# Local Council Guide to the 2019 Audit

# Downloadable Sample Notes to Financial Statements

Note: Most of the following sample disclosures will apply to all local councils. Some will not. Please ensure that the council’s footnote disclosures are clearly representative of its unique financial situation**.**

**LOCAL COUNCIL INC., BOY SCOUTS OF AMERICA**

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The Local Council, Boy Scouts of America (“the Council”) operates in City, State, including the counties of XXXXX, XXXX, XXXXXXX, and XXXXXXXXX XXXXX. The Council has X camping facilities located within its service area. The Council also maintains control of a trust fund with a corporate trustee, which was established for the benefit of the Council. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys and young men and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts of America. The Council delivered the Scouting program to \_\_\_\_\_\_\_\_ youth members in 2019.

The Scouting program includes the following:

Lion Scouts—A fun introduction to the Scouting program for kindergarten-age youth eager to get going! Lions do adventures with their adult partners and other Lions every month. This program introduces youth and their families to Scouting and the outdoors as it builds a foundation of character. A Lion den is part of the Cub Scout pack.

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

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

Scouts BSA— Scouts BSA is a year-round program for youth 11-17 years old that provides fun, adventure, learning, challenge, and responsibility to help them become the best version of themselves.

Venturing—Provides experiences to help young men and women, ages 14—or 13 with completion of the eighth grade—through 20, become mature, responsible, caring adults. Young people learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scout camping properties, a recognition program, and Youth Protection training.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

The Council’s website address is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Principles of Consolidation** (as applicable)

The Council has voting control over and an economic interest in the Trust Fund, which results in the accounts of the Trust Fund being consolidated with those of the Council in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in the consolidation. The Council and the Trust Fund are hereinafter collectively referred to as the “Council.”

**Fund Accounting**

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

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

Capital Fund – The capital fund is used to account for property, buildings, equipment, and legally restricted cash that is to be expended for property, buildings, and equipment and related debt payments. Also, included in this fund are investments either restricted or designated for capital repair and improvements where the income is either designated or restricted for those particular items. Revenues and expenses related to the capital fundraising campaign are also included in this fund.

Endowment Fund – The endowment fund is normally used to account for amounts of gifts and bequests accepted with legal restrictions based on donor stipulation that the principal be maintained intact in perpetuity, until the occurrence of a specified event or for a specified period, and that investment return thereof be expended either for general purposes or for purposes specified by the donor. Investment funds with and without donor restrictions are also included in the endowment fund.

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

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1**—**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Council adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Council’s liquidity, financial performance, and cash flows.

**Prior Year Summarized Comparative Information** (If the Council elects this presentation)

The consolidated financial statements and certain notes include certain prior year summarized comparative information in total, but not by fund balance. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, such information should be read in conjunction with the Council’s consolidated financial statements as of and for the year ended December 31, 2018, from which the summarized comparative information was derived.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Council considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

**Restricted Cash** (if applicable)

At December 31, 2019 and 2018, restricted cash consists of cash received from donor contributions restricted for capital projects. The funds are placed into a separate bank account and as payments are made for the capital projects, operating funds are reimbursed through restricted cash.

**Concentration of Credit Risk**

The Council maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit of $250,000 set by the Federal Deposit Insurance Corporation. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions.

**Accounts Receivable**

Accounts receivable are recorded primarily for popcorn (product) sales and are reported at net realizable value if the amounts are due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2019 and 2018.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1**—**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interfund Loans**

The Council records interfund loans on a single line in the asset section of the statement of financial position and classifies them as current or long-term based on the intended repayment date of the loan. The total of all three interfund loan accounts must be zero in the Totals column of the statement of financial position.

**Inventories**

Inventories, which consist primarily of Scouting supplies, are stated at the lower of average cost or net realizable value.

**Land, Buildings, and Equipment and Related Depreciation**

Purchased property and equipment are stated at cost. Maintenance and repairs are charged to operations when incurred. Betterments and renewals of $XXXX or more are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in the change in net assets.

Depreciation of property and equipment and amortization of leasehold improvements are computed using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

|  |  |
| --- | --- |
| Assets | Estimated Useful Lives |
| Land improvements | 10 – 40 years |
| Buildings and leasehold improvements | 2 – 50 years |
| Furniture, fixtures and equipment | 3 – 20 years |

Donations of property and equipment are recorded as contributions at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose based on its fair value. Assets donated with explicit restrictions regarding their use, absent donor stipulations regarding how long those donated assets must be maintained, are recorded as net assets with donor restrictions. The Council reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Council reclassifies net assets with donor restrictions that are temporary in nature to net assets without donor restrictions at that time.

**Construction in Progress**

Construction in progress is stated at cost and consists primarily of costs incurred in the construction of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

**Long-lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded during the years ended December 31, 2019 and 2018.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1**—**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments with readily determinable fair values are measured at fair value in the statements of financial position. The fair value of investments in the BSA Commingled Fund have been calculated using the net asset value (NAV) of the Council’s ownership in the partners’ capital. Interest, dividends, realized and unrealized gains and losses on investments, net of fees, are recorded as investment return in the (consolidated) statements of activities and changes in net assets. Realized gains and losses are determined on a specific identification basis. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair value at the date of the gift. Investments are classified based on their original maturities. Investments with original maturities of less than 12 months are classified as short-term investments.

**Revenue Recognition**

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

Scout Shop and Trading Post sales (as applicable)—The Council operates a Scout Shop in its Service Center and various Trading Posts at its summer camp(s), which sell Scouting-related merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Council based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Council recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Council estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2019 and 2018.

Product sales(as applicable)—To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail’s End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of \_\_\_\_\_% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council (if applicable). The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail’s End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn “on account” with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail’s End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its (consolidated) statements of activities and changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions (retained by or paid to the unit).

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1**—**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Scout units have the right to return to the Council any unsold product, subject to a return-by date of (\_\_\_\_\_\_\_\_\_\_\_). As of December 31, 2019 and 2018, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Camping and Activity revenue— The Council conducts program-related experiences such as Day Camps, Day Hikes, Weekend Overnights, Camporees, and Summer Camps where the performance obligation is delivery of the program. Fees for camps and activities are set by the Council. For resident camps, fees include program supplies, meals, lodging, recognition items, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. Activities such as the National Scout Jamboree may include a transportation component in the transaction price. Some special camp programs do incur additional fees (shooting sports, for example), which are separately priced. BSA activities such as Wood Badge may involve program supplies, recognition items, and meals, and are also considered to be one performance obligation. Fees collected in advance of delivery of the camp or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the program has occurred.

Special fundraising event revenue: The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the (consolidated) statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Council separately presents in its [(consolidated) statements of activities and changes in net assets or notes to financial statements] the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council follows AICPA guidance (if this is the case) where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Other Revenue**:** Other revenue consists primarily of rent revenue (if this applies to your council) and is recognized on a monthly basis as earned.

**Contributions Receivable**

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors,

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1**—**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

including when the receivable is expected to be collected, the creditworthiness of the other parties, the Council's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges is recorded when the Council determines, based on historical experience and collection efforts, that a contribution receivable (carried over from a prior year) is uncollectible. As of December 31, 2019 and 2018, contributions receivable were net of an allowance for uncollectible pledges of $X,XXXX (if applicable to your council).

**Donated Materials and Services**

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council reports the donations in the net assets without donor restrictions category, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported in the net assets with donor restrictions category. Per FASB ASU 2016-14 and absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. Some members of the Council have donated significant amounts of time to the Council in furthering its programs and objectives. However, no amounts have been included in the consolidated financial statements for donated member or volunteer services since they did not meet the criteria for recognition (if this is the case for your council).

**Functional Expenses**

The costs of providing the Scouting program and supporting services have been summarized on the (consolidated) statement of activities and changes in net assets on a functional basis. Most expenses can be directly attributed to

the program or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, including the Scout executive’s, accounting, information technology personnel, and payroll taxes. The basis of allocation of these expenses is the result of a time study of staff performed every \_\_\_\_\_\_\_ year(s). The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of three separate studies and is applied to the expenses that are allocated. In accordance with the policy of the National Council of the Boy Scouts of America (the “National Council”), the payment of the charter fee to the National Council is not allocated as a functional expense. The consolidated financial statements report expenses by function in the (consolidated) statement of functional expenses.

**Advertising Costs**

Advertising costs are expensed when incurred.

**Custodial Accounts**

Custodial accounts represent amounts held by the Council as custodian for registration fees for member units, **NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

amounts on deposit for affiliated Scouting associations for their future use and amounts on deposit by member units for purchases of uniforms and supplies (if applicable to your council).

**Income Taxes**

The Council is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from

federal and state income taxes. The trust fund is a 509(a)(3) Type II supporting organization. The Council is subject to federal income tax on any unrelated business taxable income. The Council evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. No uncertain tax positions were identified by the Council as of December 31, 2019 and 2018.

The Council's policy is to classify income tax penalties and interest as interest expense in its consolidated financial statements. During the years ended December 31, 2019 and 2018, respectively, the Council incurred no penalties and interest. The Council's and trust fund’s Federal Return of Organizations Exempt from Income Tax (Forms 990) for 2016, 2017, and 2018 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the Council's 2019 return had not yet been filed (if this is the case).

**Fair Value Measurement**

The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability (referred to as the “exit price”) in an orderly transaction between market participants in the principal market, or if none

exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration of nonperformance risk.

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

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

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

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

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1**—**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the

determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Council in determining fair value is greatest for instruments categorized in Level 3.

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

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

**Accounting Pronouncements Adopted**

As of January 1, 2019, the Council adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending December 31, 2019 and 2018 (if chosen) are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

During the year, the Council also adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2019 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In 2019, the Council adopted the provisions of FASB ASU 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of **NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1**—**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Council has applied the provisions of ASU 2016-18 to retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

Effective for the Council in 2019, FASB ASU 2016-01, Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825-10) allows an NFP to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with [FASB ASC 820-10-35-59](https://checkpoint.riag.com/app/main/docLinkNew?DocID=i83281dda9b2ece3bd448a87da1cafd6f&SrcDocId=T0OTHARA:178.237-1&feature=ttoc&lastCpReqId=3959855&pinpnt=GAAPCD08:4554.826&d=d), at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The FASB ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Council’s 2018 and 2019 financial statements.

**Recently Issued Accounting Standards**

The following accounting pronouncements were recently issued by the FASB:

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee’s right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2019, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2020. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, which changed the previous guidance for net asset classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduced the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses was eliminated. ASU 2016-14 requires not- for-profit entities to disclose the aggregate fair value of underwater endowment funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires an NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds are classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the previous rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions must be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. For statements of cash flows, ASU 2016-14 eliminates the

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1**—**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 was effective for annual reporting periods beginning after December 15, 2017. The Council adopted the provisions of ASU 2016-14 in 2018 and has retrospectively applied this standard to the (consolidated) financial statements as of and for the year ending December 31, 2017. Accordingly, adoption of this accounting pronouncement had no effect on 2018 net assets.

**NOTE 2**—**LIQUIDITY AND AVAILABILITY OF FUNDS**

The Council’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Cash—Operating Fund | $X,XXX | $X,XXX |
| Contributions receivable—Operating Fund | X,XXX | X,XXX |
| Accounts receivable—Operating Fund | X,XXX | X,XXX |
| Total financial assets as of year end | X,XXX | X,XXX |
| Appropriation from quasi-endowment for |  |  |
| general expenditure in subsequent year | X,XXX | X,XXX |
| **Total financial assets available to meet general** |  |  |
| **expenditures within the next 12 months** | **$X,XXX** | **$X,XXX** |

The Council’s endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note X, the quasi-endowment has a spending rate of X percent. $X,XXX and $X,XXX of appropriations from the quasi-endowment will be available within the next 12 months as of December 31, 2019 and 2018, respectively.

As part of the Council’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has committed lines of credit in the amount of $XXX,XXX, which it could draw upon. Additionally, the Council has a quasi-endowment of $XX million. Although the Council does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note X for disclosures about investments).

**NOTE 3**—**FUND BALANCE TRANSFERS**

Certain cash transfers between funds were made during the year to properly report all funds on a basis consistent with executive board designations and the Council’s accounting policies.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 4**—**ACCOUNTS RECEIVABLE** (if applicable)

Accounts receivable consist primarily of amounts due from Scout units on popcorn sales and totaled $XXXX and $XXXX as of December 31, 2019 and 2018, respectively. Allowances for doubtful accounts are established based on prior collection experiences and current economic factors, which, in management’s judgment, could influence the ability of customers to repay the amounts. No allowance for doubtful accounts was deemed necessary as of December 31, 2019 and 2018.

**NOTE 5—CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following as of December 31, 2019 and 2018:

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| United Way | $X,XXX | $X,XXX |
| Friends of Scouting | X,XXX | X,XXX |
| Foundations | X,XXX | X,XXX |
| Other - without donor restrictions | X,XXX | X,XXX |
| Restricted to capital campaign | X,XXX | X,XXX |
| Restricted to Endowment Fund | X,XXX | X,XXX |
|  |  |  |
| **Total** | **$X,XXX** | **$X,XXX** |
|  |  |  |
| Contributions receivable due in less than one year: | **$X,XXX** | **$X,XXX** |
|  |  |  |

Allocations from United Way of $XXX and $XXX (designated for general operating purposes for the first three months of 2019 and 2018, respectively) have been recorded in the consolidated financial statements since the amounts were pledged in 2019 and 2018, respectively. The Council has been notified of an additional allocation from United Way in 2019 of approximately $XXX. The revenue from the additional allocation will be recorded when a firm commitment is received.

**NOTE 6**—**LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings and equipment in the Capital Fund, consisted of the following at December 31, 2019 and 2018:

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Land | $X,XXX | $X,XXX |
| Land improvements | X,XXX | X,XXX |
| Buildings and leasehold improvements | X,XXX | X,XXX |
| Furniture, fixtures, and equipment | X,XXX | X,XXX |
| Construction in progress | X,XXX | X,XXX |
|  | **$X,XXX** | **$X,XXX** |
| Less: accumulated depreciation | X,XXX | X,XXX |
|  |  |  |
| **Net book value—land, buildings, and equipment** | **$X,XXX** | **$X,XXX** |
|  |  |  |

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 6**—**LAND, BUILDINGS, AND EQUIPMENT (CONTINUED)**

As of December 31, 2019, construction in progress consisted primarily of various renovations to \_\_\_\_\_\_\_\_\_\_\_as well as various costs associated with the development of a new \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. These projects are expected to be completed during 2020, with the exception of the development of a new \_\_\_\_\_\_\_\_\_\_\_, which does not yet have an expected completion date. The costs are being funded through operating cash, investments, and donor contributions.

As of December 31, 2018, construction in progress consisted primarily of various renovations to \_\_\_\_\_\_\_\_\_\_\_ as well as various costs associated with the development of a new \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. These projects are expected to be completed during 2019, with the exception of the development of a new \_\_\_\_\_\_\_\_\_\_\_\_\_\_, which does not yet have an expected completion date. The costs are being funded through operating cash, investments, and donor contributions.

**NOTE 7**—**INVESTMENTS**

Investments at December 31, 2019 and 2018 are composed of the following:

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Money market account | $X,XXX | $X,XXX |
| BSA Commingled Fund | X,XXX | X,XXX |
| Corporate common stock | X,XXX | X,XXX |
|  |  |  |
| **Total investments** | **$X,XXX** | **$X,XXX** |
|  |  |  |

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

The following schedule summarizes the investment return in the consolidated statement of activities and changes in net assets for the years ended December 31, 2019 and 2018:

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Interest | $X,XXX | $X,XXX |
| Dividends | X,XXX | X,XXX |
| Net realized gains | X,XXX | X,XXX |
| Net unrealized gains | X,XXX | X,XXX |
| Trustee and other fees | (X,XXX) | (X,XXX) |
|  |  |  |
| **Total investment return, net** | **$X,XXX** | **$X,XXX** |

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 7**—**INVESTMENTS (CONTINUED)**

The above investment return is classified in the 2019 and 2018 (consolidated) statement of activities and changes in net assets as follows:

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Investment return recorded: |  |  |
| Within net assets with donor restrictions | $X,XXX | $X,XXX |
| Within net assets without donor restrictions | X,XXX | X,XXX |
|  |  |  |
| **Total investment return, net** | **$X,XXX** | **$X,XXX** |

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments (“investment return, gains, and losses”) are recorded initially in the Endowment Fund. Distributions of investment return and net realized gains from the Endowment Fund are recorded as income by the Operating and Capital funds in the period in which the distributions are made in accordance with the Council’s spending policy (Note 15).

**NOTE 8—BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Council has been named as the beneficiary of a perpetual trust administered by an external, corporate trustee. The Council has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity. The Council’s beneficial interest in the trust, at fair value, totaled approximately $XXX and $XXX, at December 31, 2019 and 2018, respectively.

**NOTE 9—LINE OF CREDIT**

The Council has a line of credit with a financial institution that is subject to certain financial and nonfinancial covenants. The line of credit includes a collateral trigger that grants the financial institution a first perfected security interest in the Endowment Fund assets without donor restrictions in the event that financial covenants are not met. The maximum borrowing capacity under the line of credit was $XXX,XXX as of December 31, 2019 and 2018. The line of credit had a balance of $0 as of December 31, 2019 and 2018. The line of credit matures in July 202X and bears interest at the 90-day Libor rate plus \_\_\_\_% with an interest rate floor of \_\_\_\_\_%. The interest rate was \_\_\_\_% and \_\_\_\_% as of December 31, 2019 and 2018, respectively. Interest payments are due monthly with principal and interest due upon maturity. Total interest expense was $X for the years ended December 31, 2019 and 2018. The Council intends to renew the line of credit upon maturity in the ordinary course of business.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 10**—**DEFERRED REVENUE**

The activity and balances for deposits and deferred revenue from contracts with customers are shown in

the following table:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Camps** | **Activities** | **Special Events** | **Other** | **Total** |
| Balance at December 31, 2017 | $X,XXX | $X,XXX | $X,XXX | $X,XXX | **$X,XXX** |
|  |  |  |  |  |  |
| Revenue recognized | (X,XXX) | (X,XXX) | (X,XXX) | (X,XXX) | **(X,XXX)** |
|  |  |  |  |  |  |
| Payments received for |  |  |  |  |  |
| future performance |  |  |  |  |  |
| obligations | X,XXX | X,XXX | X,XXX | X,XXX | **X,XXX** |
|  |  |  |  |  |  |
| Balance at December 31, 2018 | X,XXX | X,XXX | X,XXX | X,XXX | **X,XXX** |
|  |  |  |  |  |  |
| Revenue recognized | (X,XXX) | (X,XXX) | (X,XXX) | (X,XXX) | **(X,XXX)** |
|  |  |  |  |  |  |
| Payments received for |  |  |  |  |  |
| future performance |  |  |  |  |  |
| obligations | X,XXX | X,XXX | X,XXX | X,XXX | **X,XXX** |
|  |  |  |  |  |  |
| Balance at December 31, 2019 | **$X,XXX** | **$X,XXX** | **$X,XXX** | **$X,XXX** | **$X,XXX** |

**NOTE 11**—**SPECIAL EVENT REVENUE** (if this presentation is chosen)

Gross receipts from special fundraising events recorded by the Council consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09 during 2019, the Council is required to separately present the components of this revenue.

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Contributions | $X,XXX | $X,XXX |
| Special event revenue | X,XXX | X,XXX |
|  |  |  |
| **Special fundraising events - gross** | **$X,XXX** | **$X,XXX** |

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 12**—**FAIR VALUE MEASUREMENT**

The following provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **2019** |  |  |  |  |
|  |  | **Assets Measured at Net Asset Value (a)** |  | **Level 1** |  | **Level 2** |  | **Level 3** |  | **Total** |
| Description |  |  |  |  |  |  |  |  |  |  |
| Money market | $ |  | $ | XXX | $ |  | $ |  | $ | XXX |
| BSA Commingled Fund |  | XXX |  |  |  |  |  |  |  | XXX |
| Corporate common stock |  |  |  | XXX |  |  |  |  |  | XXX |
| **Total investments** | **$** | **XXX** | **$** | **XXX** | **$** | **-** | **$** | **-** | **$** | **XXX** |
| Beneficial interest in perpetual |  |  |  |  |  |  |  |  |  |  |
| perpetual trust | **$** | **-** | **$** | **-** | **$** | **-** | **$** | **XXX** | **$** | **XXX** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **2018** |  |  |  |  |
|  |  | **Assets Measured at Net Asset Value (a)** |  | **Level 1** |  | **Level 2** |  | **Level 3** |  | **Total** |
| Description |  |  |  |  |  |  |  |  |  |  |
| Money market | $ |  | $ | XXX | $ |  | $ |  | $ | XXX |
| BSA Commingled Fund |  | XXX |  |  |  |  |  |  |  | XXX |
| Corporate common stock |  |  |  | XXX |  |  |  |  |  | XXX |
| **Total investments** | **$** | **XXX** | **$** | **XXX** | **$** | **-** | **$** | **-** | **$** | **XXX** |
| Beneficial interest in perpetual |  |  |  |  |  |  |  |  |  |  |
| perpetual trust | **$** | **-** | **$** | **-** | **$** | **-** | **$** | **XXX** | **$** | **XXX** |

Note: The tables above are for illustration purposes only. Check with your auditor to determine the appropriate level of classification for the council’s investment portfolio.

* + 1. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 12— FAIR VALUE MEASUREMENT (CONTINUED)**

The following table reconciles the Council’s beginning to ending balance of its beneficial interest in a perpetual trust measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, 2019 and 2018:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | | |
| Beneficial interest in perpetual trust: | 2019 |  | 2018 |
| Balance, beginning of year | $XXX |  | $ XXX |
| Changes in fair value of trust assets | XXX |  | XXX |
| **Balance, end of year** | **$XXX** |  | **$XXX** |

**Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements**

The following tables represent the council's Level 3 assets, the valuation techniques used to measure the fair value of the assets, the significant unobservable inputs, and the ranges of values for those inputs.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As of December 31, 2019 | | | | |
| Assets | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range |
|  |  |  |  |  |
| Beneficial interest in perpetual trust | $XXX | Present value of future cash flows | Fair value of  assets contributed to trust | N/A |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As of December 31, 2018 | | | | |
| Assets | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range |
|  |  |  |  |  |
| Beneficial interest in perpetual trust | $XXX | Present value of  future cash flows | Fair value of  assets contributed to trust | N/A |

Note: The tables above are for illustration purposes only. Check with your auditor to determine the appropriate level of classification for the council’s investment portfolio.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 12— FAIR VALUE MEASUREMENT (CONTINUED)**

Following is information regarding the Council’s investments in entities that calculate net asset value (NAV) per share or its equivalent for the years ended December 31, 2019 and 2018:

**2019**

Fair Unfunded Redemption Redemption

Value Commitments Frequency Notice Period

BSA Commingled Endowment Fund L.P. (a) $XXX - monthly 10 bus. days

prior to EOM for

**Total $XXX $ -** dist. at EOM

**2018**

Fair Unfunded Redemption Redemption

Value Commitments Frequency Notice Period

BSA Commingled Endowment Fund L.P. (a) $XXX - monthly 10 bus. days prior to EOM for

**Total $XXX $ -** dist. at EOM

Note: The tables above are for illustration purposes only. Check with your auditor to determine the appropriate level of classification for the council’s investment portfolio.

1. BSA Commingled Endowment Fund, LP (“BSA Fund”)—The purpose of the BSA Fund is to serve as a high-quality, low-cost alternative for the BSA, BSA local councils, and qualified affiliates to invest their endowment funds. As such, the BSA Fund is a permanent fund, with safety and preservation of capital primary considerations. Accordingly, the BSA Fund’s asset allocation is sufficiently diversified to maintain risk at a prudent level with a long-term target return sufficient to cover a 4.5 percent annual spending rate plus fund expenses plus an allowance for inflation, while preserving the buying power of the corpus. BSA Asset Management, LLC is the General Partner.

The partnership agreement provides that any partner may request a withdrawal of all or any portion of its capital account monthly. The partner must request a withdrawal 10 business days prior to the end of the month to receive the proceeds at the end of that month. Requests submitted less than 10 business days prior to month end are

handled on a best-efforts basis by the General Partner. In the event any partner properly requests or is deemed to have requested, during any year, withdrawals exceeding 99 percent of its capital account, in its sole discretion the General Partner may make such distribution up to 99 percent of the partner’s capital account and retain the remainder for 45 days after the end of the calendar month in which the partner’s request for withdrawal is effective in order to allow time to determine whether any adjustments to the capital accounts are necessary in light of available financial information. If, after completion of the annual audit, any distribution to or withdrawal by a partner is determined to be excessive, then the amount of such excess is to be reimbursed to the BSA Fund by the affected partner(s).

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 13**—**NET ASSETS WITH DONOR RESTRICTIONS**

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2019 | | | | | | | |
|  |  | Operating |  | Capital |  | Endowment |  | Total |
|  |  | Fund |  | Fund |  | Fund |  |  |
| Subject to expenditure for a specific purpose: |  |  |  |  |  |  |  |  |
| Scouting activities | $ | X,XXX | $ | - | $ | - | $ | X,XXX |
| Learning for Life |  | X,XXX |  | - |  | - |  | X,XXX |
| All Markets |  | X,XXX |  | - |  | - |  | X,XXX |
| United Way designation |  | X,XXX |  | - |  | - |  | X,XXX |
| Building and equipment maintenance: |  |  |  |  |  |  |  |  |
| ABC Lodge |  | - |  | X,XXX |  | - |  | X,XXX |
| Smith Scout Ranch |  | - |  | X,XXX |  | - |  | X,XXX |
| Council Service Center |  | - |  | X,XXX |  | - |  | X,XXX |
| Total purpose restrictions |  | X,XXX |  | X,XXX |  | - |  | X,XXX |
|  |  |  |  |  |  |  |  |  |
| Subject to the passage of time: |  |  |  |  |  |  |  |  |
| Friends of Scouting |  | X,XXX |  | - |  | - |  | X,XXX |
|  |  |  |  |  |  |  |  |  |
| Perpetual in nature: |  |  |  |  |  |  |  |  |
| Capital improvements |  | - |  | X,XXX |  | - |  | X,XXX |
| Land use restrictions |  | - |  | X,XXX |  | - |  | X,XXX |
| Total perpetual in nature |  | - |  | X,XXX |  | - |  | X,XXX |
|  |  |  |  |  |  |  |  |  |
| Endowment: |  |  |  |  |  |  |  |  |
| Subject to endowment spending policy |  |  |  |  |  |  |  |  |
| and appropriation: |  |  |  |  |  |  |  |  |
| General use |  | - |  | - |  | X,XXX |  | X,XXX |
| Program activities |  | - |  | - |  | X,XXX |  | X,XXX |
| Total subject to endowment spending policy |  |  |  |  |  |  |  |  |
| and appropriation |  | - |  | - |  | X,XXX |  | X,XXX |
|  |  |  |  |  |  |  |  |  |
| Subject to appropriation and expenditure when |  |  |  |  |  |  |  |  |
| a specific event occurs: |  |  |  |  |  |  |  |  |
| Capital improvement projects |  | - |  | - |  | X,XXX |  | X,XXX |
| Program activities |  | - |  | - |  | X,XXX |  | X,XXX |
| Total subject to appropriation and |  |  |  |  |  |  |  |  |
| expenditure when a specific event occurs |  | - |  | - |  | X,XXX |  | X,XXX |
| **Total net assets with donor restrictions** | **$** | **X,XXX** | **$** | **X,XXX** | **$** | **X,XXX** | **$** | **X,XXX** |

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 13**—**NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2018 | | | | | | | |
|  |  | Operating |  | Capital |  | Endowment |  | Total |
|  |  | Fund |  | Fund |  | Fund |  |  |
| Subject to expenditure for a specific purpose: |  |  |  |  |  |  |  |  |
| Scouting activities | $ | X,XXX | $ | - | $ | - | $ | X,XXX |
| Learning for Life |  | X,XXX |  | - |  | - |  | X,XXX |
| All Markets |  | X,XXX |  | - |  | - |  | X,XXX |
| United Way designation |  | X,XXX |  | - |  | - |  | X,XXX |
| Building and equipment maintenance: |  |  |  |  |  |  |  |  |
| ABC Lodge |  | - |  | X,XXX |  | - |  | X,XXX |
| Smith Scout Ranch |  | - |  | X,XXX |  | - |  | X,XXX |
| Council Service Center |  | - |  | X,XXX |  | - |  | X,XXX |
| Total purpose restrictions |  | X,XXX |  | X,XXX |  | - |  | X,XXX |
|  |  |  |  |  |  |  |  |  |
| Subject to the passage of time: |  |  |  |  |  |  |  |  |
| Friends of Scouting |  | X,XXX |  | - |  | - |  | X,XXX |
|  |  |  |  |  |  |  |  |  |
| Perpetual in nature: |  |  |  |  |  |  |  |  |
| Capital improvements |  | - |  | X,XXX |  | - |  | X,XXX |
| Land use restrictions |  | - |  | X,XXX |  | - |  | X,XXX |
| Total perpetual in nature |  | - |  | X,XXX |  | - |  | X,XXX |
|  |  |  |  |  |  |  |  |  |
| Endowment: |  |  |  |  |  |  |  |  |
| Subject to endowment spending policy |  |  |  |  |  |  |  |  |
| and appropriation: |  |  |  |  |  |  |  |  |
| General use |  | - |  | - |  | X,XXX |  | X,XXX |
| Program activities |  | - |  | - |  | X,XXX |  | X,XXX |
| Total subject to endowment spending policy |  |  |  |  |  |  |  |  |
| and appropriation |  | - |  | - |  | X,XXX |  | X,XXX |
|  |  |  |  |  |  |  |  |  |
| Subject to appropriation and expenditure when |  |  |  |  |  |  |  |  |
| A specific event occurs: |  |  |  |  |  |  |  |  |
| Capital improvement projects |  | - |  | - |  | X,XXX |  | X,XXX |
| Program activities |  | - |  | - |  | X,XXX |  | X,XXX |
| Total subject to appropriation and |  |  |  |  |  |  |  |  |
| Expenditure when a specific event occurs |  | - |  | - |  | X,XXX |  | X,XXX |
| **Total net assets with donor restrictions** | **$** | **X,XXX** | **$** | **X,XXX** | **$** | **X,XXX** | **$** | **X,XXX** |

The Council owns two parcels of land with perpetual use restrictions imposed by the donors. One parcel must be used as the Council’s headquarters in perpetuity and the other must be used strictly as a Scout camp.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 14**—**NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions during 2019 and 2018 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Satisfaction of program restrictions: |  |  |
| All Markets | $X,XXX | $X,XXX |
| Learning for Life | X,XXX | X,XXX |
| Camping | X,XXX | X,XXX |
| Total satisfaction of program restrictions | X,XXX | X,XXX |
| Expiration of time restrictions – Friends of Scouting | X,XXX | X,XXX |
| Appropriation from donor endowment in satisfaction |  |  |
| of donor and legal restrictions | X,XXX | X,XXX |
| **Total net assets released from restriction** | **$X,XXX** | **$X,XXX** |

**NOTE 15**—**ENDOWMENT FUND**

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

**Interpretation of relevant law**

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

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

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 15**—**ENDOWMENT FUND (CONTINUED)**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2019 | | | | | |
|  |  | Without Donor |  | With Donor |  | Total |
|  |  | Restrictions |  | Restrictions |  |  |
| Donor-restricted endowment funds, perpetual |  |  |  |  |  |  |
| in duration—original gift amount | $ | - | $ | X,XXX | $ | X,XXX |
| Donor-restricted endowment funds— |  |  |  |  |  |  |
| program services |  | - |  | X,XXX |  | X,XXX |
| Board-designated endowment funds |  | X,XXX |  | - |  | X,XXX |
| Board-designated capital funds |  | X,XXX |  | - |  | X,XXX |
| Donor-restricted capital funds |  | - |  | X,XXX |  | X,XXX |
| Donor-restricted capital funds, perpetual |  | X,XXX |  | - |  | X,XXX |
| In duration—original gift amount |  | X,XXX |  | - |  | X,XXX |
| **Total endowment net assets** | **$** | **X,XXX** | **$** | **X,XXX** | **$** | **X,XXX** |

Changes in endowment net assets for the year ended December 31, 2019

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2019 | | | | | |
|  |  | Without Donor |  | With Donor |  | Total |
|  |  | Restrictions |  | Restrictions |  |  |
| Endowment net assets—beginning of year | $ | X,XXX | $ | X,XXX | $ | X,XXX |
| Investment return: |  |  |  |  |  |  |
| Investment return |  | X,XXX |  | X,XXX |  | X,XXX |
| Net realized and unrealized gains |  | X,XXX |  | X,XXX |  | X,XXX |
| Total investment returns |  | X,XXX |  | X,XXX |  | X,XXX |
| Donor-restricted endowment funds, perpetual |  |  |  |  |  |  |
| in duration—original gift amount |  | - |  | X,XXX |  | X,XXX |
| Board designation |  | X,XXX |  | - |  | X,XXX |
| Appropriation of endowment assets for |  |  |  |  |  |  |
| expenditure |  | (X,XXX) |  | (X,XXX) |  | (X,XXX) |
| **Endowment net assets—end of year** | **$** | **X,XXX** | **$** | **X,XXX** | **$** | **X,XXX** |

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 15**—**ENDOWMENT FUND (CONTINUED)**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2018 | | | | | |
|  |  | Without Donor |  | With Donor |  | Total |
|  |  | Restrictions |  | Restrictions |  |  |
| Donor-restricted endowment funds, perpetual |  |  |  |  |  |  |
| in duration—original gift amount | $ | - | $ | X,XXX | $ | X,XXX |
| Donor-restricted endowment funds— |  |  |  |  |  |  |
| program services |  | - |  | X,XXX |  | X,XXX |
| Board-designated endowment funds |  | X,XXX |  | - |  | X,XXX |
| Board-designated capital funds |  | X,XXX |  | - |  | X,XXX |
| Donor-restricted capital funds |  | - |  | X,XXX |  | X,XXX |
| Donor-restricted capital funds, perpetual |  | X,XXX |  | - |  | X,XXX |
| in duration—original gift amount |  | X,XXX |  | - |  | X,XXX |
| **Total endowment net assets** | **$** | **X,XXX** | **$** | **X,XXX** | **$** | **X,XXX** |

Changes in endowment net assets for the year ended December 31,

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2018 | | | | | |
|  |  | Without Donor |  | With Donor |  | Total |
|  |  | Restrictions |  | Restrictions |  |  |
| Endowment net assets—beginning of year | $ | X,XXX | $ | X,XXX | $ | X,XXX |
| Investment return: |  |  |  |  |  |  |
| Investment return |  | X,XXX |  | X,XXX |  | X,XXX |
| Net realized and unrealized gains |  | X,XXX |  | X,XXX |  | X,XXX |
| Total investment returns |  | X,XXX |  | X,XXX |  | X,XXX |
| Donor-restricted endowment funds, perpetual |  |  |  |  |  |  |
| in duration—original gift amount |  | - |  | X,XXX |  | X,XXX |
| Board designation |  | X,XXX |  | - |  | X,XXX |
| Appropriation of endowment assets for |  |  |  |  |  |  |
| expenditure |  | (X,XXX) |  | (X,XXX) |  | (X,XXX) |
| **Endowment net assets—end of year** | **$** | **X,XXX** | **$** | **X,XXX** | **$** | **X,XXX** |

**Funds with Deficiencies**

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

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 15**—**ENDOWMENT FUND (CONTINUED)**

**Return Objectives and Risk Parameters**

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor- restricted funds that the Council must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that it will earn a base return of 4.0 percent of the original principal, expressed in dollars, above the trailing three-year average of the Consumer Price Index. Asset allocations should be targeted to produce expected returns consistent with this target using long term historical returns of assets classes as a guide. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

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

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Council has a total return spending policy approved by the Board of Directors that allows the operating fund to receive and recognize investment earnings originating from the endowment funds. The Board of Directors approved spending policy was to distribute the unrestricted dividend, interest and realized gains at a rate of $\_\_\_\_\_\_\_\_ per month for the years ended December 31, 2019 and 2018, in addition to releases on donor-restricted dividend and interest earned on endowment assets during the year, which was $\_\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_ for the years ended December 31, 2019 and 2018, respectively. This is consistent with the Council’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 16**—**EMPLOYEE BENEFIT PLANS**

**BSA Retirement Plan for Employees**

The National Council has a qualified defined benefit pension plan (“the plan”) administered at the National Service Center that covers employees of the National Council and local councils, including the Local Council, Inc. The plan name is the Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees. Effective December 31, 2018, the plan was frozen to employees with less than 15 years of vesting service, and whose age plus vesting service equaled less than 60 as of December 31, 2018 (non-grandfathered employees). Employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 (grandfathered employees) contribute 4.25 percent of compensation to the plan. The Council contributes 7.75 percent of eligible employees’ compensation to the BSA retirement program. Pension expense (excluding the contributions made by employees) was approximately $XXX and $XXX in 2019 and 2018, respectively, and covered current service cost. The actuarial information for the plan as of February 1, 2019, indicates that it is in compliance with ERISA regulations regarding funding.

**BSA Match Savings Plan** (as applicable)

The Council participates in a defined contribution plan established by the National Council of the Boy Scouts of America. The plan name is the BSA Match Savings Plan, which covers substantially all of the employees of the

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 16**— **EMPLOYEE BENEFIT PLANS (CONTINUED)**

Council. Participants in the BSA Match Savings Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended.

The Council matches employee contributions to the BSA Match Savings Plan up to 100 percent of contributions from each participant, limited to 6 percent of each employee’s gross pay. The Council contributed approximately $XXX and $XXX to the BSA Match Savings Plan in 2019 and 2018, respectively.

**Health Care Plan**

The Council’s employees participate in a health care plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2019 and 2018, the Council remitted approximately $XXX and $XXX, respectively, on behalf of its employees to the National Council related to the health care plan.

**NOTE 17**—**LEASE COMMITMENTS**

**Operating Leases**

The Council accounts for the leases of office equipment and a Scout Shop as operating leases. Total rental expense amounted to approximately $XXX and $XXX in 2019 and 2018, respectively. These leases will expire on various dates through 2020. The following is a schedule of future minimum lease payments under these leases:

For the Year Ending December 31:

2019 $ XXX

2020 XXX

$ XXX

**Capital Leases**

The Council entered into a capital lease agreement dated [date], for the [purchase and construction of the current facilities, phone system, etc.]. The lease calls for annual payments equal to [the debt service agreement, payment amount, etc.], including interest at X.XX percent per annum, maturing [date].

Property held under capital lease obligations is as follows:

2019         2018

Building $ 0 $ 0

Property 0 0

Total property held under capital lease 0 0

Accumulated amortization (   0) (   0)

Property held under capital lease, net $ 0 $ 0

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 17**—**LEASE COMMITMENTS (CONTINUED)**

Debt service requirements are as follows:

20xx $0

20xx 0

20xx 0

20xx 0

20xx 0

Thereafter 0

Total net minimum lease payments 0

Imputed interest\_ (0)

Net present value of capital lease 0

Current maturity of capital lease (0)

Long-term capital lease obligation $0

**NOTE 18**—**SCOUT SHOP (If your council has a national Scout Shop)**

The National Council operates a Scout Shop within the XXXXXX area. The National Council manages the Scout Shop and pays the Council an 8 percent commission on gross sales up to $XXX, and 13 percent on sales greater than $XXX. The commissions earned (before expenses) by the Council during 2019 and 2018 amounted to approximately $XXX and $XXX, respectively, which are included in other revenue in the consolidated statement of activities and changes in net assets.

**NOTE 19—RELATED PARTY TRANSACTIONS**

The Council purchases supplies and program materials from the National Council. The Council also incurs expenses from the National Council related to certain administrative services. Total expenses to the National Council were $X,XXX,XXX and $XXX,XXX for the years ended December 31, 2019 and 2018, respectively. The accounts payable balance includes payables to the National Council of $XX,XXX and $XXX,XXX as of December 31, 2019 and 2018, respectively.

**NOTE 20**—**DONATED MATERIALS AND SERVICES**

The Council is dependent upon donated materials from diverse groups to fulfill its mission. For the years ended December 31, 2019 and 2018, donated materials recorded in the consolidated financial statements as in-kind contributions totaled $XXX,XXX and $XXX,XXX, respectively.

**NOTES TO [CONSOLIDATED] FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 21**—**INCOME TAXES** (If applicable)

The Council is subject to income taxes on unrelated business income generated by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The Council’s provision for income taxes for the years ended December 31, 2019 and 2018 consisted of the following:

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Current income taxes: |  |  |
| Federal | $X,XXX | $X,XXX |
| Total current income taxes | X,XXX | X,XXX |
| Deferred income taxes: |  |  |
| Federal | X,XXX | X,XXX |
| Total deferred income taxes | X,XXX | X,XXX |
|  |  |  |
| **Total income tax expense** | **$X,XXX** | **$X,XXX** |
|  |  |  |

(Additional tax disclosures may be required for deferred tax assets related to NOL carryforwards, etc.)

**NOTE 22**—**CONTINGENCY**

(If your council is impacted by the LDS decision, this disclosure may be appropriate): In May 2017, the Church of Jesus Christ of Latter-day Saints (the Church) announced that effective January 1, 2018 it would be discontinuing its Varsity Scouting and Venturing Programs with the Boy Scouts of America for all chartered units. The Council has determined that many of those affected youth will continue to register as Boy Scouts as they work towards their Eagle Scout Awards. In May 2018, the Church announced that it has decided to pursue programming that will help them meet the needs of their increasingly global membership and will no longer charter BSA units after December 31, 2019. Both the program and full financial effects of this change are unknown at this time.

**NOTE 23**— **SUBSEQUENT EVENTS** – Detail if applicable.