

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

Financial Statements and Schedules

**December 31, 2017
(With Comparative Totals for 2016)**

(With Independent Auditors' Report Thereon)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Middle Tennessee Council, Inc., Boy Scouts of America ("Council") (a not-for-profit organization) which are comprised of the statement of financial position as of December 31, 2017, and the related statement of changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middle Tennessee Council, Inc., Boy Scouts of America as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Council's 2016 financial statements, and our report dated April 12, 2017 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information in the schedules on pages 26 and 27 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, except for the information discussed below, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The budget information on page 26 marked as "unaudited" is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on that information.

LBM, PC

Brentwood, Tennessee
April 24, 2018

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Financial Position

December 31, 2017
(With Comparative Amounts for 2016)

Assets

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
Current assets:								
Cash	\$ 1,393,079	\$ 1,578,958	\$ 985,669	\$ 1,019,095	\$ 66,318	\$ 47,057	\$ 2,445,066	\$ 2,645,110
Restricted cash	81,564	122,814	-	-	-	-	81,564	122,814
Accounts receivable	516	5,013	-	-	-	-	516	5,013
Pledge contributions receivable, net	367,449	368,850	97,255	95,484	-	-	464,704	464,334
Inventories	300,592	268,288	-	-	-	-	300,592	268,288
Prepaid expenses	177,549	170,855	-	-	-	-	177,549	170,855
Total current assets	2,320,749	2,514,778	1,082,924	1,114,579	66,318	47,057	3,469,991	3,676,414
Land, buildings and equipment, net	-	-	15,161,345	14,883,894	-	-	15,161,345	14,883,894
Long-term portion of pledges receivable	-	-	99,080	196,335	-	-	99,080	196,335
Investments	2,346,106	2,051,072	-	-	15,423,962	13,768,720	17,770,068	15,819,792
Total noncurrent assets	2,346,106	2,051,072	15,260,425	15,080,229	15,423,962	13,768,720	33,030,493	30,900,021
Total assets	\$ 4,666,855	\$ 4,565,850	\$ 16,343,349	\$ 16,194,808	\$ 15,490,280	\$ 13,815,777	\$ 36,500,484	\$ 34,576,435

Liabilities and Net Assets

Current liabilities:								
Accounts payable	\$ 145,331	\$ 110,299	\$ -	\$ 15,549	\$ -	\$ -	\$ 145,331	\$ 125,848
Camping, activity and other fees designated for future periods	53,049	141,051	-	-	-	-	53,049	141,051
Other accrued liabilities	124,320	133,271	-	-	-	-	124,320	133,271
Registration fees payable to National Council	190,250	183,012	-	-	-	-	190,250	183,012
Funds held for others	160,528	147,396	7,853	7,853	42,387	35,189	210,768	190,438
Total current liabilities	673,478	715,029	7,853	23,402	42,387	35,189	723,718	773,620
Net assets:								
Unrestricted net assets	3,453,536	3,244,569	16,134,619	15,702,180	3,055,385	1,612,019	22,643,540	20,558,768
Temporarily restricted net assets	539,841	606,252	200,877	469,226	705,577	634,488	1,446,295	1,709,966
Permanently restricted net assets	-	-	-	-	11,686,931	11,534,081	11,686,931	11,534,081
Total net assets	3,993,377	3,850,821	16,335,496	16,171,406	15,447,893	13,780,588	35,776,766	33,802,815
Total liabilities and net assets	\$ 4,666,855	\$ 4,565,850	\$ 16,343,349	\$ 16,194,808	\$ 15,490,280	\$ 13,815,777	\$ 36,500,484	\$ 34,576,435

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, 2017
(With Comparative Totals for 2016)**

	<u>2017</u>			<u>Total All Funds</u>	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2017</u>	<u>2016</u>
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 \$430,456 in 2017 and \$344,899 in 2016 and net of bad debts of \$278,492 in 2017 and \$228,509 in 2016	\$ 2,661,182	\$ -	\$ -	\$ 2,661,182	\$ 2,433,610
Memorial contributions	-	-	38,649	38,649	207,230
Special events, net of direct costs of \$68,624 in 2017 and \$50,714 in 2016	189,272	-	-	189,272	177,795
Other direct support	<u>58,120</u>	<u>-</u>	<u>-</u>	<u>58,120</u>	<u>32,916</u>
Total direct public support	2,908,574	-	38,649	2,947,223	2,851,551
Indirect public support - United Way, including net assets released from expiration of time restriction of \$52,980 in 2017 and \$46,129 in 2016	<u>119,636</u>	<u>-</u>	<u>-</u>	<u>119,636</u>	<u>128,038</u>
Total public support	<u>3,028,210</u>	<u>-</u>	<u>38,649</u>	<u>3,066,859</u>	<u>2,979,589</u>
Other revenue:					
Sales of supplies, net of cost of goods sold of \$799,745 in 2017 and \$771,655 in 2016	499,460	-	-	499,460	452,692
Camping and related fees	1,592,352	-	-	1,592,352	1,560,534
Activity revenue	545,506	-	-	545,506	298,728
Product sales, net of cost of products sold of \$402,750 in 2017 and \$375,773 in 2016, commissions paid of \$498,329 in 2017 and \$485,994 in 2016 and cost of camp cards of \$20,202 in 2017 and 2016	691,602	-	-	691,602	657,017
Investment return designated for current operations	800,903	-	-	800,903	648,822
Investment income not designated	-	-	1,401,028	1,401,028	441,646
Miscellaneous revenue	24,841	-	-	24,841	30,901
Gain on sale of land	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,882</u>
Total other revenue	<u>4,154,664</u>	<u>-</u>	<u>1,401,028</u>	<u>5,555,692</u>	<u>4,724,222</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>41,250</u>	<u>839,391</u>	<u>-</u>	<u>880,641</u>	<u>61,048</u>
Total public support and revenue	<u>7,224,124</u>	<u>839,391</u>	<u>1,439,677</u>	<u>9,503,192</u>	<u>7,764,859</u>

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

**Year ended December 31, 2017
(With Comparative Totals for 2016)**

	<u>2017</u>			<u>Total All Funds</u>	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets, continued					
Expenses:					
Program services	5,748,702	509,750	-	6,258,452	5,663,141
Management and general	325,117	44,800	-	369,917	348,225
Fundraising	613,468	102,401	-	715,869	659,862
Unallocated payments to National Council	<u>77,870</u>	<u>-</u>	<u>-</u>	<u>77,870</u>	<u>70,791</u>
Total operating expenses	<u>6,765,157</u>	<u>656,951</u>	<u>-</u>	<u>7,422,108</u>	<u>6,742,019</u>
Increase in unrestricted net assets	<u>458,967</u>	<u>182,440</u>	<u>1,439,677</u>	<u>2,081,084</u>	<u>1,022,840</u>
Changes in temporarily restricted net assets					
Public support and revenue:					
Direct public support:					
Friends of Scouting	408,443	-	-	408,443	430,456
Development campaign	<u>-</u>	<u>571,041</u>	<u>-</u>	<u>571,041</u>	<u>218,700</u>
Total direct public support	408,443	571,041	-	979,484	649,156
Indirect public support - United Way	<u>49,832</u>	<u>-</u>	<u>-</u>	<u>49,832</u>	<u>52,980</u>
Total public support	<u>458,275</u>	<u>571,041</u>	<u>-</u>	<u>1,029,316</u>	<u>702,136</u>
Investment income	<u>-</u>	<u>-</u>	<u>74,777</u>	<u>74,777</u>	<u>920</u>
Net assets released from restrictions:					
Expiration of time restriction	(483,436)	-	-	(483,436)	(391,028)
Restrictions satisfied by payments	<u>(41,250)</u>	<u>(839,391)</u>	<u>-</u>	<u>(880,641)</u>	<u>(61,048)</u>
Total net assets released from restrictions	<u>(524,686)</u>	<u>(839,391)</u>	<u>-</u>	<u>(1,364,077)</u>	<u>(452,076)</u>
Increase (decrease) in temporarily restricted net assets	<u>(66,411)</u>	<u>(268,350)</u>	<u>74,777</u>	<u>(259,984)</u>	<u>250,980</u>

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2017
(With Comparative Totals for 2016)

	2017			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2017	2016
Changes in permanently restricted net assets:					
Direct public support	-	-	4,600	4,600	1,600
Investment income	-	-	148,251	148,251	106,742
Increase in permanently restricted net assets	-	-	152,851	152,851	108,342
Increase in net assets	392,556	(85,910)	1,667,305	1,973,951	1,382,162
Net assets at beginning of year	3,850,821	16,171,406	13,780,588	33,802,815	32,420,653
Transfers between funds	(250,000)	250,000	-	-	-
Net assets at end of year	<u>\$ 3,993,377</u>	<u>\$ 16,335,496</u>	<u>\$ 15,447,893</u>	<u>\$ 35,776,766</u>	<u>\$ 33,802,815</u>

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Functional Expenses

Year ended December 31, 2017
(With Comparative Totals for 2016)

	2017				Total All Funds	
	Program Services	Supporting Services		Total	2017	2016
		Management and General	General Fundraising			
Employee compensation:						
Salaries	\$ 2,558,384	\$ 171,456	\$ 391,898	\$ 563,354	\$ 3,121,738	\$ 2,908,906
Employment benefits	478,205	32,858	75,103	107,961	586,166	541,374
Payroll taxes	<u>202,737</u>	<u>13,943</u>	<u>31,870</u>	<u>45,813</u>	<u>248,550</u>	<u>225,524</u>
Total compensation expenses	3,239,326	218,257	498,871	717,128	3,956,454	3,675,804
Professional fees	8,970	57,540	1,864	59,404	68,374	67,545
Supplies and general expenses	1,229,650	1,602	3,663	5,265	1,234,915	1,048,322
Telephone	52,321	2,577	5,891	8,468	60,789	62,044
Postage and shipping	26,559	2,370	5,418	7,788	34,347	41,606
Occupancy expenses	533,046	13,555	30,982	44,537	577,583	519,029
Equipment rental and maintenance	89,519	6,306	14,413	20,719	110,238	81,342
Printing and publications	9,361	39	90	129	9,490	7,374
Travel and field operating expenses	170,393	11,296	25,819	37,115	207,508	187,996
Conference and meetings	25,907	1,733	3,961	5,694	31,601	27,533
Specific assistance	96,613	-	-	-	96,613	94,917
Recognition awards	27,555	1,327	3,032	4,359	31,914	34,679
Insurance	187,298	10,566	24,152	34,718	222,016	208,215
Miscellaneous expenses	<u>129,695</u>	<u>3,455</u>	<u>7,897</u>	<u>11,352</u>	<u>141,047</u>	<u>84,490</u>
Total expenses before depreciation	5,826,213	330,623	626,053	956,676	6,782,889	6,140,896
Depreciation of buildings and equipment	<u>432,239</u>	<u>39,294</u>	<u>89,816</u>	<u>129,110</u>	<u>561,349</u>	<u>530,332</u>
	<u>\$ 6,258,452</u>	<u>\$ 369,917</u>	<u>\$ 715,869</u>	<u>\$ 1,085,786</u>	<u>\$ 7,344,238</u>	<u>\$ 6,671,228</u>

See accompanying notes to the financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Cash Flows

**Year ended December 31, 2017
(With Comparative Totals for 2016)**

	<u>2017</u>			<u>Total All Funds</u>	
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:					
Change in net assets	\$ <u>392,556</u>	\$ <u>(85,910)</u>	\$ <u>1,667,305</u>	\$ <u>1,973,951</u>	\$ <u>1,382,162</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Depreciation	-	561,349	-	561,349	530,332
Amortization of discount on pledges receivable	-	(3,665)	-	(3,665)	(8,181)
Gain on disposal of equipment	-	-	-	-	(633,882)
Net unrealized (gains) losses on investments	(259,433)	-	166,198	(93,235)	(688,161)
Contributions restricted for endowment purposes	-	-	(4,600)	(4,600)	(1,600)
Contributions restricted for capital improvements	-	(571,041)	-	(571,041)	(218,701)
 Changes in operating assets and liabilities:					
Restricted cash	41,250	-	-	41,250	41,500
Pledges and accounts receivable	5,898	99,149	-	105,047	238,565
Inventories	(32,304)	-	-	(32,304)	90,675
Prepaid expenses	(6,694)	-	-	(6,694)	(4,367)
Accounts payable and other liabilities	26,081	(15,549)	-	10,532	18,550
Camping, activity and other fees designated for future periods	(88,002)	-	-	(88,002)	96,978
Registration fees payable to National Council	7,238	-	-	7,238	23,606
Funds held for others	<u>13,132</u>	<u>-</u>	<u>7,198</u>	<u>20,330</u>	<u>(36,691)</u>
 Net cash provided by operating activities	<u>99,722</u>	<u>(15,667)</u>	<u>1,836,101</u>	<u>1,920,156</u>	<u>830,785</u>
 Cash flows from investing activities:					
Proceeds from sales of investments	-	-	574,610	574,610	283,150
Purchases of investments	(35,601)	-	(2,391,450)	(2,427,051)	(651,532)
Proceeds from sale of land, buildings and equipment	-	-	-	-	928,782
Purchases of land, buildings and equipment	<u>-</u>	<u>(838,800)</u>	<u>-</u>	<u>(838,800)</u>	<u>(339,740)</u>
 Net cash provided (used) by investing activities	<u>(35,601)</u>	<u>(838,800)</u>	<u>(1,816,840)</u>	<u>(2,691,241)</u>	<u>220,660</u>

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Cash Flows, Continued

Year ended December 31, 2017
(With Comparative Totals for 2016)

	2017			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2017	2016
Cash flows from financing activities:					
Collection of development campaign support	-	571,041	-	571,041	218,701
Proceeds from (payments of) transfers between funds	<u>(250,000)</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(250,000)</u>	<u>821,041</u>	<u>-</u>	<u>571,041</u>	<u>218,701</u>
Net increase (decrease) in cash	(185,879)	(33,426)	19,261	(200,044)	1,270,146
Cash at beginning of year	<u>1,578,958</u>	<u>1,019,095</u>	<u>47,057</u>	<u>2,645,110</u>	<u>1,374,964</u>
Cash at end of year	<u>\$ 1,393,079</u>	<u>\$ 985,669</u>	<u>\$ 66,318</u>	<u>\$ 2,445,066</u>	<u>\$ 2,645,110</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2017 and 2016

(1) Nature of Organization

The Middle Tennessee Council, Inc., Boy Scouts of America (the "Council"), provides service to young men ages 7–21, and young women ages 14–21, and operates in Nashville, Tennessee, including 37 counties of Middle Tennessee, and Fort Campbell, Kentucky. The Council has four camping facilities. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the congressional program, the ability of boys, young men, and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, and self-reliance. The Council also prepares them to make ethical choices over their lifetimes and achieve their full potential using the methods which are now in common use by the Boy Scouts of America.

The Council's programs are classified as follows:

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

Cub Scouts—Family and community-centered approach to learning citizenship, compassion, and courage through service projects, ceremonies, games, and other activities promoting character development and physical fitness.

Boy Scouting—With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.

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

Venturing—Provides experiences to help young men and women, ages 14–20, become mature, responsible, caring adults. Young teens learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scout camping properties, a recognition program, and youth-protection training.

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

Notes to the Financial Statements

December 31, 2017 and 2016

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

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

(2) Summary of significant accounting policies

(a) Prior-period information

The financial statements include certain prior year summarized comparative information in total but not by fund or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

(b) Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, the accounts of the Council are reported in the following net asset categories:

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

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

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

(c) Fund accounting

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Council are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Notes to the Financial Statements

December 31, 2017 and 2016

Under current accounting standards, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Council is required to present a statement of cash flows.

(d) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

(e) Restricted Cash

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

(f) Accounts receivable

Accounts receivable are recorded primarily for product sales stated at estimated realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of December 31, 2017 and 2016.

(g) Inventories

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

Notes to the Financial Statements

December 31, 2017 and 2016

(h) Land, buildings, and equipment

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

Construction in progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

The Council has adopted the practice of capitalizing only expenditures for land, buildings, and equipment in excess of \$10,000. Depreciation of physical properties are provided over the estimated useful lives of the respective assets on a straight-line basis. Annual depreciation is charged to the Capital Fund.

(i) 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 income shown in the statement of changes in net assets includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

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

Notes to the Financial Statements

December 31, 2017 and 2016

(j) Investment policy

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

(k) Spending policy

The Board of Directors (through the Executive Committee) has approved an endowment spending policy. The policy defines the total funds available from the Endowment Fund in a given year (the distributable income) as up to 4 percent of the Endowment Fund's average market value over the preceding three years. The Endowment Fund is to have returns greater than the proposed distribution plus management and trustee fees. If the market value of the Endowment Fund falls to or below the amount of the fund's donor restricted gifts, then the spending policy may be amended in accordance with the guidelines not to exceed the actual earnings of the fund. The Executive Committee (subject to the Board of Director's approval) may amend this spending policy.

(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, 2017 or 2016.

(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, 2017 and 2016

(n) Contributions

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

(o) Donated materials and services

Donated land, buildings, equipment, investments and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Donated materials totaled \$40,234 in 2017 and \$34,026 in 2016.

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

(p) Revenue recognition

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

(q) Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs which are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Council providing those services. In accordance with the policy of the National Council of the Boy Scouts of America (the "National Council"), the payment of the charter fee to the National Council is not allocated as a functional expense.

Notes to the Financial Statements

December 31, 2017 and 2016

(r) Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2017 and 2016 amounted to approximately \$12,000 and \$8,000, respectively.

(s) Income taxes

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Council currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

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, 2017 or 2016. It is the Council's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

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

(t) Events occurring after reporting date

The Council has evaluated events and transactions that occurred between December 31, 2017 and April 24, 2018 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Credit risk and other concentrations

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

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

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2017 and 2016

(4) Assets and liabilities measured at fair value

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

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

(5) Pledges receivable

A summary of pledges receivable as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Friends of Scouting	\$ 317,853	\$ 315,353
United Way allocations	49,596	53,497
Development campaign	<u>200,000</u>	<u>300,000</u>
	567,449	668,850
Less allowance for unamortized discount	<u>(3,665)</u>	<u>(8,181)</u>
Total pledges receivable	563,784	660,669
Less current portion of pledges receivable	<u>(464,704)</u>	<u>(464,334)</u>
Long-term portion of pledges receivable	\$ <u>99,080</u>	\$ <u>196,335</u>

The development campaign pledge at December 31, 2017 is a pledge from one major donor. The pledge receivable is reflected at the present value of estimated future cash flows using a discount rate of approximately 1.85%.

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

Notes to the Financial Statements

December 31, 2017 and 2016

(6) Investments

A summary of investments as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Short-term investments	\$ 649,403	\$ 345,716
Equities and equity funds	14,275,294	12,684,080
Bonds and bond funds	2,845,371	2,573,695
Real estate	-	214,200
Note receivable - Rock Island	-	2,101
	<u>\$ 17,770,068</u>	<u>\$ 15,819,792</u>

The following schedule summarizes the investment income included in the statement of changes in net assets for 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 469,281	\$ 400,496
Net gains	2,076,802	893,674
Investment expenses	<u>(121,124)</u>	<u>(96,040)</u>
	<u>\$ 2,424,959</u>	<u>\$ 1,198,130</u>

The above investment income is classified in the statement of changes in net assets for 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 2,201,931	\$ 1,090,468
Temporarily restricted	74,777	920
Permanently restricted	<u>148,251</u>	<u>106,742</u>
	<u>\$ 2,424,959</u>	<u>\$ 1,198,130</u>

(7) Fair value measurements

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

- (i) *Short-term investments, equities and equity funds, and bonds and bond funds:* Valued at the closing price reported on the active market on which the individual securities are traded.
- (ii) *Real estate:* Valued at the estimated fair market price determined by third party appraisal.

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Notes to the Financial Statements

December 31, 2017 and 2016

- (iii) *Note receivable*: Valued at the outstanding principal balance, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Council's assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016:

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

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

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

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

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Notes to the Financial Statements

December 31, 2017 and 2016

The following table provides a summary of changes in fair value of the Council's Level 3 assets for the year ended December 31, 2017:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance at December 31, 2016	\$ 216,301
Appreciation in value of real estate	189,556
Sale of real estate	(403,756)
Write-off of note receivable	<u>(2,101)</u>
Balance at December 31, 2017	\$ <u>-</u>

(8) Land, buildings, and equipment

A summary of land, buildings and equipment as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 5,324,687	\$ 5,324,687
Council office building	3,051,951	3,101,545
Buildings - Camps	13,484,153	12,632,117
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	398,227	336,652
Camps	1,028,965	1,110,519
Motor Vehicles	373,189	258,963
Construction in progress	<u>-</u>	<u>118,610</u>
	24,590,932	23,812,853
Accumulated depreciation	<u>(9,429,587)</u>	<u>(8,928,959)</u>
	\$ <u>15,161,345</u>	\$ <u>14,883,894</u>

Notes to the Financial Statements

December 31, 2017 and 2016

(9) Employee benefit plans

Retirement Plan

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

Eligible employees contribute 2% of compensation and the Council contributes an additional 7% to the Plan. Pension expenses for the years ending December 31, 2017 and 2016 totaled \$145,681 and \$128,218, respectively, and covered current service costs. The actuarial information for the Plan as of February 1, 2017, indicated that the Plan is in compliance with the Employee Retirement Income Security Act of 1974 ("ERISA") regulations requiring funding.

Thrift Plan

The Council has established a Thrift Plan covering substantially all of the employees of the Council. Participants in the Thrift Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Code. The Council has elected to match employee contributions to the Thrift Plan up to 50% of contributions from each participant, limited to 3% of each employee's gross pay. The Council contributed \$44,228 and \$39,212 to the Thrift Plan in 2017 and 2016, respectively.

Healthcare Plan

The Council's employees participate in a healthcare plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2017 and 2016, the Council remitted \$272,473 and \$252,985, respectively, on behalf of its employees to the National Council related to the healthcare plan.

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Notes to the Financial Statements

December 31, 2017 and 2016

(10) Net assets

Although restricted contributions typically are reported as support that increases restricted net assets, they may be reported as unrestricted support if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed. Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Development campaign	\$ 200,877	\$ 469,226
Scouting activities:		
Camperships	415,115	415,115
Low income exploring	92,787	92,787
Property maintenance	44,611	44,611
Navigator scholarship	81,564	122,814
Laura Miller scholarship program	139,901	77,293
Connelly scholarship program	13,163	4,682
Friends of Scouting and other for future periods	408,445	430,458
United Way allocations for future periods	<u>49,832</u>	<u>52,980</u>
	<u>\$ 1,446,295</u>	<u>\$ 1,709,966</u>

Permanently restricted net assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investments in perpetuity, the income from which is expendable to support:		
Scouting activities	\$ 836,740	\$ 923,215
Property maintenance	387,998	366,736
Camp Craig property maintenance	39,986	39,986
Laura Miller scholarship program	426,161	459,470
Connelly scholarship program	52,194	52,899
Any activities of the Council	<u>9,943,852</u>	<u>9,691,775</u>
	<u>\$ 11,686,931</u>	<u>\$ 11,534,081</u>

(11) Endowment

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

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December 31, 2017 and 2016

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

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

The endowment pool market value to net asset analysis as of December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment pool:				
Donor-restricted	\$ -	\$ 705,577	\$ 11,686,931	\$ 12,392,508
Board-designated	<u>2,989,067</u>	<u>-</u>	<u>-</u>	<u>2,989,067</u>
	2,989,067	705,577	11,686,931	15,381,575
Other net assets	<u>66,318</u>	<u>-</u>	<u>-</u>	<u>66,318</u>
Total	<u>\$ 3,055,385</u>	<u>\$ 705,577</u>	<u>\$ 11,686,931</u>	<u>\$ 15,447,893</u>

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2017 and 2016

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

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

Changes in endowment net assets as of December 31, 2017 and 2016 are as follows:

	<u>Total Net Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Assets</u>
Endowment net assets, December 31, 2015	\$ 963,143	\$ 633,568	\$ 11,425,739	\$ 13,022,450
Contributions	207,230	-	1,600	208,830
Investment income	81,772	103,497	-	185,269
Net appreciation (depreciation)	492,882	-	106,742	599,624
Amounts appropriated for expenditures	-	(102,577)	-	(102,577)
Investment fees	(59,716)	-	-	(59,716)
Transfers	<u>(73,292)</u>	<u>-</u>	<u>-</u>	<u>(73,292)</u>
Endowment net assets, December 31, 2016	1,612,019	634,488	11,534,081	13,780,588
Contributions	38,649	-	4,600	43,249
Investment income	358,522	458,596	-	817,118
Net appreciation (depreciation)	1,200,657	-	148,250	1,348,907
Amounts appropriated for expenditures	-	(387,507)	-	(387,507)
Investment fees	(68,061)	-	-	(68,061)
Transfers	<u>(86,401)</u>	<u>-</u>	<u>-</u>	<u>(86,401)</u>
Endowment net assets, December 31, 2017	<u>\$ 3,055,385</u>	<u>\$ 705,577</u>	<u>\$ 11,686,931</u>	<u>\$ 15,447,893</u>

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2017 and 2016

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or SPMIFA requires the Council to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. As shown above, no such deficiencies existed as of December 31, 2017 or 2016.

(12) Operating leases

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

A summary of approximate future minimum payments under these equipment leases as of December 31, 2017 is as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 134,000
2019	35,000
2020	<u>8,000</u>
	<u>\$ 177,000</u>

Lease expense amounted to approximately \$138,000 in 2017 and \$135,000 in 2016.

(13) Related party transactions

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

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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

Year ended December 31, 2017

	<u>Operating Fund</u>	<u>Budget (Unaudited)</u>	<u>Over (Under) Budget</u>
Public support and revenue:			
Direct public support:			
Friends of Scouting	\$ 2,661,182	\$ 2,528,000	\$ 133,182
Special events, net of direct costs	189,272	174,000	15,272
Other direct support	<u>58,120</u>	<u>20,000</u>	<u>38,120</u>
Total direct public support	2,908,574	2,722,000	186,574
Indirect public support - United Way	<u>119,636</u>	<u>125,968</u>	<u>(6,332)</u>
Total public support	<u>3,028,210</u>	<u>2,847,968</u>	<u>180,242</u>
Other revenue:			
Sales of supplies, net of cost of goods sold	499,460	451,888	47,572
Camping and related fees	1,592,352	1,756,566	(164,214)
Activity revenue	545,506	484,581	60,925
Product sales, net of cost of products sold	691,602	663,728	27,874
Investment income	800,903	579,174	221,729
Miscellaneous revenue	<u>24,841</u>	<u>30,000</u>	<u>(5,159)</u>
Total other revenue	<u>4,154,664</u>	<u>3,965,937</u>	<u>188,727</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>41,250</u>	<u>-</u>	<u>41,250</u>
Total public support and revenue	<u>7,224,124</u>	<u>6,813,905</u>	<u>410,219</u>
Expenses:			
Employee compensation:			
Salaries	3,121,738	3,093,745	27,993
Employment benefits	586,166	623,213	(37,047)
Payroll taxes	248,550	268,762	(20,212)
Employee Related Expenses	<u>-</u>	<u>7,000</u>	<u>(7,000)</u>
Total compensation expenses	3,956,454	3,992,720	(36,266)
Professional fees	68,374	67,050	1,324
Supplies and general expenses	1,227,831	1,195,949	31,882
Telephone	60,789	64,200	(3,411)
Postage and shipping	34,347	49,700	(15,353)
Occupancy expenses	498,927	483,650	15,277
Equipment rental and maintenance	110,238	130,050	(19,812)
Printing and publication	9,490	14,000	(4,510)
Travel and field operating expenses	207,508	229,731	(22,223)
Conference and meetings	31,601	33,800	(2,199)
Specific assistance	96,613	101,000	(4,387)
Recognition award	31,914	34,000	(2,086)
Insurance	222,016	214,120	7,896
Miscellaneous expenses	131,185	87,900	43,285
Unallocated payments to National Council	<u>77,870</u>	<u>78,000</u>	<u>(130)</u>
Total expenses	<u>6,765,157</u>	<u>6,775,870</u>	<u>(10,713)</u>
Transfer to capital fund	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Increase in unrestricted net assets	\$ <u>208,967</u>	\$ <u>38,035</u>	\$ <u>170,932</u>

See accompanying independent auditors' report.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Changes in Unrestricted Net Assets (Operating Fund Only)

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Public support and revenue:		
Direct public support:		
Friends of Scouting	\$ 2,661,182	\$ 2,433,610
Special events, net of direct costs	189,272	177,795
Other direct support	<u>58,120</u>	<u>32,916</u>
Total direct public support	2,908,574	2,644,321
Indirect public support - United Way	<u>119,636</u>	<u>128,038</u>
Total public support	<u>3,028,210</u>	<u>2,772,359</u>
Other revenue:		
Sales of supplies, net of cost of goods sold	499,460	452,692
Camping and related fees	1,592,352	1,560,534
Activity revenue	545,506	298,728
Product sales, net of cost of products sold	691,602	657,017
Investment income	800,903	648,822
Miscellaneous revenue	<u>24,841</u>	<u>30,901</u>
Total other revenue	<u>4,154,664</u>	<u>3,648,694</u>
Net assets released from restrictions - restrictions satisfied by payments	<u>41,250</u>	<u>41,500</u>
Total public support and revenue	<u>7,224,124</u>	<u>6,462,553</u>
Expenses:		
Program services	5,748,702	5,223,401
Supporting services:		
Management and general	325,117	308,261
Fundraising	613,468	568,514
Unallocated payments to National Council	<u>77,870</u>	<u>70,791</u>
Total expenses	<u>6,765,157</u>	<u>6,170,967</u>
Transfer to capital fund	<u>250,000</u>	<u>125,000</u>
Increase in unrestricted net assets	<u>\$ 208,967</u>	<u>\$ 166,586</u>

See accompanying independent auditors' report.