2013
BOY SCOUTS OF AMERICA
ANNUAL REPORT

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KEY 3 MESSAGE

> The 2013 National Jamboree was truly a historic event. There had never been a jamboree like this one—partly because there had never before been a jamboree site like the Summit Bechtel Reserve. But we've only seen the beginning of the Summit.
>
> — Wayne Brock

During the first national Scout jamboree back in 1937, the most exciting activity was probably taking in a Washington Senators game. During the 2013 National Scout Jamboree, the most exciting activity was … well, it was impossible to determine.

Held at the new Summit Bechtel Family National Scout Reserve in West Virginia, the jamboree let Scouts choose from a huge array of adventure activities: skateboarding, zip-lining, whitewater rafting, mountain biking, rifle shooting, stand up paddleboarding, rock climbing, and more. And because every venue at the Summit is ranked number 1, 2, or 3 on the planet, those activities were truly world class.

But participants did more than just "go big and get wild," as the jamboree's theme promised. They made friends from distant states, they practiced teamwork in their troops and crews, and they even went offsite to spend a day in community service.

In short, they did just what Scouts have been doing for more than a century and what, with your support, they will continue to do in the century to come.

Wayne Brock
Wayne Brock
Chief Scout Executive

Wayne Perry
National President

Tico Perez
National Commissioner

2013 REPORT TO THE NATION

The Boy Scouts of America provides the nation's foremost youth program of character development and values-based leadership training to more than 2.6 million youth members. With more than 1 million adult volunteers in more than 280 local councils throughout the United States and its territories, Scouting is an ongoing adventure that teaches a powerful set of real-life skills and develops fundamental qualities that help young people become Prepared. For Life.®

WHO WE SERVE

1,417,034 boys ages 6 to 10 in Cub Scouting

888,947 boys ages 11 to 17 in Boy Scouting and Varsity Scouting

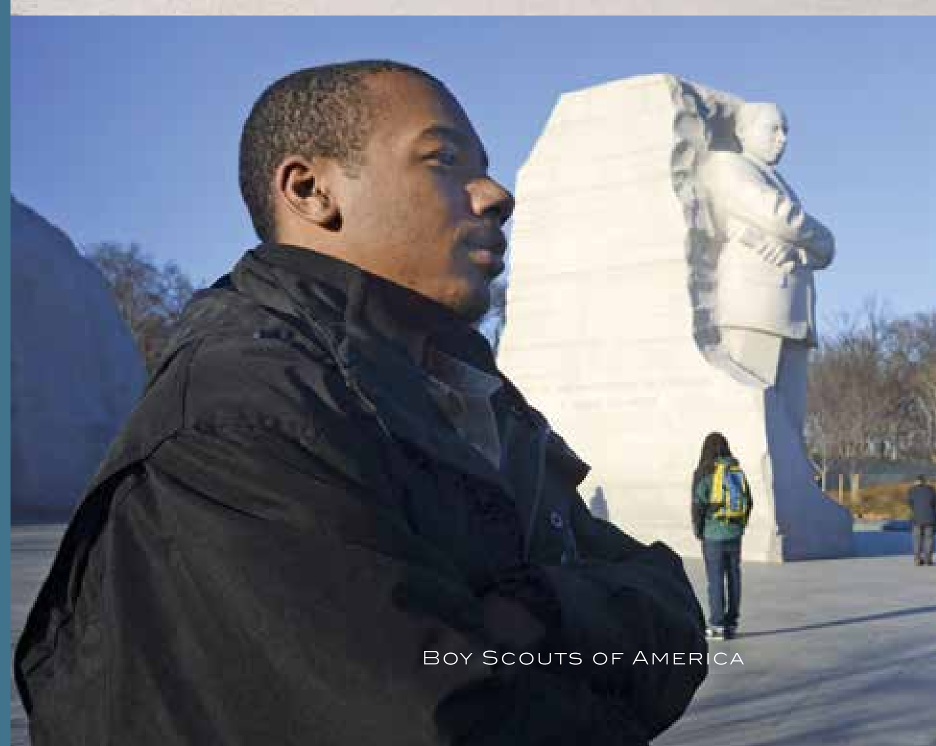
192,080 young men and women ages 14 to 20 in Venturing and Sea Scouting

418,484 boys and girls in elementary through high school in Learning for Life character education programs

114,894 young men and women ages 14 to 20 in Exploring career-based programs

WHAT WE DO

For more than a century, the Boy Scouts of America has helped build the future leaders of this country by combining educational activities and lifelong values with fun and adventure. The following report provides an overview of the impact of Scouting in 2013.



SCOUTING STRATEGICALLY: THE ANNUAL OPERATING PLANS DRIVING SCOUTING

There's an oft-repeated saying that goes, "What gets measured gets done." The same is true in Scouting. Scouts track their progress toward the next rank with program handbooks and other resources, while the National Council and local councils set goals and measure progress to ensure they're delivering dynamic, relevant programming that youth want.

In 2013, the BSA focused on three key areas at the national level: maintaining strong membership levels, increasing financial support through a variety of means, and concentrating on reducing costs overall. Throughout this report, you will see some key statistics outlining our successes and remaining challenges, as well as hear about two of the tools we use to chart our course.

Journey to Excellence

This useful performance tool—which uses the "balanced scorecard" approach to measure success in five key areas—is engaging volunteers and staff in discussions focused on how, together, we can make the Scouting program even better. It has allowed us to focus time and resources on key performance indicators that drive success at the local council level—and ultimately attract and retain more youth in Scouting.

Voice of the Scout and the Net Promoter Score

The Net Promoter Score (NPS) is a metric that captures loyalty to Scouting by measuring the likelihood that members would recommend the program to their friends and family.

Measuring loyalty via the Voice of the Scout survey program is about capturing insight from Scouting's most important participants—youth, parents, volunteers, and chartered organizations. Regardless of the score, VOS gives us an invaluable peek into the progress we're making at the national, area, council, and district levels.

GIVING BACK

More than three-fourths of the BSA's local councils increased the amount of service they provided to their local communities over 2012—a concrete example of putting Scout spirit into action.

77%

A NEW HOME FOR ADVENTURE

On July 15—just 33 months after its groundbreaking—the Summit Bechtel Family National Scout Reserve opened for business near Beckley, West Virginia. As the last construction vehicles pulled out, 36,595 youth and adult participants streamed in for the 2013 National Scout Jamboree.

What they experienced over the next 10 days was truly astounding: rafting the world-class New River; flying down 5 miles of zip lines; pedaling along 36 miles of mountain bike trails; skateboarding at one of the world's largest outdoor skate parks; and shooting rifles, pistols, shotguns, and bows at 13 acres of ranges.

But not every activity was fueled by adrenaline. The CONSOL Energy Bridge offered leisurely strolls and breathtaking views of the site, while the 125-foot-tall Sustainability Treehouse showcased the green-building principles that guided every aspect of the Summit's development. Also, for the first time at a jamboree, Scouts traveled offsite for a day of service, logging nearly 150,000 service hours in nearby communities.

A mom from New York spoke for many when she described her son's experience: "Did he dislike some of the food? Yes. Are his hiking boots so mud saturated they are unusable now? Yes. Did he have the best time of his short life and accumulate a ton of memories and skills that will stay with him forever? YES."

That Scout—and thousands more—won't have to wait until the 2017 National Scout Jamboree to return. In 2014, the Paul R. Christen National High Adventure Base will open at the Summit, offering weeklong adventures for Boy Scouts and Venturers who want to go big and get wild.

The experience of moving through the trees was more powerful than we imagined.

— Brendan Connolly,
partner at Seattle-based architecture firm Mithun,
designer of the Sustainability Treehouse



GOING GREENER

Scouting was green when green was just a color. Generations of Scouts have learned to leave nothing but footprints and take nothing but pictures. Now, they can even earn a merit badge that's all about sustainability.

But learning about sustainability isn't limited to individual Scouts. The Summit Bechtel Family National Scout Reserve has given us an outdoor laboratory in which to experiment with sustainable forestry, green construction, and the creative reuse of materials. This strip-mine-turned-Scout-camp has also given us a model we can share far beyond Scouting.

This fall, we held our second sustainability summit at the Greenbrier Resort, bringing together representatives from an array of industries for four days of discussion, education, and collaboration. Attendees visited the Summit's Sustainability Treehouse, a 125-foot-tall, 4,000-square-foot centerpiece of Scouting's commitment to sustainability. The treetop structure was named one of the "top 10 most sustainable exemplars of U.S. architecture" for 2013 by the American Institute of Architects (AIA) and its Committee on the Environment (COTE).

ONE OATH, ONE LAW, ONE MOVEMENT

In the BSA's earliest days, there was just one Scouting program—Boy Scouting—and it used the Scout Oath and Scout Law. Over the years, new programs have come along and with them new codes: the Cub Scout Promise, the Law of the Pack, the Venturing Oath, and the Venturing Code.

Those other programs aren't going away, but their codes of conduct soon will. Venturing will adopt the Scout Oath and Scout Law in May 2014, followed by Cub Scouting at the start of the 2015-2016 program year. The change will emphasize the unity of the Scouting movement and make it a bit easier for Cub Scouting and Venturing to live out Scouting's mission and vision statements, both of which refer to the Scout Oath and Scout Law.

> A fisherman does not bait his hook with food he likes. He uses food the fish likes. So with boys.
>
> — Lord Baden-Powell

NEW MERIT BADGES

More than steppingstones to Boy Scout advancement, merit badges offer solid introductions to careers, hobbies, and vital life skills. What Scouts learn today enhances their competitive edge tomorrow—but only so long as badge content remains current.

This year, as part of our never-ending quest to keep Scouting relevant, we updated one badge—Cycling, which got a much-requested mountain biking option—and introduced three new badges, each of which supports our increasing emphasis on STEM (science, technology, engineering, and math) learning.

In Game Design, Scouts analyze the board, outdoor, or video games they've played; learn the elements of game design; and create and test their own games in whichever media they choose. In Programming, they go behind the screens to discover the computer languages that power our world today. In Sustainability, they explore topics ranging from climate change and species extinction to green chemistry and zero-waste manufacturing, all while learning to balance the priorities of people, prosperity, and the planet.

Founder Robert Baden-Powell once called Scouting a "school of the woods." For today's Scouts, the program is a school of the future, too.

BOY SCOUT ADVANCEMENT

Nearly half of local councils increased the percentage of Boy Scouts and Varsity Scouts earning rank advancements over 2012. New merit badges strengthen Scouts' interest in our program by introducing them to new pursuits, service opportunities, and career paths.

45%

MIDDLE SCHOOL EXPLORER CLUBS

As education evolves, middle school is becoming an increasingly important laboratory for career exploration. In response, Learning for Life—the BSA's school- and workplace-focused subsidiary—has created Middle School Explorer Clubs. This innovative, coeducational program introduces students to 12 fields that align with the U.S. Department of Education's career clusters.

After a successful pilot in 18 councils, Middle School Explorer Clubs formally launched in August. By year's end, 5,158 students in 56 councils were participating.

Orange County Council in Santa Ana, California, enlisted the local sheriff's department and Hispanic chamber of commerce in its pilot. "Both organizations had very positive results from the pilot and are looking to expand the relationship they have with Learning for Life in our council in the future," said Scout Executive Jeff Herrmann.

ARE YOU TOUGHER THAN A BOY SCOUT?

ARE YOU TOUGHER THAN A BOY SCOUT?

Scouting entered the world of reality television this year with the National Geographic Channel series "Are You Tougher Than a Boy Scout?" Across six episodes, a team of young Eagle Scouts squared off against adults who'd fallen short of Boy Scouting's highest rank. The competition focused on skills found in the *Boy Scout Handbook*.

Not surprisingly, the Eagle Scouts triumphed. As one adult contestant said, "I definitely was not smarter than a Boy Scout nor tougher. I have a newfound respect for the Boy Scouts as a whole. They know how to survive in this stuff, and I don't."

Although the Eagle Scouts prevailed, the real winner was the BSA. A total of 1.7 million people watched the show, many of them learning for the first time just how tough Boy Scouts can be.

SCOUTING AND THE LDS CHURCH—A CENTURY OF HONOR

On May 21, 1913, the Church of Jesus Christ of Latter-day Saints adopted Scouting as an integral part of its ministry to young men, replacing its own nascent scouting program, the M.I.A. Scouts. One hundred years and millions of boys later, the BSA-LDS partnership remains as strong as ever.

To celebrate the centennial, the church created "A Century of Honor," an original stage production that was watched by more than a million people around the world in October. The show featured live music, historical reenactments, and video tributes, but the focus never strayed far from the young people the BSA and the church serve together. As LDS President Thomas S. Monson has said, "It is far better to build boys than to mend men."

If ever there were a time when the principles of Scouting were vitally needed, that time is now.

— Thomas S. Monson, President,
The Church of Jesus Christ of Latter-day Saints

ALL MARKETS STRATEGY

As the United States becomes more racially and ethnically diverse, the BSA is pursuing a comprehensive strategy to ensure that our membership better reflects the country's demographic makeup. More than an initiative or an emphasis, our All Markets Strategy is an organization-wide effort to develop the infrastructure, tools, and talent we need to excel.

Beyond creating more bilingual forms and publications—which we're also doing—the strategy involves working directly with local councils to help them develop plans to meet their specific needs. We applaud those local councils that are working diligently to serve all youth and to build our capacity for success in the decades to come.

PROTECTING OUR YOUTH

Since the BSA first introduced Youth Protection training in the late 1980s, we have continually refined and strengthened our policies to prevent child abuse both in and out of Scouting. Today, for example, all registered adult members must undergo criminal background checks and must complete Youth Protection training every two years.

In 2013, the BSA's National Youth Protection Committee launched the Youth Protection Champions effort in which volunteer "champions" have been appointed to lead youth protection efforts at all levels of the organization. From recruiting new leadership to supporting training and strategy development, they serve as the principal advisers at their level on all matters relating to youth protection within the BSA—effectively engaging Scouting's most powerful resource, it's volunteers, to keep all youth safe.

HOOKED ON SCOUTING

Use the right bait, and you'll catch more fish—and boys. This fall, the Ozark Trails Council in Springfield, Missouri, offered each new Cub Scout a free rod, reel, and tackle box, courtesy of corporate sponsors and private donors. Nearly 2,000 boys signed up, a 19 percent increase over 2012. Many participated in clinics the following month where they could learn to fish and earn the Fishing belt loop.

The council selected one new Scout for a weekend trip to fish with professional fisherman Tom Redington, shown at left. But every boy was a winner because the fishing promotion launched a lifetime of Scouting adventures.



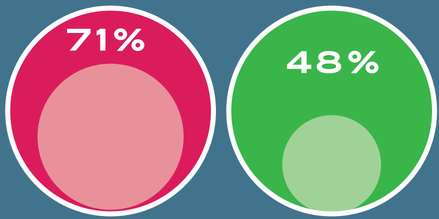

ENHANCING LOCAL COUNCIL FINANCIAL SUPPORT

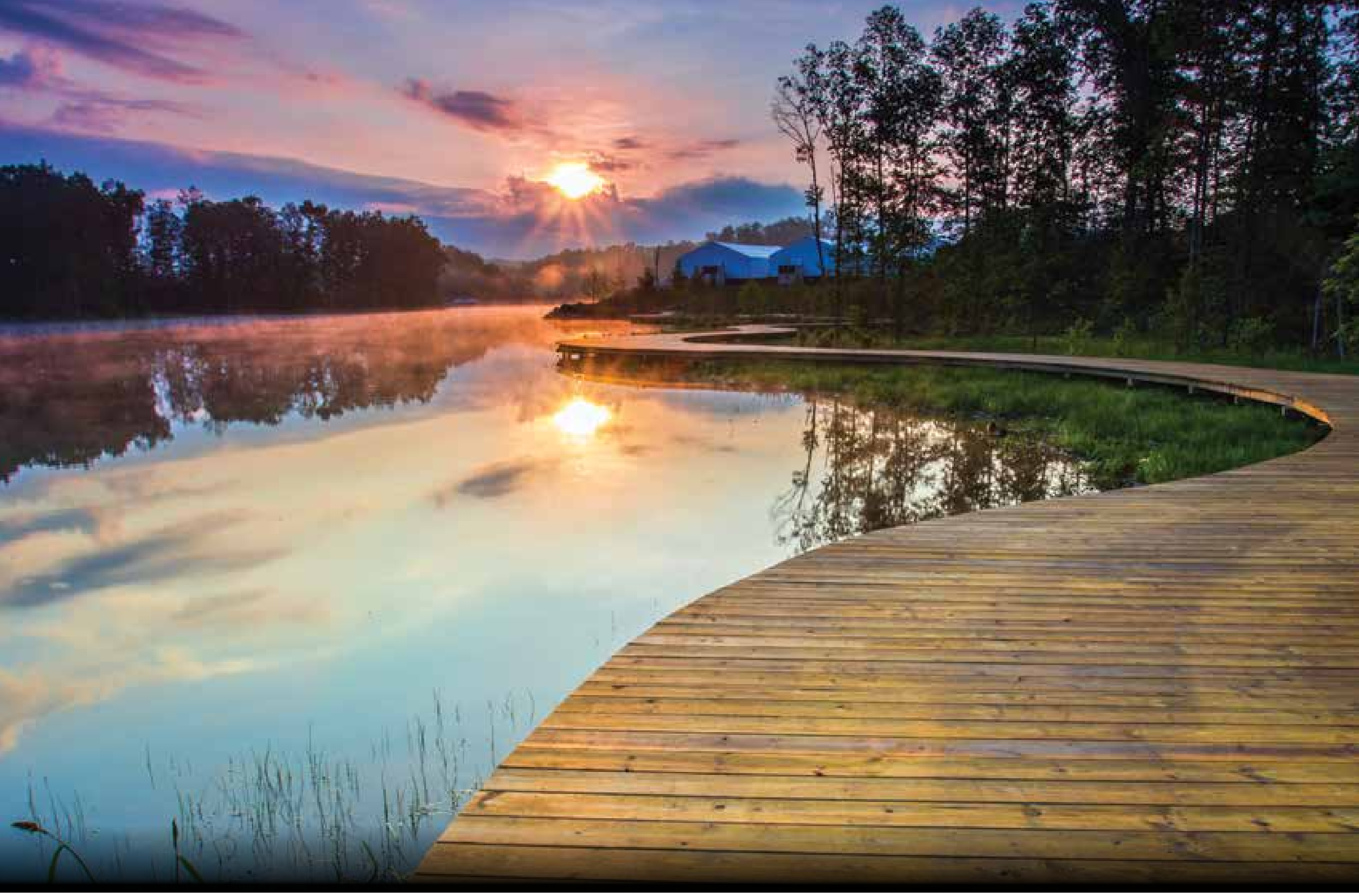
Local councils must spend money in order to raise money. The BSA Foundation has established an innovative “Premium Service” option to help councils minimize costs and maximize returns. Instead of hiring a full-time staff member, local councils can contract with the foundation for the services of a visiting or resident major gifts director. Together, they work with a customized group of local major gift prospects to fund Scouting.

Using a relationship-based approach, the foundation builds donor loyalty and engagement to secure a growing number of major gifts for operating, capital, and endowment priorities. In 2013, this innovative partnership resulted in $25 million in new gift commitments across 50 local councils. Highlights included eight gifts of at least $1 million and the creation of a grant program to support local shooting-sports activities.

A SCOUT IS THRIFTY

Nearly three-fourths of local councils improved their fiscal management Journey to Excellence scores over 2012, while just under half of all councils increased council-generated net contributions to their operating funds over the same time period.





SCOUT OATH

On my honor I will do my best to do my duty to God and my country and to obey the Scout Law; to help other people at all times; to keep myself physically strong, mentally awake, and morally straight.

SCOUT LAW

A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent.

VISION STATEMENT

The Boy Scouts of America will prepare every eligible youth in America to become a responsible, participating citizen and leader who is guided by the Scout Oath and Scout Law.

Please note: The 2013 Report of the Treasurer and Consolidated Financial Statements can be found in the pocket located inside the back cover.

2013 REPORT OF THE TREASURER

AND CONSOLIDATED FINANCIAL STATEMENTS

Prepared. For Life.®

BOY SCOUTS OF AMERICA®

2013 IN REVIEW

($ stated in thousands)

The Boy Scouts of America, consisting of 288 local councils, continued to deliver an exciting and valuable program to young people in 2013, with approximately 2,613,000 youth members and Explorers registered in individual programs. Approximately 1,029,000 registered adult leaders provide support to these youth. Moreover, the existing three national high-adventure bases set attendance records in 2013 with over 54,000 Scouts and Scouters attending. Additionally, over 36,000 Scouts and Scouters participated in the 2013 National Scout Jamboree. The National Council also placed into service the Summit Bechtel Family National Scout Reserve (the Summit). As with last year, the impact of this project is apparent in a number of places in the financial statements.

The following further discusses sources, uses, and stewardship of the National Council's resources during 2013.

Unrestricted net assets:

Net Assets, Controlling Interest

The National Council's controlling interest in its unrestricted net assets, which includes general operations and board-designated net assets, increased by $32,383 during 2013. Investment gains within the board-designated endowment and Retirement Benefits Trust (RBT) account for the majority of this increase; however, the day-to-day activities of general operations did generate a surplus available for appropriations of $6,814 during 2013, an increase of $1,383 from 2012. General operating surpluses are generally utilized for special initiatives and capital improvements.

Board designated net assets comprise funds previously appropriated by the Board, such as for endowment, land, buildings and equipment, and special program and administrative initiatives. Also included are funds related to RBT, the General Liability Insurance Program (GLIP), and self-funding events, such as the world and national jamborees or Top Hands.

<u>Revenues</u> –

Fees increased by $26,323 primarily due to the 2013 National Scout Jamboree. Excluding the national Scout jamboree, fees decreased $6,461. This difference is primarily due to a decrease in registration and license fees. Other fees also decreased due to two events held in 2012, the Order of the Arrow and Exploring Law Enforcement conferences, which were not held in 2013.

Net results of Supply operations increased $3,489 from its 2012 amount to $28,664 due partially to increased sales from the national Scout jamboree and a slightly better profit margin.

Magazine publications' net operating results decreased by $151 from 2012 to 2013, primarily due to an increase in expenses.

Unrestricted contributions increased from $10,451 to $16,472, mainly due to increases in individual giving and in estate gifts.

Net investments for unrestricted net assets reported a 2013 gain of $68,588, an increase from the $59,677 gain in 2012. The total return for investments held in the unrestricted endowment was 13.1 percent during 2013 compared with a 12.9 percent gain during 2012. The endowment, RBT, and GLIP investments are among the designated assets within this portfolio, and these are overseen by a committee of the Board that also oversees restricted investment portfolios. The related investment purchases and sales are primarily the result of the decisions of investment managers in fulfilling their investment mandates.

<u>Expenses</u> –

Total expenses increased by $32,730 to $245,132 in 2013, up from $212,402 during 2012. Of this increase, $51,382 relates to costs attributed to the 2013 National Scout Jamboree. Offsetting the overall increase in expense was a reduction in provision expense for insurance.

<u>Board actions during 2014</u> –

At its February 2014 meeting, the National Executive Board appropriated the aforementioned $6,814 surplus generated from general operations along with $4,659 in remaining funds from estate contributions and other sources to be allocated $2,410 for the high-adventure bases, $700 for program development, $600 for international Scouting, $500 STEM pilot, and the remaining $7,263 for other various projects and contingency.

Net Assets, Noncontrolling Interest

Also reported within unrestricted net assets is the local councils' noncontrolling interest in the Commingled Endowment LP, which contains investments managed by the Boy Scouts of America Asset Management LLC (BSAAM). Investment income reported for these local councils increased $12,288 in 2013 compared to $7,994 in 2012. Overall, including the aforementioned investment income, noncontrolling unrestricted net assets increased $25,216, as more local councils joined the BSAAM portfolio.

Restricted net assets:

Net assets restricted by donors are either permanently restricted (endowment) and may not be spent or they are temporarily restricted and their use is restricted to a specific purpose or during a specific time period.

Temporarily restricted contribution income increased to $20,853 for 2013, an increase of $5,759 from 2012 donation levels.

During 2013, $29,321 of restricted net assets was used for donor-specified purposes, compared with the prior-year amount of $17,017.

Overall, net assets restricted by donors increased in 2013 by $5,372 to a total of $227,253.

Total net assets:
The National Council's total net assets increased in 2013 by $62,971 compared to $48,929 in 2012. As mentioned earlier, during 2013, a significant portion of the changes in the National Council's net assets was attributable to investment performance of the endowment and other investment portfolios, as well as participation of local councils in the Commingled Endowment, LP and the national Scout jamboree. In 2013, including the local councils' interest in the limited partnership, the organization totaled $94,584 in investment gains compared with a gain in 2012 of $78,667.

Financial condition, liquidity, financing, and capital resources:
Separately stated from cash available for operations is $0 restricted cash remaining from $275,000 of tax-exempt bond proceeds that is limited to use for the Summit development. Available to supplement the cash from the bond debt for work on the project and/or general operations is a $75,000 line of credit, of which $23,000 was being utilized as of December 31, 2013.

The Summit had property additions of $85,282 in 2013, and total projected cost, excluding start-up and operational cost, estimated to be approximately $350,000 through December 31, 2014. Management believes that the bonds and the line of credit, along with significant donor contributions, will be sufficient to fund the cost of the project.

Unrestricted cash and cash equivalents decreased by $525 during 2013, and $9,914 of net cash was provided by operations during 2013. Management believes that cash generated from operations, together with liquidity provided by existing cash balances and the line of credit, will be sufficient to satisfy its remaining non-Summit liquidity requirements during the next 12 months.

In addition, capital is required to expand, improve, or replace the National Council's other properties such as its high-adventure facilities, its distribution center and retail stores (Scout shops), and the rest of its infrastructure in order to maintain a high level of service to its constituents. During 2013, the National Council added $10,248 to these non-Summit properties. These non-Summit capital investments were funded from existing cash balances.

The National Council's financial condition for 2013 and the next few years will depend, in large part, upon three factors. The first is the outcome of the litigation discussed within this report (see Note 9). The second factor lies with the success of securing donations for the Summit project, and the third factor is the economy and its effect on market conditions. The National Executive Board, Advisory Council, and other dedicated volunteers and staff continue to work diligently to ensure that the National Council successfully addresses these factors. A strong National Council helps to make sure the Scouting program remains effective and true to its mission.

Respectfully,

Aubrey Harwell

Aubrey B. Harwell Jr.
Treasurer

April 9, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Executive Board of the Boy Scouts of America:

We have audited the accompanying consolidated financial statements of the Boy Scouts of America and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of revenues, expenses and other changes in net assets, functional expenses, and cash flows for the year then ended. The prior year summarized comparative information has been derived from the Boy Scouts of America's 2012 consolidated financial statements, and in our report dated March 26, 2013, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Boy Scouts of America and its subsidiaries at December 31, 2013, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Dallas, Texas
April 9, 2014

PricewaterhouseCoopers LLP, 2001 Ross Avenue, Suite 1800, Dallas, Texas 75201
T: (214) 999-1400, F:(214) 754-7991, www.pwc.com/us

CONSOLIDATED BALANCE SHEET

December 31, 2013, and 2012 (In thousands) Boy Scouts of America

	2013	2012
Assets		
Cash and cash equivalents	$ 31,778	$ 32,303
Cash restricted for construction	0	69,327
Total cash	31,778	101,630
Investments, at fair value including collateral for securities on loan of $59,830 (2012—$39,981) (Note 2)	853,401	760,649
Accounts receivable, less allowance of $113 (2012—$113)	15,517	24,587
Pledges receivable, less discount of $21,419 (2012—$16,889) (Note 4)	61,929	74,369
Other receivables	1,298	1,140
Gift annuities	8,260	8,321
Prepaid and deferred charges	4,310	15,534
Inventories, less provision for obsolescence of $4,297 (2012—$4,010)	65,472	72,965
Land, buildings, and equipment, net (Note 5)	463,058	379,334
Other	10,021	6,469
Total assets	$ 1,515,044	$ 1,444,998
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 32,574	$ 46,402
Gift annuities	8,260	8,321
Unearned fees and subscriptions	37,628	66,789
Notes payable including line of credit (Note 6)	294,684	283,946
Insurance reserves (Note 7)	151,701	132,163
Payable upon return of securities loaned (Note 2)	59,830	39,981
Total liabilities	584,677	577,602
Net assets:		
Unrestricted (Note 10):		
Unrestricted controlling interest:		
General operations	22,741	27,080
Board-designated	572,180	535,458
Total unrestricted—controlling interest	594,921	562,538
Unrestricted—noncontrolling interest (Commingled Endowment LP)	108,193	82,977
Total unrestricted	703,114	645,515
Temporarily restricted (Note 11)	144,305	147,492
Permanently restricted (Note 11)	82,948	74,389
Total net assets	930,367	867,396
Total liabilities and net assets	$ 1,515,044	$ 1,444,998

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS

Year ended December 31, 2013 (with comparative totals for 2012) (In thousands) Boy Scouts of America

	Unrestricted (Note 10)	Temporarily Restricted (Note 11)	Permanently Restricted (Note 11)	Total 2013	Total 2012
Revenues:					
Fees (Note 12)	$ 123,072			$ 123,072	$ 96,749
Supply operations—sales	150,470			150,470	137,014
Cost of sales and expenses	(121,806)			(121,806)	(111,839)
	28,664			28,664	25,175
Magazine publication—sales	16,844			16,844	16,103
Cost of production and expenses	(15,941)			(15,941)	(15,049)
	903			903	1,054
Contributions and bequests	16,472	$ 20,853	$ 132	37,457	27,030
Other—including trading post sales	13,800			13,800	11,523
Cost of sales and expenses	(3,305)			(3,305)	(3,291)
	10,495	0	0	10,495	8,232
Total revenues before net investment gain	179,606	20,853	132	200,591	158,240
Net investment gain	68,588	5,221	8,487	82,296	70,673
Total revenues	248,194	26,074	8,619	282,887	228,913
Net assets released from restrictions:					
Donor restrictions satisfied	29,321	(29,261)	(60)		
Expenses:					
Program services:					
Field operations	37,162			37,162	39,408
Human resources and training	9,746			9,746	10,644
Program development and delivery	112,819			112,819	57,190
Program marketing	15,307			15,307	16,301
World Scout Bureau fees	1,430			1,430	1,412
Insurance programs—losses and costs (Notes 7, 13, and 14)	46,733			46,733	69,128
Premiums	(10,104)			(10,104)	(6,108)
	36,629			36,629	63,020
Total program services	213,093			213,093	187,975
Supporting services:					
Management and general	25,252			25,252	19,158
Fundraising	6,787			6,787	5,269
Total supporting services	32,039			32,039	24,427
Total expenses	245,132			245,132	212,402
Change in net assets—controlling interest	32,383	(3,187)	8,559	37,755	16,511
Change in net assets—noncontrolling interest (Commingled Endowment LP)	25,216	0	0	25,216	32,418
Change in net assets	57,599	(3,187)	8,559	62,971	48,929
Net assets, beginning of year	645,515	147,492	74,389	867,396	818,467
Net assets, end of year	$ 703,114	$ 144,305	$ 82,948	$ 930,367	$ 867,396

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Years ended December 31, 2013, and 2012 (In thousands) Boy Scouts of America

PROGRAM SERVICES

	Field Operations 2013	Field Operations 2012	Human Resources and Training 2013	Human Resources and Training 2012	Program Development and Delivery 2013	Program Development and Delivery 2012	Program Marketing 2013	Program Marketing 2012
Salaries	$14,038	$14,569	$ 4,671	$ 5,034	$16,010	$15,886	$ 5,970	$ 6,251
Benefits	4,548	4,650	1,272	1,369	4,520	4,700	1,826	1,821
Travel	2,241	2,654	262	628	759	1,436	531	701
Office expense and occupancy	3,600	4,530	314	490	4,962	5,175	1,839	2,250
Depreciation and amortization	742	610	152	156	2,835	2,797	257	564
Insurance losses and costs								
Premiums								
Net insurance programs								
Jamboree (world/national)					51,382	0		
All other expenses	12,007	12,395	3,259	3,477	31,786	26,438	5,497	5,364
Allocated expenses[1]	(14)		(183)	(510)	564	758	(613)	(650)
Total expenses	$37,162	$39,408	$ 9,746	$10,644	$112,819	$57,190	$ 15,307	$ 16,301

PROGRAM SERVICES

	World Scout Bureau Fees 2013	World Scout Bureau Fees 2012	Insurance Programs 2013	Insurance Programs 2012	**Total Program Services** 2013	**Total Program Services** 2012
Salaries					$ 40,689	$ 41,740
Benefits					12,166	12,540
Travel					3,793	5,419
Office expense and occupancy					10,715	12,445
Depreciation and amortization					3,986	4,127
Insurance losses and costs			$46,733	$69,128	46,733	69,128
Premiums			(10,104)	(6,108)	(10,104)	(6,108)
Net insurance programs			36,629	63,020	36,629	63,020
Jamboree (world/national)					51,382	0
All other expenses	$ 1,430	$ 1,412			53,979	49,086
Allocated expenses[1]					(246)	(402)
Total expenses	$ 1,430	$ 1,412	$ 36,629	$ 63,020	$213,093	$187,975

SUPPORTING SERVICES

	Management and General 2013	Management and General 2012	Fundraising 2013	Fundraising 2012	**Total Supporting Services** 2013	**Total Supporting Services** 2012	**Total Expenses** 2013	**Total Expenses** 2012
Salaries	$13,525	$13,285	$ 2,255	$ 2,064	$ 15,780	$ 15,349	$ 56,469	$ 57,089
Benefits	3,581	3,523	669	665	4,250	4,188	16,416	16,728
Travel	1,064	1,191	360	444	1,424	1,635	5,217	7,054
Office expense and occupancy	4,156	1,550	580	949	4,736	2,499	15,451	14,944
Depreciation and amortization	5,510	1,168	123	107	5,633	1,275	9,619	5,402
Insurance losses and costs							46,733	69,128
Premiums							(10,104)	(6,108)
Net insurance programs							36,629	63,020
Jamboree (world/national)							51,382	0
All other expenses	6,970	6,131	2,800	1,122	9,770	7,253	63,749	56,339
Allocated expenses[1]	(9,554)	(7,690)	(0)	(82)	(9,554)	(7,772)	(9,800)	(8,174)
Total expenses	$ 25,252	$ 19,158	$ 6,787	$ 5,269	$ 32,039	$ 24,427	$245,132	$212,402

[1] Certain expenses have been allocated to Supply operations, Magazine publications, and Program services.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 2013, and 2012 (In thousands) Boy Scouts of America

	2013	2012
Cash Flows from Operations:		
Change in net assets	$ 62,971	$ 48,929
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	10,972	7,005
Net gains on sales of securities and unrealized changes in the fair value of investments	(76,718)	(64,501)
Interest and dividends reinvested	(858)	(867)
Contributions to the permanently restricted endowment	(127)	(1,482)
Net losses (gains) on disposal of assets	608	(2,309)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	9,070	(9,289)
Decrease in pledges receivable	12,440	8,530
(Increase) decrease in other receivables	(158)	464
(Increase) decrease in inventories	7,493	(16,673)
Decrease in prepaid charges and other assets	7,733	2,432
Decrease in accounts payable/accrued liabilities/gift annuities	(13,889)	(17,054)
Increase (decrease) in unearned fees and subscriptions	(29,161)	32,316
Increase in insurance reserves	19,538	45,041
Net cash provided by operations	9,914	37,160
Cash Flows from Investing:		
Additions to properties	(95,304)	(160,830)
Contributions restricted for purchases of fixed assets	(26,741)	(17,919)
Net purchases of investments	(15,176)	(27,295)
Increase in securities lending payable	19,849	5,911
Proceeds from sale of property and other	0	48
Net cash used in investing activities	(117,372)	(200,085)
Cash Flows from Financing:		
Net borrowings in line of credit financing	20,000	3,000
Proceeds from bond issuance (restricted for construction)	0	175,000
Repayment of debt	(9,262)	(6,566)
Contributions to the permanently restricted endowment	127	1,482
Contributions restricted for the purchase of fixed assets	26,741	17,919
Net cash provided by financing activities	37,606	190,835
Increase (decrease) in cash and cash equivalents	(69,852)	27,910
Cash and cash equivalents, beginning of year	101,630	73,720
Cash and cash equivalents, end of year (includes restricted cash)	$ 31,778	$ 101,630
Supplemental Cash Flow Information:		
Interest paid (net of $4,282 and $7,374 capitalized in 2013/2012)	$ 4,369	$ 80

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

On June 15, 1916, the Boy Scouts of America was officially chartered by Congress with the stated purpose to promote "the ability of boys to do things for themselves and others, to train them in Scoutcraft, and to teach them patriotism, courage, self-reliance, and kindred virtues. …" Toward this purpose, major activities of the National Council include merchandise sales, magazine publications, and the coordination of national events. The National Council also provides local councils with program materials and support in the areas of membership growth, fundraising, communications, administration, insurance, employee benefits, investment management, and human resources.

Consolidation. The consolidated financial statements combine the accounts and results of operations and activities of the National Council of the Boy Scouts of America and its affiliates: Learning for Life; the Learning for Life Foundation; Boy Scouts of America Asset Management, LLC; Boy Scouts of America Commingled Endowment Fund, LP; the Boy Scouts of America National Foundation; and Arrow WV, Inc. Arrow WV, Inc. was formed in 2009 to develop the future home of the national Scout jamboree and a new high-adventure base, the Summit. The National Council is the general partner of the Boy Scouts of America Commingled Endowment Fund, LP, whose limited partners consist primarily of local councils. The limited partner interest of the local councils in the Commingled Endowment Fund, LP is presented in the consolidated financial statements as a noncontrolling interest. Other results of operations and activities of local councils are not included. All significant intercompany transactions have been eliminated.

Net Assets. Restricted net assets comprise those amounts restricted by donors, grantors, or applicable state law for endowment or other specific purposes. Temporarily restricted net assets comprise those amounts restricted by donors or grantors for use during a specified time period or for a particular purpose. The expiration of a temporary restriction is evidenced by a transfer of net assets to the unrestricted classification.

Unrestricted net assets include "general operations" and "board designated" funds. General operations comprise the ongoing, day-to-day activities of the National Council, including, but not limited to, merchandise sales, magazine publications, high-adventure base operations, program development, field support, and program marketing. Board-designated net assets are designated by the Executive Board of the National Council or an authorized committee of the Executive Board of the National Council. These assets act as endowment; help defray future health costs for National Council and local council employees and their retirees; are invested in property, plant, and equipment; support the general liability insurance program (Note 7); or fund specific program efforts.

Statement of Cash Flows. For purposes of reporting cash flows, cash includes demand deposits with banks or financial institutions, on-hand currency, and other kinds of accounts that have the general characteristics of demand deposits. Cash also includes funding provided by the long-term financing (Note 6) that is restricted for construction of the new Summit high-adventure base; this restricted cash has been separately stated on the balance sheet. Cash equivalents include short-term investments with original maturities of three months or less but do not include short-term investment funds of third-party investment managers.

Estimated Fair Values of Financial Instruments. Financial instruments include cash, investments, accounts and pledges receivable, accounts payable, and debt. Cash, accounts receivable, accounts payable, and debt are deemed to be stated at their fair values. Investments are reported at fair value (Note 2). Held for sale properties are reported at the lesser of carrying cost or fair value less cost to sale and are classified on the balance sheet as other assets.

Unconditional promises to give that are expected 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 recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Inventories. Inventories of merchandise, printing stock, and supplies are carried at the lower of average cost or market. Periodically, but no less often than once each year, inventory is evaluated for obsolescence. If inventory quantities on hand exceed reasonably anticipated future demands, inventory is written down to its net realizable value. The difference between current carrying cost and net realizable value is a period cost. Damaged inventory items are expensed immediately.

Land, Buildings, and Equipment. These assets are stated at cost or, if acquired by gift, at the estimated fair market value at the date of gift. Depreciation and amortization are provided over the estimated useful lives of the related assets using the straight-line method. Estimated useful lives for financial reporting purposes are as follows: buildings and improvements, 10 to 40 years; computer software and hardware, 3 to 10 years; and furniture, fixtures, and other equipment, 3 to 10 years. Land improvements are amortized over 20 years. Leasehold improvements are amortized over the lesser of the lease term or the life of the asset. Construction in progress is not depreciated until placed into operations.

Revenue. Registration and licensing fees are recorded as income in the applicable membership, participation, or licensing period. High-adventure and jamboree fees are recorded as income in the applicable period of attendance. National service fees are paid by the local councils for administrative services provided and are recognized in the period earned. Revenues from merchandise sales are recognized at the point of sale and are reported net of returns and allowances. Subscription and advertising revenues are reflected as earned income when publications are issued. Investment gain (loss) includes interest and dividends earned during the period as well as realized and unrealized gains and losses on investments, net of investment expenses.

Pledges (Note 4) and contributions are recognized as revenues in the year in which an unconditional promise to give is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Restricted pledges and contributions that are to be utilized in the same period as donated are initially recorded as restricted revenues. Bequests are recorded when the amount and timing of receipt of funds are known. Contributions of fixed assets are generally recorded as board-designated net assets as no time restriction is assumed for their use. Insurance premium revenue is recognized pro rata over the terms of the related policies.

Concentration of Market and Credit Risk. Market risk represents the potential loss the National Council faces due to a decrease in the value of its investments and assets held at fair value. Credit risk represents the potential loss the National Council faces due to possible nonperformance by obligors and counterparties of the terms of their contracts. Financial instruments that potentially subject the National Council to concentrations of credit risk consist principally of cash equivalents, the investment portfolio (Note 2), and accounts receivable and pledges receivable. Credit risk on pledges receivable is managed by discounting the pledges based on a rate that reflects the risk of that pledge not being collectable.

In order to limit credit risk with respect to cash equivalents and the investment portfolio, the National Council invests in obligations of the United States government, mutual funds, and other marketable securities. These investments are held by diverse, high-quality financial institutions. The National Council grants unsecured credit to local councils and others for merchandise sales and insurance coverage within established guidelines for creditworthiness. These transactions make up the majority of accounts receivable.

Donated Services. A substantial number of volunteers have donated significant amounts of their time to the operations of the National Council, and numerous media organizations have provided public service advertising. Volunteer services that create or enhance nonfinancial assets (e.g., camps, buildings) or require specialized skills, and are performed by people possessing those skills, are recorded as contributions and as expenses or additions to land, buildings, and equipment. Due to practical reasons, not all donated services are recorded. Where practical and of significant materiality, the National Council records donated services at fair value of the services received as contribution revenue on the Statement of Revenues, Expenses, and Other Changes in Net Assets.

Collections. The National Scouting Museum in Irving, Texas, possesses artifacts, fine art, and multimedia archives appraised in March 2012 at approximately $60,000. The museum also houses collections of Scouting memorabilia, objects, and archival documents, with estimated value of approximately $1,500. These collections are not recognized as assets in the consolidated balance sheet; however, costs associated with maintenance of these collections have been expensed. During 2013, no major additions or disposals of collection items occurred.

Program Services Expenses comprise:

- **Field Operations.** Support for local councils, including but not limited to, administration of standards of performance, inspection of council campsites, assistance with long-range planning, conduct of regional training and conferences for professionals and volunteers, administration of an extensive program of local council financial support, and administration and funding of the defense of our private membership rights.

- **Human Resources and Training.** Administration of all aspects of human resources policies, including recruiting, placement, and training of professional employees; promoting diversity; managing compensation and benefits programs; and monitoring employee relations.

- **Program Development and Delivery.** Development of the basic program; providing camping and outdoor literature, materials, and techniques, as well as engineering service, to local councils; managing the volunteer training programs of the Boy Scouts of America and handling all national program support in the areas of health and safety, activities, program evaluation, and low-income program; developing uniforms and insignia and other program elements; operating the National Scouting Museum; operating the high-adventure bases and the national jamboree.

- **Program Marketing.** Administration of public relations, including providing news releases, features for print and broadcast media, and internal news in the form of newsletters, fact sheets, and the annual report for the nationwide Scouting family. In addition, protection and promotion of the Scouting brand.

- **World Scout Bureau Fees.** Payment to the World Organization of the Scout Movement in support of international enrichment programs based on an established fee for each registered, uniformed youth and adult member.

- **Insurance Programs.** Support of the group medical, life, dental, and general liability insurance programs for local councils and the National Council.

The Use of Estimates in Preparing Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status. The National Council and its other affiliates, Learning for Life, the Learning for Life Foundation, the Boy Scouts of America National Foundation, Boy Scouts of America Asset Management, LLC, and Arrow WV, Inc., are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not private foundations. Each of the partners of the Boy Scouts of America Commingled Endowment Fund, LP, is responsible for reporting its allocable share of the partnership's income or loss on its individual tax returns.

Income from certain activities (primarily magazine advertising income, sponsorships, and net revenue from sales of livestock) not directly related to the National Council's tax-exempt purpose is subject to taxation as unrelated business income. As of December 31, 2013, the National Council has a cumulative net operating loss of approximately $31,807. Management has determined that it is more likely than not that the net operating loss will not be realized and has therefore provided a full valuation allowance against any deferred tax asset as of December 31, 2013.

Uncertainty in Income Taxes. The National Council recognizes interest and penalties related to underpayment of income taxes as income tax expense. As of December 31, 2013, the National Council had not recorded any amounts related to unrecognized income tax benefits or accrued interest and penalties. The National Council does not anticipate any significant changes to unrecognized income tax benefits over the next year.

Operational Risk. On May 23, 2013, voting members of the Boy Scouts of America voted on a resolution that maintains its current membership policy for all adult leaders and states that youth may not be denied membership in the Boy Scouts of America on the basis of sexual orientation or preference alone. Membership, charitable contributions, litigation, and insurance coverage related to these matters have been adversely impacted. However, management does not consider the impact to be material to the financial statements.

Nature of Comparative Totals for 2012. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Alone, such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the National Council's financial statements for the year ended December 31, 2012, from which the summarized information was derived. PricewaterhouseCoopers LLP issued an unqualified opinion on those financial statements.

Subsequent Events. The National Council has performed a review of subsequent events through the date of the audit opinion, which is the date the financial statements were available to be issued, and concluded that other than those items disclosed in the consolidated financial statements, there were no events or transactions during this subsequent event reporting period that required recognition or disclosure.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 2. Investments

Investment securities may be purchased or sold on a when-issued or delayed delivery basis. These transactions involve a commitment to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed delivery purchases are outstanding, liquid assets will be set aside or earmarked internally, until the settlement date, in an amount sufficient to meet the purchase price. When purchasing a security on a delayed delivery basis, the rights and risks of ownership are assumed, including the risk of price and yield fluctuations, and such fluctuations are taken into account when determining net asset values. Delayed delivery transactions may be disposed of or renegotiated after they are entered into, and when-issued securities may be sold before they are delivered, which may result in an investment gain or loss.

Investment securities of the National Council whose values are expressed in foreign currencies are translated to U.S. dollars at the bid price of such currency against U.S. dollars last quoted by an approved pricing vendor or major bank on the valuation date. Dividend and interest income and certain expenses denominated in foreign currencies are translated to U.S. dollars based on the exchange rates in effect on the date the income is earned and the expense is incurred. Exchange gains and losses are realized upon ultimate receipt or disbursement.

The National Council participates in a securities lending program with its investment custodian, State Street. This program allows State Street to loan securities, which are assets of the National Council, to approved brokers. State Street requires the borrowers, pursuant to a security loan agreement, to deliver collateral at least equal to 102 percent of the market value of U.S. securities loaned, and 105 percent of the market value of non-U.S. securities loaned, to secure each loan. In the event of a default by the borrower, State Street shall indemnify the National Council by purchasing replacement securities equal to the number of unreturned loaned securities or, if replacement securities are not able to be purchased, State Street shall credit the National Council for the market value of the unreturned securities. In each case, State Street would apply the proceeds from the collateral for such loan to make the National Council whole.

As of December 31, 2013, the market value of securities on loan to approved brokers was $58,399. Collateral received for securities on loan was invested in the State Street Navigator Securities Lending Prime Portfolio. Total collateral of $59,830, received for securities on loan at December 31, 2013, is held by State Street on behalf of the National Council. Income associated with the securities lending program amounted to $90 for 2013, and is included in net investment income. The following table summarizes the securities loaned and the related collateral as of December 31, 2013:

Securities Loaned and the Related Collateral

Securities	Fair Value	Fair Value of Collateral
Common stocks—foreign	$ 4,353	$ 4,577
Common stocks—domestic	21,310	21,843
Corporate obligations	12,055	12,307
Government obligations	20,681	21,103
Total investments purchased with cash collateral	$ 58,399	$ 59,830
Investments Purchased with Collateral		
State Street Navigator Securities Lending Prime Portfolio		$ 59,830

The National Council has adopted the fair value accounting guidance issued by the FASB. Fair value accounting guidance establishes 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 input be used when available.

Observable inputs are used by market participants in pricing an asset or liability based on market data obtained from sources independent of the National Council. Unobservable inputs reflect the National Council's judgment regarding assumptions market participants would use in pricing an asset or liability based on the best information available in the circumstances. In instances where the determination of the fair value measurement is based on inputs from more than one level of the fair value hierarchy, the entire fair value measurement is classified within the hierarchy based on the lowest level of input that is significant to the fair value measurement in its entirety.

The hierarchy is measured in three levels based on the reliability of inputs:

- Level l–Valuations based on quoted prices in active markets for identical assets as of the reporting date.

- Level 2–Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from independent sources.

- Level 3–Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities. Level 3 investments comprise primarily real estate investment funds, bank loans, and private equity at December 31, 2013, which are discussed in greater detail below.

Regarding Level 2, the valuation of these securities is handled annually by external pricing services administered by the organization's safekeeping and custodial agent that monitor and assign values based on secondary markets. Where this is insufficient (e.g., for bank loans and private placements), the agent utilizes its proprietary pricing matrix for valuation, taking into consideration numerous input factors such as risk and liquidity.

Regarding Level 3, real estate investment funds are carried at estimated fair value based on the reported net asset value provided by the general partner of the fund. The general partner of the fund marks the underlying real estate assets to fair value using the following procedures and parameters:

- All real estate investments are valued on at least an annual basis with the objective of providing a quarterly valuation schedule that is balanced with respect to property type, location, and percentage of portfolio carrying value.

- Newly acquired investments are carried at cost until their first scheduled valuation approximately 12 months after acquisition (the initial valuation) unless within the first 12 months market factors indicate cost may not be a reliable indicator of fair value.

- Subsequent to and including the initial valuation, the fair value of an investment will be determined by an annual valuation prepared in accordance with standard industry practice by an independent third-party appraiser that is licensed and has an MAI designation (Member of the Appraisal Institute).

- All investments not scheduled for valuation in a particular quarter will be reviewed to determine if an interim value adjustment is warranted based on property or market-level changes. If warranted, an updated valuation will be prepared by an independent third-party appraiser that is licensed and has an MAI designation.

- Any capitalized costs relating to investments incurred during periods between independent valuations will be added to the most recent independent valuation to determine the current carrying value of the investment.

Private equity valuations are reported by underlying general partners and are the best estimates of fair value at measurement date. Where information is provided on a US GAAP basis, the valuations are confirmed by reviewing the audited financials and individual partner statements provided by the general partner and is appropriately adjusted for any accrual basis performance fee. Where the audited financial statements are prepared on a "fair value" basis other than US GAAP, the financial statements are reviewed to determine if the valuation methodology is consistent with US GAAP, or if an adjustment is necessary.

Bank loans are priced through the Markit Loan Pricing service. It offers liquidity information for the leveraged loan market, as well as access to liquidity metrics, such as the number of dealers quoting with the size and the average size quoted. A daily price is received on every bank loan in the portfolio.

The appraisal process, while based on independent third-party valuations as well as verified property and market-level information, may result in a valuation estimate that differs materially from the sales price actually realized due to the particular motivations of buyers and sellers, as well as the subjectivity inherent in the process. Although the estimated fair values represent subjective estimates, the general partner of the fund believes these estimated values are reasonable approximations of market prices. Management has obtained an understanding of the valuation methodology utilized to value the underlying assets and believes the reported net asset value of the fund is an accurate fair value of the investment.

Notes to Consolidated Financial Statements ($ stated in thousands)

Bank loans are valued using a pricing model. When a pricing model is used to value investments, inputs to the model are adjusted when changes to inputs and assumptions are corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

At December 31, 2013, investments comprised the following:

	Level 1	Level 2	Level 3	Total
Short-Term Investment Funds and Treasury Bills	$ 333	$ 5,743	$ 0	$ 6,076
Investment of Cash Collateral in Investment Trust	0	59,830	0	59,830
Debt securities				
Government (includes $20,681 of securities on loan)	0	81,559	0	81,559
Corporate (includes $12,055 of securities on loan)	0	83,653	0	83,653
Common/collective trusts*	0	80,952	0	80,952
Other	0	19,022	25,283	44,305
Total debt securities	0	265,186	25,283	290,469
Equity securities				
Common stocks—domestic (includes $21,310 of securities on loan)	33,083	0	0	33,083
Common stocks—foreign (includes $4,353 of securities on loan)	67,869	0	0	67,869
Common/collective trusts*	0	330,919	0	330,919
Real estate partnerships	0	0	43,108	43,108
Private equity partnerships	0	0	22,047	22,047
Total equity securities	100,952	330,919	65,155	497,026
Total investments	$101,285	$661,678	$90,438	$853,401

* Common/collective trust investments comprise the following:
- domestic, investment, and non-investment grade securities: U.S. Treasury, agency, corporate, mortgage-backed, and asset-backed;
- domestic and foreign equity securities.

During 2013, Level 3 investments changed as follows:

	Other Debt Securities	Real Estate Partnerships	Private Equity	Total
Balance December 31, 2012	$ 19,706	$ 37,361	$ 15,291	$ 72,358
Purchases	23,548	1,198	4,622	29,368
Sales	(18,110)	0	(1,566)	(19,676)
Realized gains	110	0	(2)	108
Unrealized (losses) gains	23	4,549	3,702	8,274
Amortized discount	6	0	0	6
Balance December 31, 2013	$ 25,283	$ 43,108	$ 22,047	$ 90,438

No transfers between any of the levels occurred in 2013.

For all three levels in 2013, net investment income for net assets with a controlling interest on the Statement of Revenues, Expenses, and Other Changes in Net Assets includes $8,969 of interest and dividends, $20,434 of net realized gains, and $67,502 of unrealized gains in the fair value of investments less $2,321 in investment manager expenses. Similarly, included within the change in net assets attributed to noncontrolling interests is net investment income pertaining to the limited partners within the Commingled Endowment, LP, which for 2013 includes $1,474 of interest and dividends, $2,717 of net realized gains, and $8,511 of unrealized gains in the fair value of investments less $414 in investment manager expenses.

Notes to Consolidated Financial Statements ($ stated in thousands)

Risk Factors

Currency/foreign exchange risk. The National Council may hold investments denominated in currencies other than the U.S. dollar, the National Council's functional currency. In such instances, there is exposure to currency risk, as the value of the investments denominated in other currencies will fluctuate due to changes in exchange rates. To the extent that these investments create risk in respect of movements in foreign exchange rates, the National Council may hedge this risk, in a cost-effective manner, to the extent possible. As of December 31, 2013, there are no foreign currency hedges.

Interest rate/credit risk. The National Council's investment portfolios are subject to interest rate and credit risk. The value of debt securities may decline as interest rates increase. The investment portfolios could lose money if the issuer of a fixed-income security is unable to pay interest or repay principal when it is due.

Market price risk. The prices of securities held by the National Council may decline in response to certain events, including those directly involving the companies whose securities it owns. Those events may include, but are not necessarily limited to: conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; and currency, interest rate, and commodity price fluctuations.

Note 3. Endowment

Endowment net asset composition and changes in composition by type of fund as of and for the year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance December 31, 2012	$ 192,865	$ 6,790	$ 74,389	$ 274,044
Investment return:				
Interest and dividends	4,615	53	1,136	5,804
Realized and unrealized investment gains	38,380	454	10,891	49,725
Investment manager fees	(1,291)	(37)	(333)	(1,661)
Net investment return	41,704	470	11,694	53,868
Contributions	574	1,258	127	1,959
Spending allocation	(12,487)	2,895	(3,284)	(12,876)
Net assets released from restriction	0	(2,916)	0	(2,916)
Other (net)	(1,846)	(1,685)	22	(3,509)
Balance December 31, 2013.....................	$ 220,810	$ 6,812	$ 82,948	$ 310,570

The National Council's endowment consists of approximately 78 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Executive Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions or in accordance with the Executive Board's interpretation of relevant law.

Interpretation of relevant law. The National Council classifies net assets associated with its donor-restricted endowment as either permanently or temporarily restricted. Investment returns in excess of spending authorized by the "spending policy" (the spending policy is defined below) are classified as permanently restricted net assets, absent explicit donor stipulations to the contrary. The Executive Board of the National Council has determined that this classification is consistent with the intent of the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). Among other things, TUPMIFA creates a rebuttable presumption of imprudence if an organization authorizes a current spending rate in excess of 7 percent absent explicit donor stipulations. Amounts made available from donor-restricted endowment funds in accordance with the spending policy are classified as temporarily restricted net assets until they are expended.

Notes to Consolidated Financial Statements ($ stated in thousands)

In accordance with TUPMIFA, the National Council considers the following factors in establishing its spending rate for donor-restricted endowment funds:

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

Return objectives and risk parameters. The Executive Board of the National Council has adopted a Strategic Investment Policy and a Spending Policy 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 organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under the Strategic Investment Policy, the endowment assets are invested in a manner that is intended to produce the highest total long-term return, consistent with prudent investment practices, sufficient to cover the maximum annual spending rate plus an allowance for inflation. The National Council expects its endowment funds, over time, to provide an average annual, nominal rate of return of approximately 7.75 percent. After inflation, expected to average 2.75 percent annually, the average annual real rate of return is expected to be 5 percent. Actual returns in any given year may vary significantly from this expectation.

Strategies employed for achieving objectives. To satisfy its long-term rate-of-return objectives, the National 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 National 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.

Spending policy and how the investment objectives relate to spending policy. The National Council has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 12 quarters through June 30 of the year preceding the fiscal year in which the distribution is planned. In establishing this policy, the organization considered the long-term expected return on its endowment.

Note 4. Pledges Receivable

Included in pledges receivable are the following:

Unconditional promises to give before discount	$ 83,408
Less discount	(21,419)
Net unconditional promises to give (before allowance)	$ 61,989
Less allowance	(60)
Net unconditional promises to give (after allowance)	$ 61,929
Amounts due in:	
Less than one year	$ 11,590
One to five years	31,822
More than five years	39,996
Total undiscounted pledges	$ 83,408

Discount rates for 2013 for valuing pledges ranged from 0.4 to 5.1 percent.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 5. Land, Buildings, and Equipment

At December 31, 2013, land, buildings, and equipment comprised the following:

National office, less accumulated depreciation of $15,999	$ 12,534
High-adventure bases, less accumulated depreciation of $23,098	42,527
National Distribution Center, less accumulated depreciation of $5,686	3,890
Summit Bechtel Family National Scout Reserve, less accumulated depreciation of $3,506	365,775
Furniture, equipment, and software, less accumulated depreciation and amortization of $70,406	38,332
Total land, buildings, and equipment, less accumulated depreciation and amortization of $118,695	$ 463,058

Depreciation and amortization expense was $10,972 in 2013.

Gifts-in-kind in 2013 totaled $4,532. This is a non-cash transaction; however, it has not been reported separately within the supplemental section on the Statement of Cash Flows.

The Summit Bechtel Family National Scout Reserve was placed into service on August 2013 and depreciation began at that time.

High-adventure bases include: Philmont Scout Ranch, Northern Tier, and Florida Sea Base.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 6. Notes Payable

Notes payable consists of the following at December 31, 2013:

	2013 Principal Payment	Interest Rate	Maturity Date	Outstanding at December 31, 2013
Seller's note of $14,025, payable in 5 equal principal payments (collateral is the deed of trust on the land)	$ 2,805	5.50% fixed	2014	$ 2,805
Seller's note of $1,200, payment schedule revised in 2012, final payment due in 2013 (collateral is deed of trust on the property)	215	5.00% fixed	2013	0
Revolving $75,000 line of credit (0.15% to 0.20% fee for unused credit)	0	1.25% + LIBOR	2017	23,000
2010 Bond issuance (Series A) of $50,000	1,244	2.38% fixed	2015	47,442
2010 Bond issuance (Series B) of $50,000	1,099	3.22% fixed	2020	47,751
2012 Bond issuance of $175,000	2,901	2.94% fixed	2022	172,099
Seller's note of $1,500, payable in 3 equal principal payments (collateral is deed of trust on the property)	500	6.00% fixed	2014	500
Seller's note of $2,500 payable in 60 equal payments of $45, including interest and principal (collateral is deed of trust on the property)	498	3.00% fixed	2016	1,087
Total	$ 9,262			$ 294,684

In March 2012, the organization entered into a note payable for the development of the Summit. $175,000 in 10-year, tax-exempt bond was added to the existing 2010 Series A and B bonds, and the 5-year $50,000 line of credit was increased by $25,000 to $75,000. Bond issuance costs were $100.

Regarding the $175,000 note payable, interest-only payments at a fixed rate of 2.94 percent are due for the first 12 months based on a 29-year amortization schedule; thereafter, both interest and principal will be paid monthly with a balloon payment of $135,393 due in 10 years.

All of the organization's bond proceeds may only be used for Summit site development. All of the bonds are senior obligations of the organization and required collateral of the organization's unrestricted gross revenues and the pledges pertaining to the project. The bond agreements include the standard covenants and events of default, including limitations on incurring additional indebtedness, a requirement to maintain a minimum ratio of certain cash and pledge amounts to debt, and a requirement to maintain a minimum ratio of unrestricted net assets to debt. At December 31, 2013, the National Council was in compliance with these debt covenants. The line of credit collateral and covenants are the same as those for the bonds.

Covenants, collateral, and other terms for the revised line of credit remain the same; however, the interest rate and fees have changed. The non-usage fee is 0.15 percent during quarterly periods with average utilization of 30 percent or greater and 0.20 percent during quarterly periods with average utilization of less than 30 percent. The interest rate on amounts utilized is LIBOR plus 1.25 percent (previously 1.40 percent).

Notes to Consolidated Financial Statements ($ stated in thousands)

Aggregate maturities of notes payable for each of the years subsequent to December 31, 2013, are as follows:

2014	10,195
2015	51,956
2016	5,463
2017	28,583
2018 and thereafter	198,487
Total	$ 294,684

Interest incurred, capitalized, expensed, and paid during the year ending December 31, 2013, were:

Interest incurred	$ 8,651
Interest capitalized	4,282
Interest expensed	4,369

Interest paid	$ 8,644

Note 7. General Liability Insurance Program

The National Council has a general liability insurance program that operates primarily for the benefit of local councils. The program is partially self-insured with deductible features as follows: $1,000 per occurrence and a $9,000 aggregate excess limit. The program is funded by payments received from the National Council, local councils, chartered units, and from investment income. Premiums received during 2013 for this program were $9,493, and losses and costs were $46,140. Note that on the Statement of Revenues, Expenses, and Other Changes in Net Assets, which includes within the stated insurance losses and costs total, is $593 of losses and costs from other insurance programs. Similarly, $611 is included in premiums revenue from other insurance programs.

The insurance reserves of $151,701 stated on the Balance Sheet at December 31, 2013, include $148,585 established by the National Council as a reserve for estimated self-insured losses and loss adjustment expenses of this program, based on an independent actuarial estimate of ultimate losses. The remaining reserves apply primarily to directors' and officers' liability insurance and workers' compensation insurance.

The general liability insurance program did not distribute a dividend in 2013. The program contained $123,008 of investments and other assets designated to it as of December 31, 2013. Net assets of this insurance program, which were at $25,577 net deficit as of December 31, 2013, are reported as board-designated net assets in the accompanying balance sheet.

At December 31, 2013, the National Council had provided standby letters of credit totaling $43,862 for the benefit of insurance companies in conjunction with the assumed deductible portion of the program. The letters of credit are collateralized by assets of $54,535.

Note 8. Credit Arrangements

At December 31, 2013, the National Council had provided a $700 irrevocable letter of credit for the benefit of an insurance company to guarantee payments in conjunction with a self-insured workers' compensation program. In addition, the National Council had provided a $2,379 import letter of credit to guarantee payments in conjunction with Supply Group international purchases. Additional letters of credit are discussed in Note 7.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 9. Commitments and Contingencies

The National Council rents various office equipment and occupies various Scout shops and other office space under non-cancellable operating leases expiring at various dates through 2018. Rental commitments for Scout shop leases are contingent on future sales levels. Real estate leases are renewable at the option of the National Council. Total rental expense for all operating leases for the year ended December 31, 2013, amounted to $10,392. The estimated minimum rental commitments under operating leases that have initial or remaining non-cancellable terms as of December 31, 2013, are as follows (as of December 31 for each year):

2014	$ 8,326
2015	6,424
2016	4,315
2017	1,704
2018	251
Total minimum payments required	$ 21,020

The National Council has been named as a beneficiary of several estates that are in various stages of probate. No income from future anticipated distributions has been recorded because the amounts and timing of future distributions are uncertain.

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the National Council but will only be resolved when one or more future events occur or fail to occur. The National Council's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the National Council or unasserted claims that may result in such proceedings, the National Council's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be reasonably estimated, then the estimated liability would be accrued in the National Council's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

The National Council maintains insurance for various types of damages, including general liability losses. Depending on the policy terms, a portion of the potential claims, representing deductibles or aggregate excess limits, are self-insured by the National Council. Reserves are maintained for estimated self-insured losses.

The National Council has been named as a defendant in several lawsuits alleging inappropriate conduct by local council employees or Scouting unit volunteers, including allegations of conduct that did not occur within Scouting and allegations of incidents dating back as far as the early 1960s. The National Council is also aware of threatened and expanding litigation of a similar nature. Most of the cases claim specific amounts of compensatory damages and, in a few cases, unspecified amounts of punitive damages.

There continue to be additional lawsuits filed alleging sexual abuse, including claims for punitive damages. The National Council could be required to pay damages beyond those amounts out of its own funds to the extent the claims are not covered by insurance or if the insurance carriers are unable or unwilling to honor the claims. Based upon the nature of and management's understanding of the facts and circumstances that give rise to such actions and claims, management believes the reserves established by the General Liability Insurance Program of the National Council are sufficient to provide for the resolution of these lawsuits and, where not covered by the General Liability Insurance Program or its reserves, it is the opinion of the National Council that the total amount of payments in resolution of those lawsuits will not have a significant impact on the financial position or results of operations of the National Council.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 10. Unrestricted Net Assets

At December 31, 2013, unrestricted net assets with a controlling interest comprised the following:

General operations	$ 22,741
Board designated:	
General endowment	220,810
Properties	125,269
Retirement Benefits Trust (Note 13)	176,301
Insurance programs	(24,556)
National Scout Jamboree	999
Other	73,357
Total board-designated net assets	572,180
Total unrestricted net assets, controlling interest	$ 594,921

The amounts above include $62,762 of net realized gains and unrealized changes in the fair value of investments earned on unrestricted net assets attributed to controlling interests during 2013. Unrestricted net assets attributed to noncontrolling interests represent the local councils' ownership in the Commingled Endowment LP. Total unrestricted net assets have changed as follows:

	Controlling Interest	Noncontrolling Interest	Total Unrestricted
Net assets as of December 31, 2011	$ 556,585	$ 50,559	$ 607,144
Change in net assets	5,953	32,418	38,371
Net assets as of December 31, 2012	562,538	82,977	645,515
Change in net assets	32,383	25,216	57,599
Net assets as of December 31, 2013	$ 594,921	$ 108,193	$ 703,114

Note 11. Restricted Net Assets

At December 31, 2013, restricted net assets comprised the following:

Permanently restricted net assets:	
John W. Watzek Jr. (income supports general operations)	$ 10,032
National Scouting Museum (income supports museum operations)	6,385
Waite Phillips Scholarship (income supports Philmont scholarships)	6,108
Cooke Eagle Endowment (income supports Eagle Scout scholarships)	5,158
Genevieve and Waite Phillips (income supports maintenance of Philmont)	4,794
DeWitt-Wallace Foundation (income supports leadership programs)	3,134
Kenneth McIntosh (income supports Scouting around the world)	2,750
High adventure (income benefits high-adventure program)	2,540
Scoutmaster Recognition (income supports scholarships for outstanding Scoutmasters)	2,393
Southern Region Trust Fund (income supports Southern Region)	1,713
Steve Fossett High-Adventure Base Endowment (income supports high-adventure bases)	1,695
Hall Scholarship (income supports Eagle Scout scholarships)	1,661
Sonia S. Maguire (income supports Philmont camperships)	1,605
Mortimer L. Schiff (income supports professional training and development)	1,438
Augustus F. Hook Jr. (income supports professional staff in Indiana)	1,415
Thomas J. Watson (income supports general operations)	1,413
Genevieve Phillips (income maintains Philmont Villa and grounds)	1,350
Northeast Region Main Trust Fund	1,346
Summerfield Endowment (income supports general operations)	1,339
A. Ward (income supports local councils)	1,318
Other	23,361
Total permanently restricted net assets	82,948
Temporarily restricted net assets	144,305
Total restricted net assets	$ 227,253

Notes to Consolidated Financial Statements ($ stated in thousands)

The restricted net asset totals include $13,956 of net realized gains and unrealized changes in the fair value of investments earned on permanently and temporarily restricted net assets during 2013.

Note 12. Fees

During 2013, fees comprised the following:

Registration and license fees	$ 47,455
National service fees from local councils	8,360
High adventure	29,947
2013 National Scout Jamboree	32,784
Other	4,526
Total fees	$ 123,072

Note 13. Retirement Benefits Trust

The Retirement Benefits Trust (the "Trust"), a grantor trust, is funded at the discretion of the National Council by payments from local councils, the National Council, and by investment income. In 2013, neither the National Council nor the local councils made payments to the Trust. Net investment earnings for the Trust in 2013 equaled $21,654, and at December 31, 2013, the Trust's net assets were $176,301.

In accordance with the Trust agreement, Trust funds may be used as follows: (1) to subsidize the cost of medical insurance benefits for retired employees of local councils and the National Council and their dependents; (2) to supplement the funding of the "qualified" defined benefit retirement plan, should the fair value of its assets fall below 125 percent of its accumulated benefit obligation; (3) to pay costs related to a "non-qualified" defined benefit retirement plan; or (4) for any other purpose deemed by the National Executive Board to be in the best interests of the Boy Scouts of America.

Note 14. Health, Life, and Other Welfare Insurance Programs

The National Executive Board offers health, life, and other welfare insurance programs that operate for the benefit of employees of local councils and the National Council and their dependents as well as certain retirees (defined in Note 13). These insurance programs provide health, life, dental, vision, accidental death and dismemberment, and long-term disability benefits. The health and dental programs are self-insured, and the other programs are fully insured. Premiums, losses, and costs of the medical, dental, and vision insurance plans are the responsibility of the Welfare Benefits Trust, a VEBA trust whose beneficiaries are the same as those previously described.

During 2013, the National Council's total expense for the employees' insurance coverage of the benefits covered by the Welfare Benefits Trust was $7,928. This is included in the cost of benefits for Supply operations, Magazine publications, and the respective functional areas included in the Consolidated Statement of Functional Expenses.

Note 15. Benefits

The National Council of the Boy Scouts of America offers a "non-qualified" defined benefit retirement plan (the "non-qualified plan") to ensure that all employees receive retirement benefits on a comparable basis, notwithstanding limitations imposed upon qualified retirement plans by the tax laws. The National Council also sponsors a "qualified" elective thrift plan (the "thrift" plan) where one-half of National Council employee contributions are matched by the National Council, subject to certain limits. The National Council's pension expense for the non-qualified retirement plans equals the amount of its contributions paid or accrued, such amounts being determined by the administrator of the plans. The National Council 2013 expense related to the non-qualified retirement plan (Note 13) was $1,914, and the National Council expense in 2013 related to the thrift plan was $1,421.

Note 16. Defined Benefit Retirement Plan

The National Council of the Boy Scouts of America participates in a January 31 year-end qualified multiemployer defined benefit retirement plan covering National Council and local council employees with at least one year of service. The plan's legal name is the Boy Scouts of America Retirement Plan for Employees. The plan's three-digit plan number and its Employee Identification Number (EIN) are 001 EIN 22-1576300. The plan is not subject to a collective-bargaining agreement, and coverage under this plan is at the option of the employee. In the event the plan is terminated, no assets will inure to the benefit of the National Council prior to the satisfaction of all benefit obligations to the participants.

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., the 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.

The overall number of employees contributing to the plan decreased in correlation with an overall decrease in employees from 5,743 in 2012 to 5,477 in 2013 with each employee contributing 2 percent of his or her salary, subject to certain IRS limitations. The National Council and local councils each contributed an amount equal to 7 percent of an employee's salary in 2013 and 2012. The National Council's employer contribution for 2013 and 2012 was $4,330 and $4,384, respectively. These amounts represent in excess of 5 percent of total contributions to the plan in each year.

Total employer contributions to the plan, including local councils, were $19,223 for 2013 and $19,585 for 2012. Including employees' contributions, total contributions for 2013 and 2012, respectively, were $24,715 and $25,181. For the years ended December 31, 2013, and 2012, the plan had net assets of $1,075,878 and $985,518, respectively.

The National Council and local councils contribute such amounts as necessary, on an actuarial basis, to provide the plan with assets sufficient to meet the benefits paid to the plan's members and to meet the funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended by the Pension Protection Act of 2006. The aforementioned amounts are determined using the "aggregate cost method," interest rates derived from corporate bond yield curves, a mortality table prescribed by the IRS, and an assumption for the average compensation level increase for the year. The actuarial present value of accumulated plan benefits for the years ending December 31, 2013, and 2012 was $1,031,706 and $926,128, respectively. As of December 31, 2013, the pension plan is believed to be at least 80 percent funded with contributions exceeding the minimum funding requirements of ERISA.

2013 National Officers, Executive Board, and Advisory Council

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