>\$ 2,835,756</u></u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2019 and 2018

(1) Nature of organization

The Middle Tennessee Council, Inc., Boy Scouts of America (the "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 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 Charter, Bylaws, and Rule and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys, young men and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues. The 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 has an interest in the net assets of the Boy Scout Trust Fund which was established for the benefit of the Council. See additional discussion of the Council's interest in the net assets of the Boy Scout Trust Fund at footnote (2)(k).

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.

Notes to the Financial Statements

December 31, 2019 and 2018

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

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

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

(2) Summary of significant accounting policies

(a) Recently adopted accounting pronouncements

As of January 1, 2019, the Council adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the year ending December 31, 2019 are presented under FASB Topic 606. The ASU has been applied on a modified retrospective approach, with no cumulative effect on opening net assets. Results for reporting for the year ended December 31, 2018 are presented under FASB Topic 605.

Effective for the Council in 2019, FASB ASU 2016-01, *Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825-10)* allows a not-for-profit to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with FASB ASC 820-10-35-59, at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The FASB ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Council's 2019 and 2018 financial statements.

Notes to the Financial Statements

December 31, 2019 and 2018

During the year, the Council also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 958"). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under Topic 606. If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2019 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In 2019, the Council adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Council has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

(b) Prior year summarized comparative information

The financial statements and certain notes include certain prior year summarized comparative information in total, but not by fund or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Notes to the Financial Statements

December 31, 2019 and 2018

(c) Basis of accounting

The financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(d) Fund accounting

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

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

Capital Fund – The capital fund is used to account for property, buildings, equipment, and legally restricted cash that is to be expended for property, buildings, and equipment and related debt payments. 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.

Notes to the Financial Statements

December 31, 2019 and 2018

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 (Note (2)(k)).

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

(e) **Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) **Restricted Cash**

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

(g) **Accounts receivable**

Accounts receivable are recorded primarily for product sales stated at estimated realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of December 31, 2019 and 2018.

(h) **Inventories**

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

Notes to the Financial Statements

December 31, 2019 and 2018

(i) Land, buildings, and equipment

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

Construction in progress 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 - 40 years, furniture, fixtures and equipment are depreciated over 3 - 20 years and motor vehicles are depreciated over three to five years. Annual depreciation is charged to the Capital Fund.

(j) Investments

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

Notes to the Financial Statements

December 31, 2019 and 2018

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

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

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

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

(l) Inter fund loans

At certain times, inter fund loans may be made from the Endowment Fund and Operating Fund for the purpose of making advances of surplus cash funds to the Operating Fund and Capital Fund for operating purposes. No such inter fund loans were outstanding at December 31, 2019 or 2018.

(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.

Notes to the Financial Statements

December 31, 2019 and 2018

(n) Contributions and contributions receivable

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Council's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectibility. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges is recorded when the Council determines, based on historical experience and collection efforts, that a contribution receivable is uncollectible. No allowance for uncollectible receivables was considered necessary as of December 31, 2019 and 2018.

(o) Donated materials and services

Donated land, buildings, equipment, investments and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council reports the donations as increases in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Donated materials totaled \$37,541 in 2019 and \$39,220 in 2018.

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.

Notes to the Financial Statements

December 31, 2019 and 2018

(p) Revenue recognition

Revenue from Exchange Transactions: The Council recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Council records the following exchange transaction revenue in its statements of changes in net assets for the years ending December 31, 2019 and 2018:

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, 2019 and 2018.

Product sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of up to 37% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units starts in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the Council and the unit. In making this collectibility assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail's End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its statements of changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions (retained by or paid to the unit). Scout units have the right to return to the Council any unsold product, subject to a specific return-by date. As of December 31, 2019 and 2018, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Notes to the Financial Statements

December 31, 2019 and 2018

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 statement of changes in net assets, if material. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Council separately presents in its statement of changes in net assets or notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Notes to the Financial Statements

December 31, 2019 and 2018

(q) Functional allocation of expenses

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

(r) Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2019 and 2018 amounted to approximately \$12,000 and \$13,000, 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. Only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Council currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Council had no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of December 31, 2019 or 2018. It is the Council's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

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

Notes to the Financial Statements

December 31, 2019 and 2018

(t) Events occurring after reporting date

The Council has evaluated events and transactions that occurred between December 31, 2019 and June 4, 2020 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(u) New accounting pronouncements, not yet adopted

The FASB's new lease accounting standard, ASU No. 2016-02, *Leases*, which was issued in February 2016, will generally require on-balance sheet recognition for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of operations). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. The guidance is effective for the Council beginning January 1, 2022.

(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 Financial Statements

December 31, 2019 and 2018

(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>2019</u>	<u>2018</u>
Cash -operating fund	\$ 1,684,212	\$ 1,462,917
Current operating fund contributions receivable	424,648	400,026
Accounts receivable - operating fund	<u>18,779</u>	<u>517</u>
Total financial assets as of end of year	2,127,639	1,863,460
Estimated appropriation from board-designated endowment for general expenditure in subsequent year	<u>88,000</u>	<u>84,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,215,639</u>	\$ <u>1,947,460</u>

The Council's endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The board-designated endowment has a spending rate of 4 percent, which will be available within the next 12 months as of December 31, 2019 and 2018.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has a committed line of credit in the amount of \$500,000 (Note 8), which it could draw upon. Additionally, the Council has a board-designated endowment of \$2,740,796 at December 31, 2019. Although the Council does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Notes to the Financial Statements

December 31, 2019 and 2018

(5) Contributions receivable

A summary of contributions receivable as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Friends of Scouting	\$ 401,902	\$ 346,309
United Way allocations	22,746	53,717
Capital campaign	<u>1,763,325</u>	<u>440,000</u>
	2,187,973	840,026
Less discount to net present value in 2018 at a rate of approximately 2.49% on capital campaign receivables.	<u>-</u>	<u>(920)</u>
Total contributions receivable	2,187,973	839,106
Less current portion of contributions receivable	<u>(1,025,527)</u>	<u>(589,106)</u>
Long-term portion of contributions receivable	<u>\$ 1,162,446</u>	<u>\$ 250,000</u>

The contributions receivable at December 31, 2019 consists of pledges from three major donors.

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

(6) Fair value measurements and investments

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

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

Notes to the Financial Statements

December 31, 2019 and 2018

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

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

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

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

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

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

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

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, 2019 and 2018.

- (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.

Notes to the Financial Statements

December 31, 2019 and 2018

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

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, 2019 and 2018:

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

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

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Short-term investments	\$ 25,518	\$ 25,518	\$ -	\$ -
Equities and equity funds	1,700,527	1,700,527	-	-
Bonds and bond funds	488,563	488,563	-	-
Interest in net assets of Trust Fund	<u>14,086,046</u>	<u>-</u>	<u>14,086,046</u>	<u>-</u>
Total financial assets	<u>\$ 16,300,654</u>	<u>\$ 2,214,608</u>	<u>\$ 14,086,046</u>	<u>\$ -</u>

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2019 and 2018

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

The following schedule summarizes investment return included in the statement of changes in net assets for 2019 and 2018:

	<u>2019</u>	(Restated) <u>2018</u>
Interest and dividend income	\$ 65,513	\$ 62,148
Net gains (losses)	<u>460,675</u>	<u>(193,646)</u>
	<u>\$ 526,188</u>	<u>\$ (131,498)</u>

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

(7) Land, buildings, and equipment

A summary of land, buildings and equipment as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 5,324,687	\$ 5,324,687
Council office building	3,051,951	3,051,951
Buildings - Camps	14,134,460	13,553,906
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	398,227	398,227
Camps	1,063,965	1,028,965
Motor vehicles	282,958	282,958
Construction in progress	<u>387,145</u>	<u>324,620</u>
	25,573,153	24,895,074
Accumulated depreciation	<u>(10,439,473)</u>	<u>(9,893,012)</u>
	<u>\$ 15,133,680</u>	<u>\$ 15,002,062</u>

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2019 and 2018

(8) Line of credit

The Council has an unsecured revolving line of credit with a bank in which the Council may draw up to \$500,000. The line of credit bears interest on a monthly basis at the 1-Month LIBOR rate plus 1%. The line of credit matures in February 2021. There was no outstanding balance on the line of credit at December 31, 2019.

(9) Net assets with donor restrictions

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

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

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2019 and 2018

	2018			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specific purpose:				
Scholarships	\$ 50,814	\$ -	\$ -	\$ 50,814
United Way designation	54,961	-	-	54,961
Capital improvements	<u>-</u>	<u>1,003,960</u>	<u>-</u>	<u>1,003,960</u>
Total purpose restrictions	<u>105,775</u>	<u>1,003,960</u>	<u>-</u>	<u>1,109,735</u>
Subject to the passage of time:				
Friends of Scouting and other for future periods	<u>460,009</u>	<u>-</u>	<u>-</u>	<u>460,009</u>
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	9,793,810	9,793,810
Program activities:				
Scouting activities	-	-	728,993	728,993
Property maintenance	-	-	335,818	335,818
Camp Craig property maintenance	-	-	39,986	39,986
Laura Miller scholarship program	-	-	384,904	384,904
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>48,325</u>	<u>48,325</u>
Total subject to endowment spending policy and appropriation	<u>-</u>	<u>-</u>	<u>11,331,836</u>	<u>11,331,836</u>
Subject to appropriation and expenditure when a specific event occurs:				
General use	-	-	2,261,058	2,261,058
Scouting activities:				
Camperships	-	-	226,273	226,273
Low income exploring	-	-	108,832	108,832
Property maintenance	-	-	35,041	35,041
Laura Miller scholarship program	-	-	144,007	144,007
Connelly scholarship program	<u>-</u>	<u>-</u>	<u>1,929</u>	<u>1,929</u>
Total subject to appropriation and expenditure when a specific event occurs	<u>-</u>	<u>-</u>	<u>2,777,140</u>	<u>2,777,140</u>
Total net assets with donor restrictions	<u>\$ 565,784</u>	<u>\$ 1,003,960</u>	<u>\$ 14,108,976</u>	<u>\$ 15,678,720</u>

Notes to the Financial Statements

December 31, 2019 and 2018

(10) Endowment fund

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

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

Interpretation of relevant law

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

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

Notes to the Financial Statements

December 31, 2019 and 2018

Return objectives and risk parameters

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

Strategies employed for achieving objectives

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

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or SPMIFA requires the Council to retain as a fund of perpetual duration (underwater endowments). Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2019 and 2018, there were no such deficiencies. The Council has interpreted the SPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

Spending policy

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

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2019 and 2018

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

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

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 2,214,608	\$ -	\$ 2,214,608
Donor-restricted endowment funds:			
Original door-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,331,836	11,331,836
Accumulated investment gains	<u>-</u>	<u>2,777,140</u>	<u>2,777,140</u>
Total endowment net assets	\$ <u>2,214,608</u>	\$ <u>14,108,976</u>	\$ <u>16,323,584</u>

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2019 and 2018

Changes in the endowment net assets for the years ended December 31, 2019 and 2018 is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment fund net assets,			
December 31, 2017	\$ -	\$ 15,447,895	\$ 15,447,895
Contributions	-	79,102	79,102
Net depreciation	(131,496)	-	(131,496)
Board designations of net assets	2,346,104	-	2,346,104
Change in interest in net assets of the Boy Scout Trust Fund	-	(1,300,046)	(1,300,046)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(117,975)</u>	<u>(117,975)</u>
Endowment fund net assets,			
December 31, 2018	2,214,608	14,108,976	16,323,584
Investment income	65,513	-	65,513
Contributions	-	49,785	49,785
Net appreciation	551,964	-	551,964
Change in interest in net assets of the Boy Scout Trust Fund	-	2,337,252	2,337,252
Appropriation of endowment assets for expenditure	<u>(91,289)</u>	<u>(112,921)</u>	<u>(204,210)</u>
Endowment fund net assets,			
December 31, 2019	\$ <u>2,740,796</u>	\$ <u>16,383,092</u>	\$ <u>19,123,888</u>

(11) Employee benefit plans

Retirement Plan

The National Council has a qualified defined benefit pension plan (“the Plan”) administered at the National Service Center that covers 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). 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) contribute 4.25 percent of compensation, and the Council contributes an additional 7% to the Plan. Pension expense (excluding the contributions made by employees) was approximately \$83,008 in 2019 and covered current service cost. The actuarial information for the Plan as of February 1, 2019, indicates that it is in compliance with ERISA regulations regarding funding.

Notes to the Financial Statements

December 31, 2019 and 2018

BSA Match Savings Plan

The Council participates in a defined contribution plan established by the National Council of the Boy Scouts of America. The plan name is the BSA Match Savings Plan, which covers substantially all employees of the Council. Participants in the BSA Match Savings Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitation set forth in the Internal Revenue Code of 1986, as amended. Employees who have at least 15 years of vesting service and attained the age of 60 or more as of December 31, 2018, are considered grandfathered into the plan from the Thrift Plan. Non-grandfathered employees will receive an automatic contribution from the Council of 1.75 percent and a 100 percent matching contribution up to 6 percent of each employee's gross pay. Grandfathered employee contributions are matched up to 50 percent of contributions from each participant, limited to 6 percent of each employee's gross pay. The Council contributed \$127,592 to the BSA Match Savings Plan in 2019. No contributions were made in 2018 as the Council did not participate in the BSA Match Savings Plan prior to 2019.

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. Prior to that date, participants in the Thrift Plan could 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 matched employee contributions to the Thrift Plan up to 50% of contributions from each participant, limited to 6% of each participant's gross pay. The Council contributed \$37,970 to the Thrift Plan in 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, 2019 and 2018, the Council remitted \$262,843 and \$273,401, respectively, on behalf of its employees to the National Council related to the healthcare plan.

Notes to the Financial Statements

December 31, 2019 and 2018

(12) Operating leases

The Council has entered into various operating leases for certain office equipment. A summary of approximate future minimum payments under these leases as of December 31, 2019 is as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 16,000
2021	3,000
2022	3,000
2023	<u>3,000</u>
	<u>\$ 25,000</u>

Lease expense amounted to approximately \$43,000 in 2019 and \$50,000 in 2018.

(13) Related party transactions

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

(14) Restatement of prior year financial statements

During fiscal year 2019, the Council reviewed its relationship with the Trust Fund for which the investments and related investment activity were reflected in the Council's financial statements. The review of this relationship resulted in the determination that the Council and the Trust Fund are financially interrelated entities, and accordingly, under accounting principles generally accepted in the United States, the Council's interest in the net assets of the Trust Fund should be presented as a single line item on the statement of financial position and as the periodic change in its interest in the net assets of the Trust Fund as a single line-item in the statement of changes in net assets. As a result, certain assets previously reported in the Council's 2018 financial statements as investments are presented in the summarized comparative financial data for 2018 in these financial statements as an interest in the net assets of the Trust Fund and amounts previously reported as investment return are presented as a change in the interest in net assets of the Trust Fund. The cumulative effect of these changes as of January 1, 2018 and the changes in the summarized comparative information for the year ended December 31, 2018 is presented in the following table.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2019 and 2018

	<u>As Previously Stated</u>	<u>Correction</u>	<u>As Restated</u>
Statement of Financial Position (Endowment Fund):			
Investments	\$ 16,300,654	(14,086,046)	\$ 2,214,608
Interest in net assets of the Trust Fund	\$ -	14,086,046	\$ 14,086,046
Net assets without donor restrictions	\$ 4,291,947	(2,077,339)	\$ 2,214,608
Net assets with donor restrictions	\$ 12,031,637	2,077,339	\$ 14,108,976
Statement of Activities:			
Changes in net assets without donor restrictions:			
Memorial contributions	\$ 79,102	(79,102)	\$ -
Investment return not designated	\$ (1,188,646)	1,057,148	\$ (131,498)
Changes in net assets with donor restrictions:			
Memorial contributions	\$ 2,395	79,102	\$ 81,497
Investment return	\$ (363,267)	363,267	\$ -
Interest in net assets of the Trust Fund	\$ -	(1,420,415)	\$ (1,420,415)
Net assets at beginning of year:			
Net assets without donor restrictions	\$ 22,643,540	(3,055,385)	\$ 19,588,155
Net assets with donor restrictions	\$ 13,133,226	3,055,385	\$ 16,188,611

(15) Subsequent events

On February 18, 2020, the National Council filed Chapter 11 bankruptcy and created a trust to provide compensation to plaintiffs in certain litigation matters. Local councils, including the Council are legally separate, distinct and financially independent of the National Council, and as of the date of the report, the bankruptcy has no impact on the Council.

As of the date this report was available to be issued, the United States, as well as many other countries around the world, was experiencing an emerging infectious disease (COVID-19) outbreak, impacting individuals, governments, businesses and financial markets with unprecedented disruption and risk. While it is not possible to predict the impacts of the outbreak on the Council's financial condition and results of operations, significant disruptions to key business drivers, such as customer demand and workforce are possible. While management is closely monitoring the situation and developing strategies designed to mitigate such impacts, the outcome of these mitigating activities is unknown.

The impact of the outbreak on financial markets has led to a decline in the fair value of its investments of approximately 18% during the first quarter of 2020. However, management of the Council believes its current operations and available cash and investments will provide the adequate cash flows needed for at least a one-year period from the date these financials were available to be issued.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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

Year ended December 31, 2019

	<u>Operating Fund</u>	<u>Budget (Unaudited)</u>	<u>Over (Under) Budget</u>
Public support and revenue:			
Direct public support:			
Friends of Scouting	\$ 2,773,361	\$ 2,754,000	\$ 19,361
Special events, net of direct costs	182,046	209,500	(27,454)
Other direct support	<u>65,961</u>	<u>-</u>	<u>65,961</u>
Total direct public support	3,021,368	2,963,500	57,868
Indirect public support - United Way	<u>98,910</u>	<u>104,935</u>	<u>(6,025)</u>
Total public support	<u>3,120,278</u>	<u>3,068,435</u>	<u>51,843</u>
Other revenue:			
Sales of supplies, net of cost of goods sold	469,370	483,875	(14,505)
Camping and related fees	1,513,071	1,666,865	(153,794)
Activity revenue	281,527	345,424	(63,897)
Product sales, net of cost of products sold	812,661	762,000	50,661
Investment income	645,267	636,054	9,213
Miscellaneous revenue	<u>53,835</u>	<u>44,000</u>	<u>9,835</u>
Total other revenue	<u>3,775,731</u>	<u>3,938,218</u>	<u>(162,487)</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>19,500</u>	<u>-</u>	<u>19,500</u>
Total public support and revenue	<u>6,915,509</u>	<u>7,006,653</u>	<u>(91,144)</u>
Expenses:			
Employee compensation:			
Salaries	3,141,445	3,215,276	(73,831)
Employment benefits	607,290	639,946	(32,656)
Payroll taxes	239,233	275,053	(35,820)
Employee Related Expenses	<u>-</u>	<u>10,500</u>	<u>(10,500)</u>
Total compensation expenses	3,987,968	4,140,775	(152,807)
Professional fees	92,060	66,298	25,762
Supplies and general expenses	952,786	1,096,438	(143,652)
Telephone	64,480	68,100	(3,620)
Postage and shipping	36,715	47,700	(10,985)
Occupancy expenses	523,300	515,720	7,580
Equipment rental and maintenance	101,666	116,500	(14,834)
Printing and publication	6,794	12,000	(5,206)
Travel and field operating expenses	250,399	305,290	(54,891)
Conference and meetings	49,501	48,500	1,001
Specific assistance	148,958	121,500	27,458
Recognition award	48,185	36,500	11,685
Insurance	178,356	187,732	(9,376)
Miscellaneous expenses	79,385	89,399	(10,014)
Unallocated payments to National Council	<u>89,059</u>	<u>84,767</u>	<u>4,292</u>
Total expenses	<u>6,609,612</u>	<u>6,937,219</u>	<u>(327,607)</u>
Transfer to capital fund	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Increase in net assets without restrictions	<u>\$ 105,897</u>	<u>\$ 69,434</u>	<u>\$ 36,463</u>

See accompanying independent auditors' report.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Public support and revenue:		
Direct public support:		
Friends of Scouting	\$ 2,773,361	\$ 2,703,402
Special events, net of direct costs	182,046	180,394
Other direct support	<u>65,961</u>	<u>7,376</u>
Total direct public support	3,021,368	2,891,172
Indirect public support - United Way	<u>98,910</u>	<u>105,860</u>
Total public support	<u>3,120,278</u>	<u>2,997,032</u>
Other revenue:		
Sales of supplies, net of cost of goods sold	469,370	472,840
Camping and related fees	1,513,071	1,586,848
Activity revenue	281,527	247,696
Product sales, net of cost of products sold	812,661	717,285
Investment income	645,267	603,442
Miscellaneous revenue	<u>53,835</u>	<u>42,413</u>
Total other revenue	<u>3,775,731</u>	<u>3,670,524</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>19,500</u>	<u>30,750</u>
Total public support and revenue	<u>6,915,509</u>	<u>6,698,306</u>
Expenses:		
Program services	5,728,545	5,778,226
Supporting services:		
Management and general	317,688	285,985
Fundraising	474,320	466,828
Unallocated payments to National Council	<u>89,059</u>	<u>81,507</u>
Total expenses	<u>6,609,612</u>	<u>6,612,546</u>
Transfer to capital fund	<u>200,000</u>	<u>-</u>
Increase in net assets without donor restrictions	<u>\$ 105,897</u>	<u>\$ 85,760</u>

See accompanying independent auditors' report.