

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

Financial Statements and Schedules

**December 31, 2008
(With Comparative Totals for 2007)**

(With Independent Auditors' Report Thereon)



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

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

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of the Middle Tennessee Council, Inc., Boy Scouts of America ("Council") as of December 31, 2008, and the related statements of changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Council's 2007 financial statements and in our report dated May 8, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middle Tennessee Council, Inc., Boy Scouts of America as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
April 23, 2009

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Financial Position

December 31, 2008
(With Comparative Amounts for 2007)

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2008	2007	2008	2007	2008	2007	2008	2007
<u>Assets</u>								
Cash	\$ 819,842	690,262	459,723	743,010	18,911	4,431	1,298,476	1,437,703
Pledges and accounts receivable, net	344,251	410,484	879,799	1,893,261	-	-	1,224,050	2,303,745
Inventories	352,099	342,150	-	-	-	-	352,099	342,150
Prepaid expenses	98,471	82,449	-	-	-	-	98,471	82,449
Investments	1,144,242	1,503,633	1,831,452	448,948	8,553,954	11,771,978	11,529,648	13,724,559
Land, buildings and equipment, net	-	-	10,438,171	10,359,049	-	-	10,438,171	10,359,049
Due (to) from other funds	67,687	8,834	(69,683)	(7,575)	1,996	(1,259)	-	-
Total assets	\$ 2,826,592	3,037,812	13,539,462	13,436,693	8,574,861	11,775,150	24,940,915	28,249,655
<u>Liabilities and Net Assets</u>								
Liabilities:								
Accounts payable and accrued expenses	\$ 101,607	303,099	27,150	57,903	-	-	128,757	361,002
Camping, activity and other fees designated for future periods	32,872	19,486	-	-	-	-	32,872	19,486
Registration fees payable to National Council	175,015	161,404	-	-	-	-	175,015	161,404
Funds held for others	119,547	129,258	19,156	19,157	-	-	138,703	148,415
Total liabilities	429,041	613,247	46,306	77,060	-	-	475,347	690,307
Net Assets:								
Unrestricted	2,055,516	2,027,737	10,703,633	10,867,435	(1,903,281)	580,594	10,855,868	13,475,766
Temporarily restricted	342,035	396,828	2,789,523	2,492,198	556,241	691,314	3,687,799	3,580,340
Permanently restricted	-	-	-	-	9,921,901	10,503,242	9,921,901	10,503,242
Total net assets	2,397,551	2,424,565	13,493,156	13,359,633	8,574,861	11,775,150	24,465,568	27,559,348
Total liabilities and net assets	\$ 2,826,592	3,037,812	13,539,462	13,436,693	8,574,861	11,775,150	24,940,915	28,249,655

See accompanying notes to financial statements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets

Year ended December 31, 2008
(With Comparative Totals for 2007)

	Operating Fund	2008 Capital Fund	Endowment Fund	Total All Funds	
				2008	2007
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 \$272,994 in 2008 and \$343,138 in 2007	\$ 2,582,254	-	-	2,582,254	2,665,663
Memorial contributions	-	-	14,341	14,341	10,885
Special events, net of direct costs of \$248,277 in 2008 and \$342,416 in 2007	180,692	-	-	180,692	194,388
Other direct support	11,763	-	-	11,763	13,392
Total direct public support	2,774,709	-	14,341	2,789,050	2,884,328
Indirect public support - United Way, including net assets released from expiration of time restriction of \$123,351 in 2008 and \$166,173 in 2007	263,870	-	-	263,870	297,329
Total public support	3,038,579	-	14,341	3,052,920	3,181,657
Other revenue:					
Sales of supplies, net of cost of goods sold of \$796,420 in 2008 and \$729,024 in 2007	371,203	-	-	371,203	364,446
Camping and related fees	887,848	-	-	887,848	791,722
Activity revenue	264,488	-	-	264,488	212,941
Product sales, net of cost of products sold of \$1,029,222 in 2008 and \$944,527 in 2007	606,163	-	-	606,163	546,334
Investment return designated for current operations	273,950	-	-	273,950	429,559
Investment income (loss) not designated	-	(103,099)	(2,498,216)	(2,601,315)	460,798
Miscellaneous revenue	60,470	-	-	60,470	53,906
Total other revenue	2,464,122	(103,099)	(2,498,216)	(137,193)	2,859,706
Net assets released from restrictions - restrictions satisfied by payments	-	472,017	-	472,017	4,038,670
Total public support and revenue	\$ 5,502,701	368,918	(2,483,875)	3,387,744	10,080,033

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Changes in Net Assets, Continued

Year ended December 31, 2008
(With Comparative Totals for 2007)

	2008			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2008	2007
Changes in unrestricted net assets, continued					
Expenses:					
Program services	\$ 4,569,956	494,429	-	5,064,385	5,249,182
Supporting services:					
Management & general	274,908	8,549	-	283,457	316,957
Fundraising	567,807	29,742	-	597,549	398,889
Unallocated payments to National Council	62,251	-	-	62,251	63,322
Total expenses	5,474,922	532,720	-	6,007,642	6,028,350
Increase (decrease) in unrestricted net assets	27,779	(163,802)	(2,483,875)	(2,619,898)	4,051,683
Changes in temporarily restricted net assets					
Public support and revenue:					
Direct public support:					
Friends of Scouting	243,703	-	-	243,703	272,994
Development campaign	-	769,342	-	769,342	6,495,495
Special event	-	-	-	-	115,000
Total direct public support	243,703	769,342	-	1,013,045	6,883,489
Indirect public support - United Way	98,332	-	-	98,332	123,833
Total public support	342,035	769,342	-	1,111,377	7,007,322
Investment income (loss)	-	-	(135,073)	(135,073)	33,741
Net assets released from restrictions:					
Expiration of time restriction	(396,828)	-	-	(396,828)	(509,311)
Restrictions satisfied by payments	-	(472,017)	-	(472,017)	(4,038,670)
Total net assets released from restrictions	(396,828)	(472,017)	-	(868,845)	(4,547,981)
Increase (decrease) in temporarily restricted net assets	\$ (54,793)	297,325	(135,073)	107,459	2,493,082

(Continued)

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Statement of Functional Expenses

Year ended December 31, 2008
(With Comparative Totals for 2007)

	2008				Total All Funds	
	Program Services	Supporting Services		Total	2008	2007
		Management and General	General Fundraising			
Employee compensation:						
Salaries	\$ 2,177,562	100,644	350,156	450,800	2,628,362	2,523,611
Employment benefits	366,163	17,948	62,444	80,392	446,555	452,413
Payroll taxes	171,578	8,239	28,665	36,904	208,482	204,501
Total compensation expenses	2,715,303	126,831	441,265	568,096	3,283,399	3,180,525
Professional fees	36,254	83,593	7,713	91,306	127,560	83,960
Supplies and general expenses	873,254	3,513	12,222	15,735	888,989	742,718
Telephone	45,502	1,942	6,757	8,699	54,201	47,481
Postage and shipping	50,072	2,254	7,843	10,097	60,169	70,991
Occupancy expenses	336,097	5,797	20,170	25,967	362,064	415,571
Equipment rental and maintenance	92,617	4,244	14,767	19,011	111,628	98,125
Printing and publications	27,410	385	1,341	1,726	29,136	31,432
Travel and field operating expenses	197,422	9,202	32,016	41,218	238,640	284,291
Conference and meetings	58,677	3,231	11,243	14,474	73,151	51,994
Specific assistance	77,204	-	-	-	77,204	146,431
Recognition awards	32,924	1,047	3,643	4,690	37,614	51,650
Insurance	104,252	2,449	8,521	10,970	115,222	121,165
Interest expense	184	14	40	54	238	184,906
Provision for uncollectible pledges	-	30,330	-	30,330	30,330	876
Miscellaneous expenses	76,109	2,514	8,748	11,262	87,371	78,581
Total expenses before depreciation	4,723,281	277,346	576,289	853,635	5,576,916	5,590,697
Depreciation of buildings and equipment	341,104	6,111	21,260	27,371	368,475	374,331
\$	5,064,385	283,457	597,549	881,006	5,945,391	5,965,028

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2008
(With Comparative Totals for 2007)

	2008			Total All Funds	
	Operating Fund	Capital Fund	Endowment Fund	2008	2007
Cash flows from operating activities:					
Increase (decrease) in net assets	\$ (27,014)	133,523	(3,200,289)	(3,093,780)	6,656,401
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:					
Depreciation	-	368,475	-	368,475	374,331
Provision for uncollectible pledges	30,330	-	-	30,330	876
Gain on disposal of equipment	-	(4,950)	-	(4,950)	(25)
Unrealized losses (gains) on investments	130,443	129,866	2,504,824	2,765,133	(233,104)
Contributions restricted for endowment purposes	-	-	(55,386)	(55,386)	(26,098)
Contributions restricted for capital improvements	-	(769,342)	-	(769,342)	(6,495,495)
Transfers	-	-	-	-	-
Changes in operating assets and liabilities:					
Pledges and accounts receivable	35,903	-	-	35,903	99,695
Inventories	(9,949)	-	-	(9,949)	(10,569)
Prepaid expenses	(16,022)	-	-	(16,022)	(2,805)
Due (to) from other funds	(58,853)	62,108	(3,255)	-	-
Accounts payable and accrued expenses	(201,492)	(30,753)	-	(232,245)	103,839
Camping, activity and other fees designated for future periods	13,386	-	-	13,386	(3,464)
Registration fees payable to National Council	13,611	-	-	13,611	8,262
Funds held for others	(9,711)	-	-	(9,711)	41,708
Net cash provided (used) by operating activities	(99,368)	(111,073)	(754,106)	(964,547)	513,552
Cash flows from investing activities:					
Proceeds from sales of investments	345,022	448,948	397,489	1,191,459	1,046,295
Purchases of investments	(116,974)	(1,961,318)	315,711	(1,761,681)	(1,519,194)
Proceeds from sale of equipment	-	29,360	-	29,360	1,000
Additions to land, buildings and equipment	-	(472,007)	-	(472,007)	(4,075,378)
Net cash provided (used) by investing activities	228,948	(1,955,017)	713,200	(1,012,869)	(4,547,277)
Cash flows from financing activities:					
Collection of endowment fund support	-	-	55,386	55,386	26,098
Collection of development campaign support	-	1,782,803	-	1,782,803	5,051,689
Proceeds from (payments of) line of credit	-	-	-	-	(370,000)
Net cash provided by financing activities	-	1,782,803	55,386	1,838,189	4,707,787
Net increase (decrease) in cash	129,580	(283,287)	14,480	(139,227)	674,062
Cash at beginning of year	690,262	743,010	4,431	1,437,703	763,641
Cash at end of year	\$ 819,842	459,723	18,911	1,298,476	1,437,703

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2008

(1) Nature of Activities

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

(2) Summary of Significant Accounting Policies

(a) Unrestricted, temporarily restricted and permanently restricted net assets

All receipts of cash and other property, either as payment for services or as contributions and gifts, which are received without donor restrictions, are reported as increases in unrestricted net assets.

The Council reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets either on a temporary or permanent basis. 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 reported in the statement of activities as net assets released from restrictions. Gifts that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met or expire in the year in which the contributions are recognized.

(b) Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of certain costs is based upon time studies which were updated by the Council in 2008.

(c) Use of Estimates

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

Notes to Financial Statements, Continued

December 31, 2008

(2) Summary of Significant Accounting Policies, Continued

(d) Donated Materials

Donated materials are reflected as gifts in kind in the financial statements at their estimated fair market value on the date of receipt. Donated materials amounted to \$65,460 in 2008 and \$53,412 in 2007.

(e) Donated Services

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

(f) Pledges and Accounts Receivable

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

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

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

(g) Inventories

Inventories, consisting primarily of scout uniforms and supplies, are valued at the lower of average cost or market.

(h) Investments

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

Notes to Financial Statements, Continued

December 31, 2008

(2) Summary of Significant Accounting Policies, Continued

(i) Properties

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

Beginning in 2008 the Council adopted the practice of capitalizing all expenditures for land, buildings, and equipment in excess of \$10,000. Prior to 2008 the Council capitalized expenditures for land, buildings and equipment in excess of \$1,000. Depreciation of physical properties is provided over the estimated useful lives of the respective assets on a straight-line basis. Annual depreciation is charged to the capital fund.

(j) 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.

(k) 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.

(l) Income Taxes

The Council is exempt from federal, state and local income taxes under Internal Revenue Code section 501(c)(3) as a charitable organization whereby only unrelated business income, as defined by section 509(a)(1) of the Internal Revenue Code, is subject to federal tax. The Council currently has no unrelated business taxable income. Accordingly, no provision for income taxes is included in the financial statements.

Notes to Financial Statements, Continued

December 31, 2008

(m) Memorandum Totals

The financial statements include certain prior year summarized comparative information in total but not by fund or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

(n) New Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. SFAS 157 also requires organizations to disclose the fair value of their financial instruments according to a fair value hierarchy as defined in the standard. Additionally, organizations are required to provide enhanced disclosure regarding financial instruments, including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities. SFAS 157 was effective for fiscal years beginning January 1, 2008 at which time the Council implemented the requirements of SFAS 157.

On August 8, 2008, the Staff of the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 117-1 *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP 117-1"). The Uniform Prudent Management Institutional Funds Act was enacted in Tennessee effective July 1, 2007. This FSP requires that the amount of permanently restricted net assets should not be reduced by losses on investments of the funds or by an organization's expenditures from the fund. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the Council's endowment investment policies and additional disclosures not presently required. The provisions of the FSP are effective for fiscal years ending after December 15, 2008, and therefore the Council expects to adopt FSP 117-1 during fiscal year 2009.

Notes to Financial Statements, Continued

December 31, 2008

(3) Concentration of Credit Risk

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

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

(4) Pledges and Accounts Receivable

A summary of pledges and accounts receivable at December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Friends of Scouting	\$ 227,014	289,127
United Way allocations	101,524	125,602
Development campaign	1,137,302	2,365,676
Other	<u>43,721</u>	<u>38,428</u>
	1,509,561	2,818,833
Less allowance for unamortized discount and doubtful accounts	<u>285,511</u>	<u>515,088</u>
	\$ <u><u>1,224,050</u></u>	<u><u>2,303,745</u></u>

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

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 27,590	914,676
Receivable in one to five years	<u>1,109,712</u>	<u>1,451,000</u>
	\$ <u><u>1,137,302</u></u>	<u><u>2,365,676</u></u>

In addition to the development campaign pledges receivable shown above, the Council has been named as a beneficiary of certain estates and life insurance policies in the approximate amount of \$750,000 as of December 31, 2008. Because these are not unconditional promises to give they are not recorded on the books of the Council.

Notes to Financial Statements, Continued

December 31, 2008

(5) Investments

A summary of investments at December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Short-term investments	\$ 1,387,759	1,144,173
Equities and equity funds	4,572,049	7,439,907
Bonds and bond funds	4,602,420	4,485,430
Certificate of deposit	761,319	448,948
Real estate	204,000	204,000
Notes receivable - Rock Island	<u>2,101</u>	<u>2,101</u>
	<u>\$ 11,529,648</u>	<u>13,724,559</u>

Fair values are determined based on quoted prices in active markets (level 1 fair value input).

The following schedule summarizes the investment return in the statement of changes in net assets for the years ended December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 263,814	432,877
Net gains (losses)	(3,290,144)	648,214
Investment expenses	<u>(72,835)</u>	<u>(71,455)</u>
	<u>\$ (3,099,165)</u>	<u>1,009,636</u>

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

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ (2,327,365)	890,357
Temporarily restricted	(135,073)	33,741
Permanently restricted	<u>(636,727)</u>	<u>85,538</u>
	<u>\$ (3,099,165)</u>	<u>1,009,636</u>

The Council has a Board approved total return spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. The Board approved spending policy is four percent of the prior three year's (as of September 30) ending market value of endowment investments.

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

Notes to Financial Statements, Continued

December 31, 2008

(6) Properties

A summary of land, buildings and equipment at December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 4,436,754	4,436,754
Council office building	2,989,238	2,989,238
Buildings - Boxwell Reservation, Canoe Base and High Adventure	5,589,447	5,579,246
Roads - Boxwell Reservation	929,760	929,760
Furniture, fixtures and equipment:		
Council office	442,831	427,423
Boxwell Reservation	798,619	768,651
Motor vehicles	203,653	233,208
Construction in progress	410,866	38,839
	<u>15,801,168</u>	<u>15,403,119</u>
Less accumulated depreciation	<u>5,362,997</u>	<u>5,044,070</u>
	\$ <u>10,438,171</u>	<u>10,359,049</u>

(7) Line of Credit

The Council has a \$2,000,000 revolving line of credit available with a bank. Advances under this line of credit bear interest at LIBOR rate plus 1.50%. At December 31, 2008 and 2007, the Council had no borrowings under this line of credit. The line of credit matures in March 2009.

(8) Pension Plan

The Middle Tennessee Council, Inc., Boy Scouts of America participates in a multi-employer defined-benefit pension plan, administered by the National Council, Boy Scouts of America, for its full-time permanent employees. The Council contributes 5% of the salary of covered employees to the plan and the employee contributes 1% of salary. Pension plan expense was \$109,136 in 2008 and \$114,837 in 2007. The Council funds pension cost accrued. There is no unfunded initial past service cost or unfunded additional prior service cost under the valuation method.

Separate actuarial calculations are not provided for each participating local Council but rather are provided for all Councils participating in the plan. The actuarial present value of vested accumulated plan benefits was \$735 million at February 1, 2008, the date of the latest actuarial valuation. The value of the plan assets was \$1,037 million, thereby exceeding the vested amount by \$302 million.

To determine the present value of vested benefits a 7.75% per annum interest rate, compounded annually, was the assumed rate of return. The estimated retirement age ranged from 55 - 70 years of age. Certain actuarial assumptions were changed in 2008 in order for the plan to comply with the Pension Protection Act of 2006.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Notes to Financial Statements, Continued

December 31, 2008

(9) Net Assets

Temporarily restricted net assets as of December 31, 2008 and 2007 are available for the following purposes or periods:

	<u>2008</u>	<u>2007</u>
Development campaign expenditures	\$ 2,754,150	2,456,825
Wildlife conservation	35,373	35,373
Scouting activities:		
Camperships	89,724	89,724
Low income Exploring	92,787	92,787
Property maintenance	44,611	44,611
Navigator scholarship program	309,131	434,790
Laura Miller scholarship program	20,942	29,403
Connelly scholarship program	(954)	-
Friends of Scouting for future periods	243,703	272,994
United Way allocations for future periods	<u>98,332</u>	<u>123,833</u>
	\$ <u><u>3,687,799</u></u>	<u><u>3,580,340</u></u>

Permanently restricted net assets consist of the following as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Investments in perpetuity, the income from which is expendable to support:		
Scouting activities	\$ 512,268	731,816
Property maintenance	247,945	336,516
Camp Craig property maintenance	22,943	31,354
Laura Miller scholarship program	301,690	392,907
Connelly scholarship program	21,970	-
Any activities of the Council	<u>8,815,085</u>	<u>9,010,649</u>
	\$ <u><u>9,921,901</u></u>	<u><u>10,503,242</u></u>

Notes to Financial Statements, Continued

December 31, 2008

(10) Operating Leases

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

<u>Year ending December 31,</u>	<u>Amount</u>
2009	\$ 146,000
2010	145,000
2011	21,000
2012	14,000
2013	<u>7,000</u>
	\$ <u>333,000</u>

Lease expense amounted to approximately \$141,000 in 2008 and \$128,000 in 2007. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other vehicles; thus, it is anticipated that future minimum lease expense will not be less than the commitments for 2009.

(11) Commitments

The Council entered into a commitment for land improvements to the Latimer High Adventure Camp in the amount of \$587,390. As of December 31, 2008, \$356,854 of the commitment had been expended for the construction in progress of these improvements.

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

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

Year ended December 31, 2008

	Operating Fund	Budget (Unaudited)	Over (Under) Budget
Public support and revenue:			
Direct public support:			
Friends of Scouting	\$ 2,582,254	2,743,500	(161,246)
Special events, net of direct costs	180,692	210,000	(29,308)
Other direct support	11,763	-	11,763
Total direct public support	2,774,709	2,953,500	(178,791)
Indirect public support - United Way	263,870	320,807	(56,937)
Total public support	3,038,579	3,274,307	(235,728)
Other revenue:			
Sales of supplies, net of cost of goods sold	371,203	324,954	46,249
Camping and related fees	887,848	846,450	41,398
Activity revenue	264,488	278,050	(13,562)
Product sales, net of cost of products sold	606,163	545,000	61,163
Investment income	273,950	375,000	(101,050)
Miscellaneous revenue	60,470	85,000	(24,530)
Total other revenue	2,464,122	2,454,454	9,668
Total public support and revenue	5,502,701	5,728,761	(226,060)
Expenses:			
Employee compensation:			
Salaries	2,577,481	2,757,449	(179,968)
Employment benefits	439,172	518,950	(79,778)
Payroll taxes	204,590	232,395	(27,805)
Total compensation expenses	3,221,243	3,508,794	(287,551)
Professional fees	127,560	120,600	6,960
Supplies and general expenses	844,086	733,914	110,172
Telephone	54,201	45,316	8,885
Postage and shipping	60,170	77,175	(17,005)
Occupancy expenses	343,145	307,630	35,515
Equipment rental and maintenance	105,231	101,670	3,561
Printing and publications	29,136	31,450	(2,314)
Travel and field operating expenses	238,640	246,243	(7,603)
Conference and meetings	73,151	76,610	(3,459)
Specific assistance	77,204	155,036	(77,832)
Recognition awards	37,614	68,700	(31,086)
Insurance	115,222	149,688	(34,466)
Provision for uncollectible pledges	30,330	-	30,330
Miscellaneous expenses	55,738	34,190	21,548
Unallocated payments to National Council	62,251	65,336	(3,085)
Total expenses	5,474,922	5,722,352	(247,430)
Increase in unrestricted net assets	\$ 27,779	6,409	21,370

MIDDLE TENNESSEE COUNCIL, INC., BOY SCOUTS OF AMERICA

Changes in Unrestricted Net Assets
(Operating Fund Only)

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Public support and revenue:		
Direct public support:		
Friends of Scouting	\$ 2,582,254	2,665,663
Special events, net of direct costs	180,692	194,388
Other direct support	<u>11,763</u>	<u>13,392</u>
Total direct public support	2,774,709	2,873,443
Indirect public support - United Way	<u>263,870</u>	<u>297,329</u>
Total public support	<u>3,038,579</u>	<u>3,170,772</u>
Other revenue:		
Sales of supplies, net of cost of goods sold	371,203	364,446
Camping and related fees	887,848	791,722
Activity revenue	264,488	212,941
Product sales, net of cost of products sold	606,163	546,334
Investment income	273,950	429,559
Miscellaneous revenue	<u>60,470</u>	<u>53,906</u>
Total other revenue	2,464,122	2,398,908
Net assets released from restrictions - restrictions satisfied by payments	<u>-</u>	<u>100,000</u>
Total public support and revenue	<u>5,502,701</u>	<u>5,669,680</u>
Expenses:		
Program services	4,569,956	4,699,528
Supporting services		
Management & general	274,908	290,076
Fundraising	567,807	358,554
Unallocated payments to National Council	<u>62,251</u>	<u>63,322</u>
Total expenses	<u>5,474,922</u>	<u>5,411,480</u>
Increase in unrestricted net assets	<u>\$ 27,779</u>	<u>258,200</u>