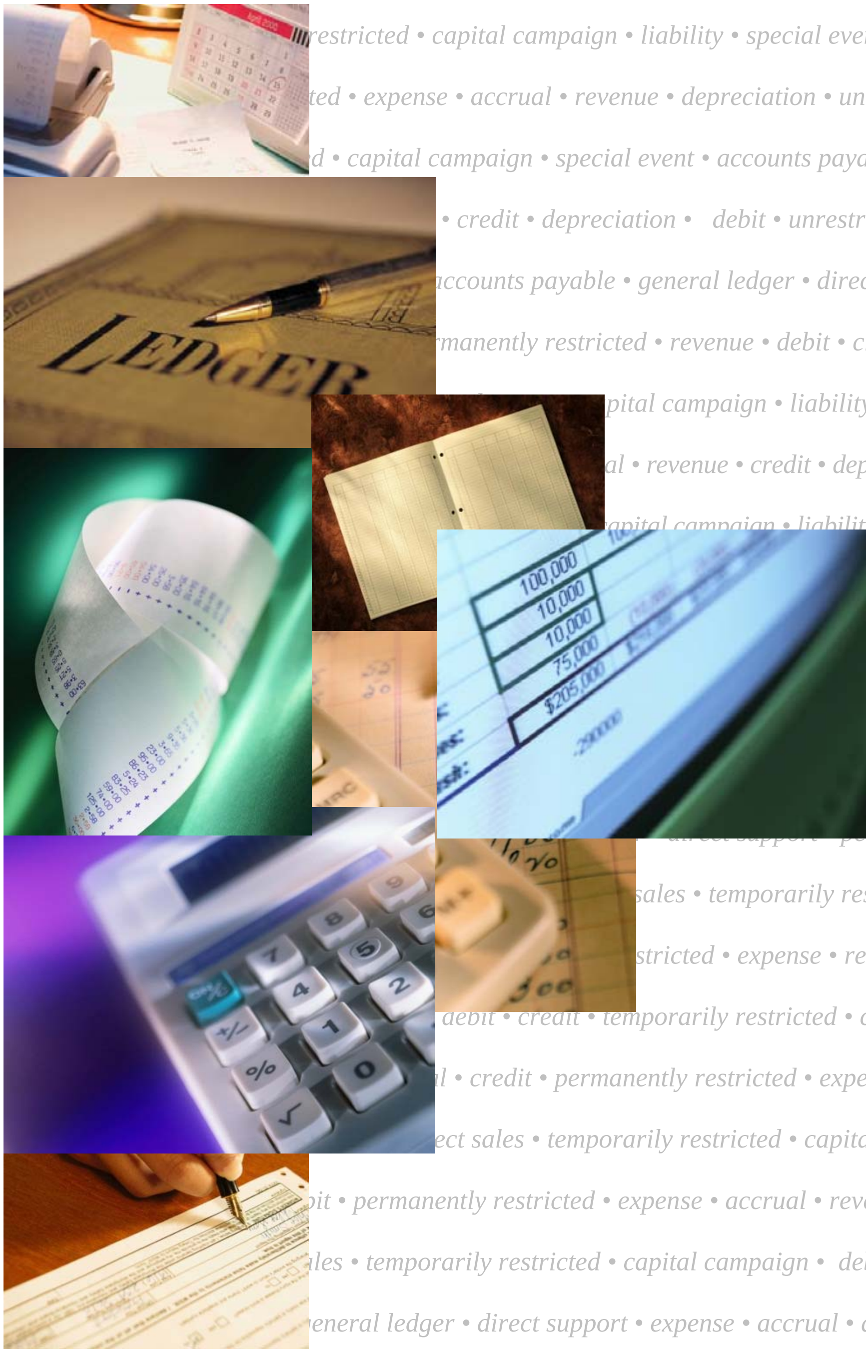
BOY SCOUTS OF AMERICA®



LOCAL COUNCIL ACCOUNTING MANUAL

Chapter 1

ACCOUNTING AUTHORITY

1.1 Generally Accepted Accounting Principles

Local councils are required to prepare and present financial statements in conformity with Generally Accepted Accounting Principles (GAAP), which are established and promulgated by the Financial Accounting Standards Board (FASB). The FASB is a private, not-for-profit organization subject to oversight by the Financial Accounting Foundation (FAF), which selects the members of the FASB and the Governmental Accounting Standards Board and funds both organizations.

In 2009, the FASB changed the way that generally accepted accounting principles are organized and referenced. Rather than continuing to maintain a conglomeration of rules from various sources, the FASB decided to consolidate them into a single source of authoritative GAAP for nongovernmental entities known as the FASB Accounting Standards Codification (ASC). The references to accounting standards that you have seen in the past (for example, SFAS No. 117) have changed to a topic-subtopic-section-paragraph format (e.g., 958-205-45-3).

1.1.1 Issuance of New Accounting Standards

New accounting standards are now issued by the FASB through Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification. The FASB does not consider the updates authoritative on a stand-alone basis; they become authoritative when incorporated into the ASC.

1.1.2 Not-for-Profit Industry Guidance

Although not authoritative for GAAP, many local councils find the *Audit and Accounting Guide: Not-for-Profit Entities* published by the American Institute of Certified Public Accountants (AICPA) to be a useful desk reference. The AICPA guide contains numerous references to, and is intended to be in conformity with the FASB ASC. The AICPA guide is authoritative with respect to generally accepted auditing standards (GAAS), which are developed and promulgated by the AICPA's Auditing Standards Board.

1.2 National Council Policies

The National Council of the Boy Scouts of America charters local councils and sets certain policies that operate under the umbrella of the FASB and AICPA standards.

1.2.1 Local Council Accounting Guidance

This *Local Council Accounting Manual* (LCAM) published by the National Council, Boy Scouts of America (BSA), set forth the accounting policies and procedures to be followed by local councils. As described above, GAAP provides the basis for BSA accounting policies and procedures. The BSA has the charter and responsibility for establishing and maintaining the local council accounting system as well as all related policy matters. In some instances, this LCAM provides for accounting policies that, while in conformity with GAAP, go beyond GAAP standards established by the FASB.

> **"It will be mandatory that councils comply with the fiscal management standards as set forth in the Local Council Accounting Manual…"**
>
> **BSA Policy: Local Council Accounting Manual**— The following policy on standardization was adopted by the National Executive Board at its June 1985 meeting:

This policy statement requires all local councils of the Boy Scouts of America to follow the standards of accounting outlined in this manual. To do otherwise could result in other than a standard ("clean") opinion on the council's audited financial statements, which could jeopardize the local council's standing with state regulatory commissions and constituents.

1.2.2 General BSA Accounting Policies

Most policies of the Boy Scouts of America have come from experiences in local councils. Local council leaders should be knowledgeable of policies concerning accounting administration. The following statements are excerpts from approved policies and procedures pertaining to local council fiscal management

BSA Policy:

> **Fiscal Year**—"The fiscal year of the corporation shall be the calendar year." (From Standard Local Council Articles of Incorporation and Bylaws, Article XI, Section 5)

BSA Policy: Budget and Expenditure of Funds—"The executive board shall, preceding the commencement of each fiscal year, consider and adopt a budget of estimated expenditures by the corporation for such fiscal year. No funds shall be expended by the corporation during a fiscal year without the authorization of the executive board or the executive committee for any item not covered by, or in excess of the amount authorization by, the budget for such year." (From Standard Local Council Articles of Incorporation and Bylaws, Article X, Section 2, Clause 1)

The local council should establish policies for the delegation of spending authority using contracts, purchase orders, and check requests.

BSA Policy: Audit—"A statement of all income and expenses of the corporation during the fiscal year, and a statement of all assets, liabilities, and net assets of the corporation at the end of such year, shall be duly audited and certified annually in accordance with generally accepted audited standards, by certified public accountants or other recognized independent public accountants approved by the executive board or executive committee. The corporation shall comply with all applicable legal requirements relating to credits, financial controls, and accounting procedures." (From Standard Local Council Articles of Incorporation and Bylaws, Article X, Section 2, Clause 6)

To conform with the Local Council Charter Renewal application, the annual audit of the local council should be submitted to the national office by June 1 of the following year.

1.3 Local Council Policies

Local council executive board resolutions also establish fiscal policies. Listed below are several resolution categories that the executive board should approve on an annual basis that either establish or affect accounting practices within the local council. Other policies may be added as appropriate.

- Anti-Fraud Policy
- Capitalization Policy
- Code of Ethics
- Conflict-of-Interest Policy (Council Employees)
- Conflict-of-Interest Policy (Executive Board Members)
- Document Retention and Destruction Policy
- Gift Acceptance Policy

- Investment Policy
- Scout Executive Compensation Policy
- Spending Policy on Investment Income
- Whistle-Blower Policy

1.4 Federal and State Governments and Accounting Standards

The government does not set accounting standards, however, it certainly influences how organizations in the U.S. operate. The Sarbanes-Oxley Act of 2002 (SOX) is a federal law that set new or enhanced standards for all U.S. public company boards, management, and public accounting firms. In addition, it calls for regulations, and closes most of the loopholes, for all enterprises — for-profit and not-for-profit — relating to document destruction and whistle-blower protection. SOX also created the Public Company Accounting Oversight Board (PCAOB), a central oversight board tasked with registering auditors of public companies, defining the specific processes and procedures for compliance audits, inspecting and policing conduct and quality control, and enforcing compliance with the specific mandates of SOX.

State governments in several states have already passed or are considering legislation containing elements of SOX to be applied to not-for-profit organizations. In many instances, not-for-profit organizations have adopted policies and altered governance practices in response to SOX, including modeling their audit committees after provisions contained in the act.

1.5 Federal and State Governments and Regulatory Agencies

Internal Revenue Code (IRC): "To be a tax-exempt organization as described in IRC Section 501(c)(3) of the code, an organization must be organized and operated exclusively for one or more of the purposes set forth in IRC Section 501(c)(3), and none of the earnings of the organization may inure to any private shareholder or individual. In addition, it may not attempt to influence legislation as a substantial part of its activities, and it may not participate at all in campaign activity for or against political candidates."

IRS Form 990: Tax-exempt organizations must file Form 990, 990-EZ, or 990-N, by the 15th day of the fifth month after the end of the organization's accounting period (usually May 15), unless an extension is granted (see below). The filing requirement extends to local councils and their trust funds, which must have separate federal ID numbers and file separate Forms 990 or 990-EZ. Note that local council trust funds classified as Internal Revenue Code Section 509(a)(3) Supporting Organizations are prohibited from filing Form 990-N. A tax-exempt organization that fails to file a required return is subject to a daily penalty for each business day until filed. Organizations may request a filing date extension of up to six months if reasonable cause is shown. Failure to file for three consecutive years will result in automatic revocation of the organization's tax-exempt status.

State and Other Regulatory Agencies: Each local council is incorporated in a state under the state laws governing such incorporation. Each state will impose variations of reporting and filing requirements to maintain the corporation's status as a not-for-profit corporation within the state.

Chapter 2

ACCOUNTING CONCEPTS

2.1 Accounting Definition

In 1941, the AICPA's Committee on Terminology defined accounting as "...the art of recording, classifying, and summarizing in a significant manner and in terms of money..." transactions and events that are at least partly financial in character, and interpreting the results. More modern definitions of accounting add that its objective is to provide information that is useful in making economic decisions and predicting cash flows.

2.1.1 Assets, Liabilities, and Net Assets

Assets[1] are things of value possessed by the organization, such as cash, land, a prepaid insurance policy, etc. Liabilities[2] are amounts owed or belonging to others, such as a bill for supplies or a mortgage on a property or a custodial fund. Net assets[3] are simply the value left when the liabilities are subtracted from the assets. The total assets of an organization always equal the sum of liabilities and the net assets. If the liabilities are greater than the *recorded* assets, the net assets will be a negative number and the organization may be in an insolvent position.

2.1.2 Revenues and Expenses

Revenues[4] occur when there is an increase in assets, or a decrease in liabilities with a simultaneous increase in the net assets of the organization. Expenses[5] occur when there is a decrease in assets, or an increase in liabilities with a simultaneous decrease in the net assets of the organization. Thereby, the change in net assets is derived from the formula:

Revenue minus expenses, plus gains[6], minus losses[7] equals change in net assets
(Revenue – Expenses) + (Gains – Losses) = Change in Net Assets

Per FASB Concepts Statement No. 6, Elements of Financial Statements:

[1] Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.
[2] Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.
[3] Net assets are the residual interest in the assets of an entity that remains after deducting its liabilities. In a business enterprise, the equity is the ownership interest. In a not-for-profit organization, which has no ownership interest in the same sense as a business enterprise, net assets is divided into three classes based on the presence or absence of donor-imposed restrictions—permanently restricted, temporarily restricted, and unrestricted net assets.
[4] Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.
[5] Expenses are outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.
[6] Gains are increases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from revenues or investments by owners.
[7] Losses are decreases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from expenses or distributions to owners.

2.1.3 Revenue vs. Income

To conform to accepted accounting terminology we will use the term “revenue” to refer to contributions, fees, sales, and all sources of support to the council. The term “income” is reserved to some values that represent a net such as Investment Income where investment expense is already netted before display.

2.2 Fund Accounting

> The *Presentation of Financial Statements* topic of the FASB ASC permits: “… the continued disclosure for external purposes of disaggregated data classified by fund groups, provided that the information required by generally accepted accounting principles is presented.”

The BSA has determined that the segregation of assets, liabilities, and net assets into separate accounting funds associated with specific activities, or objectives is a meaningful practice. Local council executive board members, staff, contributors, and other stakeholders have become accustomed to reading the financial statements in this format. This format provides the desired transparency to the council’s constituents.

Each fund is a separate accounting component complete with its share of the assets, liabilities, and net assets. Revenues that are specified as belonging to the fund increase the net assets, while expenses incurred to accomplish the stated purpose of the fund decrease the unrestricted net assets.

The council’s published financial statements are required to provide full disclosure of the council’s financial status by individual fund, as well as a total of all funds.

> **BSA Policy: Fund Accounting—** Accounting for local councils will use a disaggregated method of accounting, consisting of three self-balancing funds, namely ; Operating Fund, Capital Fund, and Endowment Fund.
>
> For purposes of administrative convenience these are designated as funds 1, 2, and 3, respectively. All transactions of a local council fit into one of these three funds.

2.3 Surplus (Deficit) in Annual Operations

The increase (surplus) or decrease (deficit) in unrestricted net assets in any fund for the fiscal year can be identified on both the Statement of Activities and Changes in Net Assets or the Statement of Budgeted Operations. A surplus indicates that during the specified fiscal year, the council received more revenue and net assets released from restrictions than it incurred in expenses in the operation of the council.

2.4 Change in Net Assets

The increase (surplus) or decrease (deficit) in net assets in any fund with any restriction for the fiscal year can be identified on the statement of activities of Changes in Net Assets. A positive increase in net assets is reflective of an improved financial condition of the corporation strength. Through executive board action unrestrictive net assets can be transferred from one Fund to another. This action will not change the overall unrestrictive net assets of the council.

2.5 Operational Solvency

An accumulation of annual surpluses creates an increase in unrestricted net assets in the operating fund, identified in the Statement of Financial Position. It is desirable to achieve a comfortable level of unrestricted net assets in the operating fund.

An accumulation of annual deficits may result in the operating fund having more liabilities than assets, resulting in a negative net asset amount in the fund. Although the corporation as a whole may not be financially insolvent, this condition in the operating fund would identify the council as being “operationally insolvent.”

It is difficult for an operationally insolvent council to function at its maximum potential. To correct this condition, one of two things must occur: (a) either the council must experience annual operational surpluses to overcome the situation, or (b) the executive board must transfer unrestricted net assets from either the capital fund or the endowment fund to correct the insolvency.

2.6 Liquidity Ratio

The liquidity ratio is a quick indicator of the council’s ability to meet their short-term need for cash.

Liquidity ratio = (cash + short-term investments)

(accounts payable + payroll taxes payable + accrued expenses + custodian accounts)

The ratio is a comparison of the operating fund’s cash* and short-term investments (available cash) with their 30-day cash needs, as represented in the accounts payable, accrued expenses, payroll taxes payable, and custodian accounts.

A ratio of 1.0 indicates that the council has exactly the same amount of available cash as its 30-day need for cash. A ratio less than 1.0 indicates a shortfall in available cash.

The national standard for operating fund liquidity has been set at 1.33, indicating a reserve in available cash equal to one-third of the immediate need for cash.

Excess amounts of cash can be designated by the executive board to meet capital or endowment needs.

***Note:** Operating fund liquidity should not be enhanced by negative cash balances in other funds, when these negative balances are, in essence, inter-fund loans.

2.6 BSA Account Structure

The functionality of the general ledger system depends on correctly assigning each transaction to the appropriate four-digit base account number from the general ledger master chart of accounts listing. In addition, there will assignment of a fund, project, and class code to each transaction. When all four elements are attached to a transaction it is referred to as the account string.

Account strings are built on the following pattern:A-B-C-D

A is the **Fund**

B is the **Base account**

C is the **Project**

D is the **Class**

Fund: Indicates the fund in which the transaction will reside**:**

Fund 1—Operating

Fund 2—Capital

Fund 3—Endowment

Base Account: Identifies the type of transaction being recorded and conforms to the Unified Chart of Accounts (UCA). Not-for-profit

Number Series	Account Types	Natural Balance
1000	Assets	Debit
2000	Liabilities	Credit
3000	Net assets	Credit
4000–6000	Revenues	Credit
7000–9000	Expenses	Debit

Project:

Identifies what group or person is responsible for all of the transactions associated, and facilities the opportunity apply segment accounting methodologies. This code is assigned at the council's discretion to identify individual camps, activities, special events, banks, etc. and is unique and applies to only one definition, even though it may be used in more than one of the funds listed above.

Class:

Identifies transactions related to functional reporting and donor restrictions.. This code is used to prepare internal reports for management, such as the project management report, and to prepare external reports, such as the Statement of Functional Expenses, Statement of Activities and Changes in Net Assets, Statement of Financial Position, Statement of Budgeted Operations, etc.

Class Codes and Their Application

Class	Description	Account Series
00	Assets, Liabilities and Unrestricted Net Assets	1000 2000 3000
01	Temporarily Restricted Net Assets	3000
02	Permanently Restricted Net Assets	3000
20	Revenues and Expenses for Activities	6800 7000 8000 9000
21	Revenues and Expenses for Camps	6700 7000 8000 9000
25	General Program Expenses & Fixed Assets related to Program	7000 8000 9000

Class	Description	Account Series
50	Expenses related to Management and General	7000 8000 9000
70	Expenses for fundraising exclusive of Special Event Direct Benefits	7000 8000 9000
90	Unrestricted Support and Revenue Accounts and National Charter and Service Fees	4000 5000 6000 9600
91	Temporarily Restricted Support and Investment Earnings	4000 5000 6000
92	Permanently Restricted Support and Investment Earnings	4000 5000 6000
99	Expenses that are not purely Program, Management or Fundraising	7000 8000 9000
20XX	Contributions Receivable, Allowance and Discounts for Specific Future Years (optional use)	1300

2.8 Double-Entry Accounting

Each entry of transactions into the accounting system must have debits and credits equal to each other within the same fund.

2.9 Accrual Accounting

Using the accrual basis of accounting, **revenue is recognized in the accounting period where it is earned** and **expenses are recognized in the accounting period in which they are incurred.**

Examples of accrual accounting include

- Invoices are recorded as accounts payable and expense when received not upon payment;
- Contributions are recorded upon receiving a pledge, not upon receiving the payment;
- Investment income is recorded upon notification from the financial institution, not upon receiving the cash.

2.10 Gross Accounting

Gross accounting is a concept defined by generally accepted accounting principles, and requires the recording of all revenue in either support or other revenue accounts and all expenses in the expense accounts. Certain reporting exceptions are allowed for such things as cost of goods sold, commissions etc. In which contra-revenue accounts are used.

2.11 Inter-Fund Transactions

Inter-Fund Transactions may be necessary to record transactions between funds of the organization. Such transactions are always required to be eliminated for financial reporting purposes (net to zero in the total of all funds column) in order that neither the total assets nor total liabilities of the organization are modified (increased / decreased) by such transactions. There are two forms of Inter-Fund Transactions as outlined below.

2.11.1 Inter-Fund Loans

Inter-fund loans that are to be repaid in the ensuing 12 months should be recorded in the current asset range. Inter-fund loans that are to be repaid later than the next 12 months should be recorded in the non-current asset range.

While not required, it is recommended that all inter-fund loans be approved by the executive board for large amounts or amounts to be repaid over an extended period of time.

Each loan transaction requires:

A debit in the loaning fund(s) to the inter-fund loan account

A credit in the loaning fund(s) to an asset account (usually cash)

A debit in the borrowing fund(s) to an asset account (usually cash) and

A credit in the borrowing fund(s) to the inter-fund loan account

These transactions will yield a zero balance in the total of all funds.

Note: Inter-fund loans should not be masked by negative cash balances in one fund with positive balances in another fund.

2.11.2 Transfers Between Funds

The executive board has discretionary control of unrestricted net assets in all three funds and may, upon executive board resolution, authorize the transfer of assets and net assets from one fund to one or more funds.

This is generally considered a permanent or long-term transfer of assets, even though future board action may alter this transfer.

A transfer involves an asset (such as cash, receivables, inventory, etc.) and unrestricted net asset of a like value being eliminated in that fund, and then being received as an asset and unrestricted net asset in the receiving fund by means of:

A debit in the losing fund(s) to the transfer account

A credit in the losing fund(s) to an asset account (usually cash)

A debit in the gaining fund(s) to an asset account (usually cash) and

A credit in the gaining fund(s) to the transfer account

These transactions will yield a zero balance in the total of all funds.

2.12 Intra-Fund Transactions

Internal reporting may require that certain values be attached to a specific project to allow for budget or other reporting. For example, campership contributions may be received as a restricted gift and then released from restriction when camperships are issued. If there is a need to display revenue in the budget of the camp or activity, such transactions shall always be made so that the revenue eliminates in a single row of reports.

2.13 Deferred Revenue and Expenses

There are three types of events or activities a local council conducts that are generally held on a specific date: camps, activities, and special fundraising events. Prior to holding or conducting the event, most revenue from event participants is refundable if the event is not held; therefore that revenue is considered a liability and is classified as deferred revenue. Expenses prepaid frequently have residual value and will be considered as assets and classified as deferred expenses until the promised service or activity is completed.

The council may have deferred revenue and expenses that will apply to the accounting periods prior to the event date. Revenue or expenses are NOT brought into current revenue or current expense accounts until the event is held.

2.14 Custodial Accounts

The local council shall maintain custodial accounts to record transactions involving funds that belong to another organization or associated organization. All BSA membership fees, and Boys' Life subscription fees are property of the National Council but are collected and transmitted by the local council. An Order of the Arrow lodge and the National Eagle Scout Association chapter are custodial accounts because they are chartered by the National Council of the Boy Scouts of America and as such are treated as associated organizations.

The local council may choose to establish other custodial accounts, including deposit accounts for Scout units that are "owned" by those organizations to whom the Boy Scouts of America has issued a charter. When considering the creation of a new custodial account, ask the question, "What outside organization owns this money?" If the answer is the local council, then it is not appropriate to use custodial accounts for these transactions.

BSA Policy: Custodial Accounts—No monies for an activity or camp should ever be recorded in custodial accounts.

If the council determines to retain excess from such events, it should be so designated by board resolution and segregated as unrestricted, board-designated net assets. No restricted contributions should ever be recorded to a custodial account. No monies should be expended from a custodial account without the authorization from the organization that owns the account.

2.15 Adjustment to Net Asset Accounts

Net asset accounts reflect the balance carried forward since the inception of the corporation. No entries should be made directly to net asset accounts with the exception of board designed net assets adjustments. The BSA general ledger software will close the results of all income, expenses, net assets released from restriction, adjustment to net assets, and transfers to the respective net asset accounts at year-end.

2.16 Council Mergers or Acquisitions

When two or more local councils combine to form a single corporation, the guidance under the FASB Codification topic will apply. In a merger, both councils cede control of the combining entities to form an entirely new entity with a new governing body. The carryover method of accounting (formerly known as the pooling of interests method) is used to account for mergers of not-for-profit organizations. This means that the new entity will begin accounting with no official history except the value of assets, liabilities, and net assets that are received from the old entities. All revenue and expense will begin at zero on the day of merger.

In an acquisition of one not-for-profit organization by another, the acquirer obtains control of the acquired. Unlike a merger, where the pre-combination councils cease to exist on the effective date, the acquisition is simply a transaction of the acquirer during an operating cycle. In this type of combination, the surviving council would have the history of the acquirer and would add the assets, liabilities, and net assets of the acquired. Assets would be acquired at market value as of the date of combination.

Chapter 3
BSA ACCOUNTING PROCEDURES

3.1 Establishing Accounting Policies

The National Council of the Boy Scouts of America sets various rules and policies and provides software to local councils to facilitate standardization in recording and reporting. Local councils must not violate these rules and policies and must conform to the common practices established by the National Council. Standardization of practices across the organization supports depth of understanding and transparency that is essential to any federated organization such as the Boy Scouts of America.

BSA Policy: Local Council Accounting Manual— The accounting policies of the Boy Scouts of America conform to the guidelines issued by the Financial Accounting Standards Board (FASB), the American Institute of Certified Public Accountants (AICPA), and other guidance that is recognized by these bodies, as outlined in Chapter 1 of this manual. Where no guidance exists, this manual (LCAM) will be the controlling authority for local councils.

3.1.1 Bank Accounts

Although multiple bank accounts can provide a method for cash management, it is recommended that councils use one bank checking account for daily operations across all funds combined. Values are segregated by fund in the general ledger, and the council should utilize appropriate cash flow management techniques. Other accounts for savings, certificates of deposit, camp checking, and remote deposits use may be engaged at the discretion of the local council executive board.

3.1.2 Payment of Vendor Invoices

Local council obligations should be paid by their due date as defined by the vendor agreements. Councils may and should establish relationships with vendors to enforce a policy of purchase orders for all council transactions with those vendors.

3.1.3 Payrolls

The local council is obligated to each employee for a minimum pay related to the employee's letter of employment and the state law. Payroll taxes include both amounts that have been withheld from employee earnings and that portion which the organization is obligated to pay, and are due upon the schedule of the taxing authority. For most local councils federal withholding taxes are due and payable within three business days of the effective date of payroll. However, federal, state, and local taxes are due as defined in federal, state, and local laws, and it is incumbent upon the council to be aware of and abide by these laws. Councils should use their payroll service provider to make payments to taxing authorities on the required scheduled dates.

3.1.4 Voluntary Deductions

Deductions for employee benefits must be transmitted along with any council obligations related to employee benefits after being deducted from their payroll. All deductions and council obligations should be processed in conjunction with each payroll cycle. Local councils should have appropriate documentation or other authorization as defined by the BSA from time to time for any withholding from an employee.

3.1.5 Involuntary Deductions

Court-ordered deductions for alimony, child support, etc. must be transmitted to arrive by the due date specified by the court or governmental authority.

3.1.6 Document Retention and Destruction Schedule

Local councils should adopt a document retention and destruction policy and ensure that it is followed. A retention schedule defines how long a specific type of document must be retained. A destruction policy defines how a specific type of document must be destroyed or discarded upon completion of the retention tenure.

3.1.7 Budgeting

Budgets must be approved by the executive board for operating, capital, and endowment functions and become the authorization for the council to expend funds. They also provide a means of continually monitoring the council's financial position so that corrective action may be taken during the fiscal year. If, at any time, it appears the original budget is unrealistic, it should be revised by resolution of the council's executive board.

Budget should be developed for all three funds however, the operating fund budget will be the most complex, as most council financial transactions take place in this fund. Budget values should be determined for each revenue, net assets released from restriction, expenses, and inter-fund transfer accounts.

Note: Budgets should include a planned excess of revenue over expenses (surplus). Budget amounts should also be determined for transfer and restriction-release accounts for planned transactions.

3.1.8 Cash Flow Management

Using accrual accounting, a monthly surplus of revenue over expenses in the operating fund does not mean that a similar increase in cash was achieved during that same period. Close adherence to the budget does not necessarily predict a good cash position. A process of forecasting the council's cash flow is essential for sound fiscal management. Estimates can be made based on historical trends altered with information about current operational changes that will affect cash flow. Cash will flow into or out of the control of the council based on:

(1) operations (revenue and expenses)
(2) borrowing (loans or payment of loans)
(3) investing (cash recovered from investments, or cash invested).

3.1.9 Taxes on the Sale of Supplies and Products

Local councils that sell supplies to members and others for the purpose of supporting the Scouting program may have sales tax obligations depending upon state requirements. In some states sales of products, camp cards, or tickets may also be subject to sales taxes. Sales are to be recorded as either a tax-exempt sale or a taxable sale, based on state law to validate the taxes collected and passed on to the state or local tax authority. Payment of collected taxes must be forwarded to the proper taxing authority according to their required schedule.

3.1.10 Cost of Goods Sold

Supplies or products that are purchased for resale should be recorded in the appropriate inventory account. For any month where the sale of goods took place, the cost of goods sold is calculated. The calculation should not include shipping or other charges and may be done by percentage of gross sales or generated by point-of-sale software. Once the calculation is complete, the appropriate transaction of a debit to cost of goods and a credit to inventory accounts should be posted.

3.2 Year-End Close

At year-end close all revenue, net assets released from restriction expenses, net asset adjustments, and transfer accounts will have their balance moved to the appropriate net asset account. Those revenue, net assets released from restriction expense, transfer and adjustment accounts will then begin the next fiscal year with a zero balance. The resulting values in net asset accounts will roll forward as beginning balances for the next fiscal year.

In the year-end process, accounts that are unrestricted close into a net asset account without regard to the original project code, except for board-designated adjustments. Revenues that are restricted in nature will retain the project code as they are closed to the related restricted net asset account. Restricted net asset accounts segregate values based on the origin of the original gift. For example, Other Direct Contributions that are restricted (account 4501 with class of 91 or 92) would close into the Other Direct net asset account (account 3030) and would retain the fund, project, and class restriction of the original gift. All local councils should complete the year-end close process by the 10th business day of the next year.

3.2.1 Adjustments Made After the Year-End Close

Local council adjustments after year-end close must be made to period 12 of the prior year with a Council Adjustment (CA) source code until such time the auditor requests financial information in preparation for their field work. After the auditor has received a trial balance to begin the work, no council adjustments should be made.

Adjustments proposed by the auditor and accepted by the council will revise the ending balances as of the end of the fiscal year. Audit adjustments should be made to the appropriate accounts in accounting period 12 of the prior year as if they were normal transactions but with an audit adjustment (AA) source code.

3.3 Year-End Financial Statements

Preliminary year-end statements will likely be approved by the executive board prior to the completion of the audit process. Once the audit is complete, the final audited statements will be presented to the board by the audit committee and accepted by the board.

The financial statements become the official financial records of the local council. The values that roll forward into the next fiscal year from these audited statements MUST match the values that are in the local council general ledger. If the audit and general ledger financial statements do not agree, the local council leadership should work with the auditor to determine what adjustments are needed to reach an agreement.

Chapter 4

GOVERNANCE

4.1 Stewardship Responsibilities

The stewardship of finances is a topic of critical importance for not-for-profitnot-for-profit organizations because it brings into focus several key issues:

- Fiduciary responsibility
- Legal accountability
- Regulatory requirements
- Delegated responsibility

Note: For specific regulations and requirements, local councils are advised to consult their independent accountants or attorneys.

4.2 Local Council Executive Board

A local council executive board is composed of leading citizens that provide leadership, community visibility, fundraising, and volunteer support. Typically, these leaders are involved in other not-for-profit organizations as well as their business networks. The community at large looks to the executive board as a measure of the success and soundness of the local council.

From a legal standpoint, the executive board of a local council is accountable for the property entrusted to its care. Although the board may empower others with managerial responsibilities, the board members continue to have the primary responsibility for operational and fiscal management. Consequently, **individual board members assume ongoing liability for acts of negligence or willful mismanagement of the organization.**

The Internal Revenue Code (IRC) also contains special rules for 501(c)(3) organizations and those individuals “in a position to exercise substantial influence” over them. The IRS calls these “disqualified persons,” a category that includes “voting members of the governing body and persons holding the power of presidents, chief executive officers, chief operating officers, treasurers, and CFOs,” among others.

Certain transactions between a not-for-profit organization and disqualified persons can result in an automatic excess benefit to these individuals triggering excise taxes and potentially jeopardizing the exempt status of the organization. Because council officers and board members assume potential liability, the National Council provides liability insurance for directors and officers of all councils of the Boy Scouts of America. The insurance coverage expense is borne by the local council.

Local councils raise money from the public; hence, the corporation and executive board members are subject to close scrutiny. The public has high expectations for fiscal accountability, and sound stewardship. The federal government requires the filing of the IRS form 990 and 990-T forms when appropriate. Most states have enacted some type of registration requirements for not-for-profit organizations. Included in these requirements are limits on permitted activities, solicitation disclosures, and financial statement reporting requirements. Additionally many municipalities have local fundraising requirements.

Executive board members and officers rely heavily on the delegation of day-to-day responsibilities to the Scout executive and staff. Therefore, the communication process among these various individuals is crucial to ensuring sound stewardship of finances.

4.2.1 The Role of Members of the Executive Board

Volunteers should have a good understanding of council operations. They help to discharge the responsibility of stewardship, ensuring that fundraising and other activities are in the council's best interest and are in compliance with the local ordinances. A concise, comprehensive, and timely report detailing the financial activity of each major area of operation should be available. Specific responsibilities include:

- Ensure that the council maintains good credit and financial standing in the community. A good relationship with community organizations, contributors, and vendors is essential for long-term financial viability. A strong and open relationship with federal and state regulatory bodies is indispensable.
- Be informed about the fiscal strength of the council through well-attended meetings of the executive board and committees. Where appropriate, these should include full disclosure of financial results. A written, permanent record of all executive board minutes and actions is maintained and includes appropriate financial decisions.
- Assume ultimate responsibility for the financial success and stability of the local council.
- Understand and approve the council's system of internal controls and organizational structure to safeguard council assets.
- Pursue warning signs of any adverse, unusual, or suspicious action. The presumption of integrity should not forestall efforts to secure accurate and discernible financial information.
- Adopt and comply with the conflict-of-interest policy. Volunteers have the duty to be free, in fact and in appearance, from the influence of any conflict of interest when they act on behalf of the local council or represent it with third parties.
- Provide an appropriate enterprise risk management and insurance plan that will ensure the program protects the staff, youth members, and volunteers as well as the assets of the corporation.
- Ensures the local council has adequate resources to fulfill its mission.

4.2.2 Maintaining Adequate and Complete Financial Records

The maintenance of financial records can be accomplished in many ways. The volunteer treasurer and the executive board have the ultimate fiduciary responsibility. One dilemma is that the part-time volunteer treasurer has a great deal of responsibility despite limited day-to-day contact and involvement. The treasurer must question, probe, and use other means to ensure that this responsibility is met.

Included in this function are:

- The preparation of timely and adequate interim “monthly” and year-end financial statements.
- All three funds of the local council are included in financial statements.
- Assurance that contributions are properly accounted for and used for the purposes intended by the donors.
- The proper presentation of operational results detailing expenses for management and fund-raising, as well as program activities.

4.2.3 Budgetary Control

A realistic budget is fundamental to the survival of a local council and should reflect the strategic plans of the local council translated into financial measurements. The annual budget should clearly set out in appropriate detail proposed expenditures and sources of revenues that are required to meet strategic objectives. The budget should be prepared with considerable volunteer input, guided by the Scout executive and the council staff.

Once created, the executive board must review and approve the budget to provide authorization to make expenditures. The approved budget then becomes the guide in initiating financial action and for evaluating financial results. Any future modifications to the budget must be approved by the executive board.

The BSA uses a five-year strategic planning process, long-range planning procedure. These plans are to be updated annually, and projected changes in social and economic trends help keep these plans valid. The executive board must ensure that adequate internal accounting controls exist so that receipts are properly recorded and controlled, and that expenditures are made only upon proper authorization. In addition, liquid assets must be properly invested to maximize the return to the local council.

4.3 The Role of Council Management

Council management has a direct responsibility for major elements of overall governance and support for corporation financial records and reports. Specific responsibilities include:

- Make certain that an adequate and complete financial record is made of all financial transactions. The executive board has the ultimate fiduciary responsibility. The officers and treasurer must question, probe, and use other means to ensure that proper fiscal records are safeguarded and maintained.

- Prepare accurate, meaningful, and timely financial statements for review and evaluation by management and board members.

- Prepare financial statements to allow officers and the board to make solid decisions about council operations.

- Follow closely the policies, procedures, and controls approved by the board to safeguard council assets and protect the integrity of council management and volunteers alike.

- Provide the executive board with training and ongoing support related to the local councils' fiscals operations.

4.4 Internal Control

The term "internal control" is defined in the AICPA *Statement on Auditing Standards, No. 109*, which states:

"Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Effectiveness and efficiency of operations"

Internal accounting controls afford council leadership greater assurance that resources are used exclusively for intended purposes—a key to maintaining public trust and goodwill.

Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to financial reporting and operations objectives. The five interrelated components of internal controls are:

- **Control environment**— The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- **Risk assessment**— An entity's risk assessment is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
- **Information and communications systems**— These support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- **Control activities**—Control activities are the policies and procedures that help ensure that management directives are carried out. Samples of controls and procedures can be located in the document Fiscal Management Procedures for Stewardship, which is available on the Finance Impact Department website.
- **Monitoring —** This is a process that assesses the quality of internal control performance over time. Examples of monitoring include: management reviews of bank statement reconciliations, fundraising/general ledger reconciliations, checking payroll periodically, using approved purchase orders, segregating duties, etc.

4.4.1. Internal Control Review

There are three important ways council leadership can enhance the control environment:

- Educate the council staff on the importance and philosophy of internal controls in achieving the goals of the councils. Effective internal controls should be a matter of high priority.

- Ensure that the council staff is of sufficient size, competence, and discipline to execute control functions.

- Express interest in day-to-day accounting routines through both inquiries and observations. Well-phrased questions, posed periodically, can enhance the control system.

A periodic review and testing of internal controls is essential. Questions that will help facilitate the internal controls review include the following:

- Have changes occurred in the local council that may require new controls?
- Were there any “surprises” encountered that could have been anticipated with better controls?
- Have explanations of variations from budget been confusing or contradicting?
- Have the management, accounting, or financial functions been overextended, increasing the possibility of error or untimely processing of transactions?

4.5 Ensuring the local council has adequate resources

The opportunity to participate in raising funds in a community to support the program of Scouting is inherent to the responsibility of board members, other Scout volunteers, staff, and even parents of youth members. Each revenue source that is part of the local councils operation should have specific board committee and members who plan, watch over, and are heavily engaged in bringing it to fruition. Annual funding, capital campaigns, endowment efforts, and other sources deserve the best community leadership as there champion.

Securing a solid financial future for the local council may depend heavily on the success of efforts to obtain endowment contributions and manage investing so as to produce a reliable, sustainable source of income. Specific committees and members of the executive board must give direction and oversight to investment income efforts.

4.6 Endowment Stewardship

Local councils have a stewardship requirement that their endowment funds are well-managed and skillfully invested in a way that protects the endowment and generates enough growth and income to help support a strong Scouting program.

Few local council managers and officers are investment professionals, but there are support efforts that can facilitate strong performance.

- Secure a highly skilled investment committee to determine guide investment and spending policies.

- Develop a close relationship with the required corporate trustee in the management of the invested funds.

- Access the services of an independent, third-party investment consultant to evaluate performance and help shape direction and control expenses.

These three entities can help the council:

- Write an investment policy statement
- Develop a sound spending policy that meets prudent expectations
- Assess investment objectives
- Diversify investments
- Analyze and choose investment managers
- Monitor and evaluate investment performance

A council may choose to invest excess capital and operating funds in a quasi-endowment vehicle that produces income for a time. These funds will remain unrestricted and are available in a future period for reallocation to operating or capital needs.

4.6.1 Laws Governing Endowment Funds

History

Prior to 1972, charities generally relied on existing trust law for guidance when making investment and spending decisions related to their endowment funds. Those charged with governance of charitable organizations, however, felt constrained by existing trust law for investment and spending strategies. The law's conservative guidelines did not permit total-return investing. To avoid the appearance of imprudence, board members thus generally invested in bonds and high-yielding stocks, and avoided growth investments. This hampered the long-term growth and viability of charitable organizations.

4.6.2 UMIFA Guidance

Enter the Uniform Management of Institutional Funds Act (UMIFA) in 1972. UMIFA created the first "prudent investor" rule in statutory law and provided guidance to charitable organizations concerning the management and investment of their endowment funds. UMIFA created a new set of rules that made total-return investing possible for charities organized as not-for-profit corporations. UMIFA stipulated that a charitable organization could spend appreciation from its endowment fund only to the extent that the value of the fund exceeded its historic dollar value (HDV). Spending income (interest and dividends) from such funds was also allowed. Although the prudence standards set forth in UMIFA were useful, stock market declines in 2001 and 2002 resulted in "underwater" endowment funds and eventually exposed the flaws in UMIFA spending rules. During such periods, endowments that had been recently established fell below their HDV almost immediately. Charities struggled to meet expected revenue, and UMIFA prevented them from using the underwater endowment funds, except for spending any interest or dividends earned. More-severe market declines in 2008 and 2009 worsened the situation. New endowments did not have sufficient time to appreciate before the funds were needed for operations. Although sufficient resources often might have been available in endowments, the illiquid nature of these resources and rigid restrictions limited institutions' ability to use those resources.

4.6.3 UPMIFA—Beyond UMIFA

In 2006, the Uniform Law Commission* approved a final version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which applies to donor-restricted endowment funds held by charitable organizations. UPMIFA does not apply to endowments held in trust funds with corporate or individual trustees, however. State trust law applies to these. As of March 2012, all but one of the 50 states, Pennsylvania, have enacted or introduced into legislation their version of the act.

*****The Uniform Law Commission (ULC, also known as the National Conference of Commissioners on Uniform State Laws), established in 1892, provides states with non-partisan, well-conceived and well-drafted legislation that brings clarity and stability to critical areas of state statutory law.

UPMIFA Highlights[1]

- **Investment freedom.** Portfolio managers are not limited in the kinds of assets that may be sought for the portfolio. (Broader than UMIFA)
- **Costs.** Costs must be managed prudently in relationship to the assets, the purposes of the institution, and the skills available to the institution. (Not addressed in UMIFA)
- **Expenditure of funds.** Total return expenditure is expressly authorized under comprehensive prudent standards relating to the whole economic situation of the charitable institution. (UMIFA does not address this standard)
- **Historic dollar value abolished.** UPMIFA abolishes the historic dollar value limitation on expenditure in UMIFA.
- **Seven percent rule. Some S**tates have adopt an optional rule that presumes expenditure exceeding 7% of total return is imprudent.
- **Release of restrictions for small institutional funds.** UPMIFA provides new procedures for releasing restrictions on small institutional funds (less than $25,000) held for a long period of time (20 years), requiring only notice to the Attorney General 60 days in advance of the release. (Not addressed in UMIFA)
- **Application.** UPMIFA applies to funds held in any form, including not-for-profit corporate form, except charitable trusts, with a commercial or individual trustee. (UMIFA applies only to endowments held by a charitable institution for its own account.)

[1]From the Uniform Law Commission website

4.6.4 Governance Considerations Under UPMIFA

In keeping with their fiduciary responsibility, board members should:

Evaluate spending from underwater endowments. Such spending could diminish the long-term purchasing power of funds contributed.

- Honor the terms of gift instruments and ensure that policies and practices are in line with the donor's intent regarding the use of the funds.
- Adopt a policy stating how decisions pertaining to prudent appropriations are made.
- Document recommendations and decisions for spending from underwater funds.

4.6.5 Accounting Considerations Under UPMIFA

In response to UPMIFA, the FASB issued *ASC 958-205, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*. This FASB pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. This standard also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

If it is determined that your council is subject to UPMIFA, this FASB pronouncement requires the reclassification of unrestricted net assets associated with the affected endowment fund to temporarily restricted net assets. These net assets would remain temporarily restricted until the council's executive board appropriated them for expenditure, at which point they would be released from restriction. An executive board appropriation maybe in the form of a approved annual budget.

4.7 Principles of Good Governance

The BSA embraces the fundamentals contained in the Panel on the Nonprofit Sector's *Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations*. The principles are organized under four main categories:

1. Legal Compliance and Public Disclosure
2. Effective Governance
3. Strong Financial Oversight
4. Responsible Fundraising

Each of these categories is discussed in more detail below.

4.7.1 Legal Compliance and Public Disclosure

Local councils must comply with all applicable federal laws and regulations, as well as applicable laws and regulations of the states and the local jurisdictions in which they are based or are operating. If a local council conducts business outside the United States, it must also abide by applicable international laws, regulations, and conventions that are legally binding in the United States.

Local Councils should:

- Formally adopt a written code of ethics with which all of its executive board members, staff, and volunteers are familiar and to which they adhere.
- Adopt and implement policies and procedures to ensure that all conflicts of interest, or the appearance thereof, with the council and the executive board, are appropriately managed through disclosure, recusal, or other means.
- Operate with a “whistle-blower” policy that should specify that the council will not retaliate against, and will protect the confidentiality of, individuals who make good-faith reports where concerns of integrity or other violations may occur.
- Establish and implement policies and procedures to protect and preserve the council’s important documents and business records.
- Local council executive boards should ensure that the organization has adequate plans to protect its assets—its property, financial and human resources, program content and material, and its integrity and reputation—against damage or loss. The executive board should review regularly the need for general liability and directors’ and officers’ liability insurance, as well as take other actions necessary to mitigate risks.
- Local councils should make information about their operations, including their governance, finances, programs, and activities, widely available to the public. Councils should also consider making information available on the methods they use to evaluate the outcomes of their work and the results of the evaluations.

4.7.2 Effective Board Governance

As the governing body of the local council, the executive board plays the leading role in the success of the council from a programmatic and fiscal stability viewpoint. Principal areas of responsibility include having:

- Members with diverse backgrounds (including, but not limited to, ethnic, racial, and gender perspectives), experience, and organizational and financial skills necessary to advance the council’s mission.
- Board members who are independent and are not being compensated by the council as employees or independent contractors; not receiving, directly or indirectly, material financial benefits from the council; not related to anyone described above; and not residing with any such person.
- The skills to hire, oversee, and annually evaluate the Scout executive, and should conduct such an evaluation prior to any change in the Scout executive’s compensation.
- Make certain that all positions of the board are held by separate individuals.
- An executive board with a systematic process for educating and communicating with board members to ensure they are aware of their legal and ethical responsibilities, are knowledgeable about the programs and activities of the council, and can carry out their oversight functions effectively.

- Executive board members should evaluate their performance as a group and as individuals no less than once a year, and should have clear procedures for removing members who are unable to fulfill their responsibilities.
- A review of organizational and governing council bylaws no less than every two years.
- An annual plan to establish and review the council’s mission and goals.

4.7.3 Strong Financial Oversight (Fiscal Management)

A local council should not provide loans (or the equivalent, such as loan guarantees, purchasing or transferring ownership of a residence or office, or relieving a debt or lease obligation) to employees.

A local council should spend a significant percentage of its annual budget on programs that pursue its mission. The budget should also provide sufficient resources for effective administration of the council and appropriate fundraising activities.

A local council should neither pay for nor reimburse travel expenditures for spouses, dependents, or others accompanying someone who is conducting business for the council unless they, too, are conducting such business.

Local council should establish clear, written policies for paying or reimbursing expenses incurred by anyone conducting business or traveling on behalf of the local council, including the types of expenses that can be paid for or reimbursed and the documentation required. Such policies should require that travel on behalf of the council is to be undertaken in a cost-effective manner.

4.7.3.1 Accountable Reimbursement Plans

The BSA recommends that all local councils establish an expense reimbursement and advance policy that meets the Accountable Plan rules described in *Treasury Regulations §1.62-2* and *IRS Publication 463*. To qualify as an Accountable Plan, the payee (employee or nonemployee) must:

- Show that the expenses being reimbursed have a business connection
- Adequately account for the expenses within a reasonable period of time
- Return any excess reimbursement/allowance/advance within a reasonable amount of time.

The above concepts are discussed in detail in *Treasury Reg. §1.62-2* and *IRS Publication 463* and will not be reiterated here. The benefits of reimbursing individuals under an Accountable Plan are that no amounts paid are includable in the payee’s compensation and potential automatic excess benefit transactions are avoided.

4.7.4 Responsible Fundraising

Solicitation materials and other communications addressed to donors and the public must clearly identify the local council and be accurate and truthful.

Contributions must be used for purposes consistent with the donor's intent, whether as described in the relevant solicitation materials or as specifically directed by the donor.

The local council must provide donors with specific acknowledgments of contributions, in accordance with IRS requirements, as well as information to facilitate the donors' compliance with tax law requirements.

Councils should adopt clear policies, based on their specific exempt purpose, to determine whether accepting a gift would compromise its ethics, financial circumstances, program focus, or other interests.

Councils should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure they understand their responsibilities and applicable federal, state, and local laws, and do not employ techniques that are coercive, intimidating, or intended to harass potential donors.

Councils should not compensate internal or external fundraising professionals based on a commission or percentage of the amount raised.

Councils should respect the privacy of individual donors and, except where disclosure is required by law, should not sell or otherwise make available the names and contact information of its donors without providing them an opportunity at least once a year to opt out of having their names used.

Chapter 5

AUDITS

5.1 Audit

An audit is an examination of the council's financial statements and the underlying accounting records in accordance with generally accepted accounting principles, the main objective of which is the expression of an opinion on the fairness of those financial statements. An audit is conducted at the end of each fiscal year or other times (e.g., following a council merger or consolidation) as deemed necessary by the executive board.

Policy of the Boy Scouts of America

Local councils have a fiduciary responsibility to contributors. This responsibility mandates a "full disclosure" finance policy to the public. The policy of the Boy Scouts of America is for local council management to annually prepare a set of financial statements for a full audit conducted by an independent public accountant.

Audits must meet current requirements set by the accounting industry, the Boy Scouts of America, and individual state and federal regulatory commissions. The following publication states the policy of the Boy Scouts of America concerning audits and the audit committee: Charter and Bylaws of the Boy Scouts of America *(See article III, section 7, clause 17.)*

Definition

Audit: *"A statement of all income and expenses of the corporation during the fiscal year and a statement of all assets, liabilities, and net assets of the corporation as at the end of such year shall be duly audited and certified annually in accordance with generally accepted auditing standards, by certified public accountants or other recognized independent public accountants approved by the executive board or executive committee."*
From the local council Bylaws template, article X, section 2, clause 6

Council Action

Local councils are required to submit an audit annually to the national office by June 1 that includes the following: (An AICPA-provided review or compilation is not acceptable.)

☐ Statement of financial position showing all three funds (operating, capital, and endowment) and a total of all three funds with comparative amounts [or totals] from the previous year.

☐ Statement of changes in net assets showing all three funds in the natural or functional presentation and a total of all three funds with comparative amounts [or totals] from the previous year.

☐ Statement of functional expenses in the natural presentation, including total expenses from all three funds and comparative amounts [or totals] from the previous year.

☐ Statement of cash flows for all three funds and a total of all three funds with comparative amounts [or totals] from the previous year (using either the direct or indirect method in arriving at funds from operations).

☐ Notes to the financial statements.

☐ The independent auditor's report stating an opinion or disclaimer thereof as to the fair presentation of the statements

The following must be submitted along with the audit:

☐ A copy of the Auditor's Communication with Those Charged with Governance (SAS 114) letter

☐ Copies of the Communicating Internal Control Related Matters Identified in an Audit (SAS 115) letter and the management response thereto

☐ A copy of the management representation letter

☐ A copy of the signed audit committee meeting minutes recommending that the audited financial statements be presented to the executive board for acceptance

In addition, the following must be submitted to the national office when filed. The due date is May 15, but an automatic three-month extension to file may be obtained by filing Form 8868 by May 15.

☐ A copy of IRS Form 990 or 990-EZ and, if filed, IRS Form 990-T for the council

☐ A copy of IRS Form 990 for council trust, if applicable

In an effort to reduce costs and the effect on our environment, all of the above documents may be emailed in portable document format (.pdf) to audits.990@scouting.org. Copies of the annual audited financial statements and supporting documentation should be maintained at the local council service center in case volunteers or other interested parties wish to review them.

5.3 The Audit Committee

The audit committee represents an important resource to the executive board in fulfilling fiduciary Responsibilities for the finances of the local council. The audit committee is an independent advisory group to the board**.**

As part of its National Strategic Plan, the BSA requires all local councils to adopt an audit committee charter prior to the 2011 audit. See Appendix A for sample language that may be used by a council in developing an audit committee charter. While the plan has flexibility and may be designed to meet local council needs, the role of the audit committee is clear and should not be compromised.

Details of the audit committee qualifications and function are included in the publication Audit Committee Guidebook.

5.3.1 Purpose

One proactive response in the area of accountability is the audit committee. It is being used successfully by publicly held commercial organizations as well as not-for-profit agencies. Its purpose is to assist the executive board in fulfilling the responsibilities related to accounting and financial reporting practices. To effectively fill this role, the council president must appoint the audit committee as a separate committee that reports to the executive board under his direction. The audit committee is not intended to be the "auditor" of the local council. The audit committee is primarily interested in compliance with the local council's policies and procedures, compliance with legal and regulatory requirements, and the presentation of accurate and meaningful financial statements in accordance with generally accepted accounting principles and the standards set forth by the Boy Scouts of America.

5.3.2 Composition

The audit committee is generally composed of three to five independent, financially literate individuals, but does not include local council officers or professional staff members, who may attend meetings but may not vote. Ideally, members have in-depth business knowledge, familiarity with accounting practices and concepts, and an interest in helping the council fulfill its fiduciary responsibilities. A majority of the audit committee should be members of the local council executive board. Other members should be local community leaders who believe in the benefits derived from an audit committee's work. Parents of present Scouts, service club members, Eagle Scouts, and members of the local chapter of the state institute of CPAs or the National Association of Accountants are potential audit committee members. No employee of the council's external auditors should serve on the committee. Audit committee best practice, although not a BSA requirement, is that at least one audit committee member meet the U.S. Securities and Exchange Commission requirements to be designated as an Audit Committee Financial Expert (as that term is defined by the SEC and summarized below under "Financial Expertise").

5.3.3 Organization

The committee is appointed by and reports to the council board. The Scout executive or assigned staff member may sit as secretary of the committee, but is not a voting member. The chairperson shall be selected from among those members of the audit committee who are also members of the council executive board. The chairperson should be a respected member of the local council executive board, who has served long enough to provide stability to the committee's activities and has a proven interest in the fiscal management of the council. The chairperson must work closely with the Scout executive or assigned council management representative in fulfilling the committee's responsibilities. See Appendix N for a sample audit committee chairperson job description.

5.4 Working Effectively With the Auditor

Because the auditor spends a portion of time reviewing and evaluating internal control systems, it is important that staff members in all departments are informed of the need to cooperate with the auditor in answering questions and providing records. They should answer questions honestly and frankly, but without opinion and without attempts to be defensive.

5.5 Preparing the Financial Statements

The financial statements presented to the auditor should be prepared by the local council management. It is inappropriate for the auditor to prepare the underlying accounting records; the auditor would then be auditing his/her own work and would no longer be independent.

Management is responsible for the completeness, timeliness, and accuracy of the financial statements. To fulfill this responsibility, management must have disciple to the accounting system defined by this manual. This system identifies, measures, records, and adequately discloses an entity's transactions and other events that affect the council's financial position and operations. An independent audit does not lessen this responsibility. The audit should add credibility to management's representation in financial statements.

As the audit report is drafted, the auditor may recommend adjustments to asset, liability, revenue, expense, transfer, reclassification, and net asset adjustment accounts. These adjustments should be reviewed with the auditor by council management and the audit committee prior to the release of the draft audit report.

5.6 Financially Interrelated Not-for-Profit Organizations

Not-for-profit organizations may be related to one or more other not-for-profit organizations in several ways, including ownership, control, and economic interests. Per the *Consolidation* topic of the FASB ASC, if the elements of control of a related but separate not-for-profit organization and an economic interest in that organization exist, the not-for-profit organizations should consolidate their financial statements. (FASB ASC 958-810).

A good example of the above would be a local council and its trust fund. Although separate entities (with separate EINs), the council has the power to hire and fire the trustee, thereby “controlling” the trust fund and an obvious financial interest exists. Based on the preceding, consolidation of the financial statements is required.

Chapter 6
Assets, Liabilities, and Net Assets

6.1 Assets

The assets of the council represent the accumulation of cash, investments, inventory, and property that have been acquired since the inception of the corporation. The effective measurement and management of these assets is a primary fiscal mission of the council.

6.1.1 Asset Valuation and Status

Assets acquired by the council should generally be recorded at what is determined as a fair-market value. Asset valuations are updated by physical inventory and reconciliation to statements of current value. Some assets are carried as “current” when they are more likely to be converted to cash and used within 12 months. Current assets would include cash, short-term investments, current receivables, and inventories. Assets that are not likely to be consumed in the next 12 months are termed “non-current” assets and would include future period contributions receivable, fixed assets, and long-term investments, and noncurrent inter-fund loans.

6.1.2 Fixed Assets

Fixed assets are carried at acquisition cost or fair value and depreciated from that point forward. The council may acquire fixed assets through purchases, trade-ins, self-construction, leases, and contributions. According to the *Contributions Received* subsections of the FASB ASC, all contributions received are recorded at fair value, which would include fixed assets.

Note: Fixed assets do not include property held for sale.

The following provides guidance for establishing the cost basis:

> **BSA Policy: Fixed Assets**
> The BSA recognizes a fixed asset acquired or built with donor-imposed temporary restrictions for the acquisition or construction of the fixed asset as unrestricted. The BSA does not impose a time restriction on such assets that expire over the assets’ useful lives.

6.1.3 Construction-in-Progress

The cost basis for constructed fixed assets is determined by the combined costs required to place the asset in service. By using construction-in-progress accounts during the construction phase of a fixed asset, the council is able to collect all expenses related to placing the asset in service. Once construction is completed, the total amount in the construction-in-progress account is recorded as the acquisition-cost basis for the asset.

Particular attention must be paid when accounting for constructed fixed assets relating to the cost of the building and the contents within the building. In general, when tracking construction projects, the cost of building the structure and items permanently affixed to the structure should be tracked and entered into the fixed assets ledger separately from the various furniture, fixtures, and equipment. The furniture, fixtures, and equipment should be entered into the fixed assets register as separate assets. The statement from the FASB ASC in 958-605-25-16 requires that contributed services be recognized if (among other things) they create or enhance a nonfinancial asset. Fixed assets are nonfinancial assets. If volunteer labor is used to construct fixed assets, the contributed services must be recognized as a part of construction-in-progress at fair value.

6.1.4 Contributions of Non-Cash Assets

The value of a contributed non-cash asset should be determined based on the present fair value of the asset. In some cases, the fair value may be difficult to determine. In those cases, the fair value of the asset may be determined by the best estimate of the present fair value. It is recommended these estimates be conservative in nature.

Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The fair value measurement of an asset assumes the highest and best use of the asset by recipient at the date it was received. If there are donor restrictions that extend to subsequent holders of the asset, consider the limiting impact this may have on the fair value of the asset.

6.1.5 Capitalization Policy

A capitalization policy establishes a minimum dollar value of a fixed asset that will be considered for capitalization. The capitalization policy applies to assets that will have a useful economic life greater than one year.

> **BSA Policy: Capitalization**—It is the policy of the BSA that the local council executive board establishes a minimum dollar value of consumable fixed assets as a capitalization policy. All fixed assets under this value will be fully expensed in the current fiscal year and not recorded as an asset of the corporation.

For example: The council’s capitalization policy is set at $1,000 minimum value and has a life expectancy of greater than one year. The council purchases 20 conference chairs at $200 each for a total of $4,000. The chairs will have to be fully expensed in the current fiscal year. While the total of the purchase met the capitalization policy, each chair did not meet the capitalization policy. Depreciable assets are based on a single item, not groups of items.

6.1.6 BSA Policies: Depreciation

Accounting Standard: Calculating Depreciation of Fixed Assets—FASB describes depreciation as a "systematic and rational" process for allocating the cost of using up assets' service potential or economic lives. FASB Statement No. 93 requires not-for-profit organizations to recognize depreciation for all property and equipment, except land.

BSA Policy: Method of Depreciation—It is the policy of the Boy Scouts of America to use the straight-line depreciation method.

6.1.7 Useful Economic Life

In addition to the cost of a fixed asset, the council must determine the useful economic life of the asset.

BSA Policy: In the absence of any unusual circumstances apparent at the time an item is acquired, councils use the table below to determine the estimated useful lives of new buildings, equipment, and other fixed assets.

TABLE OF ESTIMATED USEFUL LIFE

Class of Property or Equipment	Estimated Useful Life
Improvements (land and structures)	20 years
Office buildings	50 years
Dwellings and garages	45 years
Camp buildings:	
brick	50 years
wooden	25 years
Recreation and amusement facilities (other than structures and improvements)	10 years
Power transmission and water distribution facilities (including related improvements)	30 years
Office furniture, fixtures, and equipment	10 years
Computers	3 years
Automobiles	4 years
Buses	9 years
General-purpose trucks:	
light (unloaded weight less than 13,000 lbs.)	4 years
heavy	6 years

6.1.8 Procedure: Calculating Depreciation

The BSA uses the straight-line method for calculating depreciation.

You can determine the annual depreciation of an asset by dividing the original value of a fixed asset, less any salvage value, by the number of years of useful life.

Depreciation per year =	**<u>(original value – salvage value)</u>**
Divided by	**years of useful life**
Depreciation per month =	**<u>(original value – salvage value)</u>**
Divided by	**months of useful life**

For example: A fixed asset valued at $11,000 with a salvage value of $1,000 and a useful life of 10 years would have an annual depreciation of $1,000.

Depreciation is the reduction in the value of the fixed asset and is recorded in equal amounts as depreciation expense. The original value of the fixed asset is never reduced or lost in this process, as an accumulated depreciation contra account is used to reduce the value of the fixed asset. The net book value of the fixed asset equals the original value minus the accumulated depreciation. All fixed assets except land are depreciated.

Net book value = original value – accumulated depreciation

6.1.9 Leaseholds

Improvements to leaseholds should be amortized over the life of the related lease or the life of the improvements, whichever is less, in the same manner that assets owned by the council are depreciated. If the council has a secured renewal option and intends to renew the lease, consideration should be given to amortizing the improvements over a longer period than the original lease.

6.1.10 Disposal of Fixed Assets

The accounting treatment for the sale, trade-in, or scrapping of fixed assets that have been held for council use are as follows:

Generally, a gain or loss from a sale of a fixed asset should be recorded in the capital fund, unless it is held for sale in another fund. Such a gain or loss is defined as the difference between the proceeds of the sale and the original cost (or fair market value at the date of the gift for donated assets) reduced by the accumulated depreciation as of the date of sale. Gains should be recorded in account 2-6906 and losses should be recorded in account 2-9589.

Proceeds from the sale of fixed assets that are not used for the purchase of other fixed assets in the current year or are not legally required to be used to purchase other fixed assets, or otherwise restricted, may be used in the capital fund, or transferred to the any other fund via the fund transfer accounts at the local councils executive board’s discretion.

A gain (or loss) on a trade-in should also be reported in the capital fund. Such gain (or loss) is defined as the difference between the trade-in allowance and the net book value of the item traded in. (The trade-in allowance is defined as the difference between what the item would have cost in cash without the trade-in and what the council actually paid in cash with the trade-in.)

Amounts required to be written off by reason of abandonment, obsolescence, etc. should also be recognized as losses in the capital fund.

6.1.11 Fixed Assets Held for Sale

It is possible that a council may receive a contribution of fixed assets that are to be sold and the proceeds used by the council. In this case, the fair value of the fixed assets should be recorded in account 1951, fixed assets held for sale, of the fund that will ultimately benefit from the proceeds, and not in accounts 1800-1899 (land, building, and equipment). It should be noted that this category could include fixed assets that are no longer being used for their originally intended purpose and are being held for resale. Fixed assets held for sale are non-depreciable.

6.1.12 Fixed Assets—Impairment Testing

GAAP states that an impairment loss shall be recognized "…if the carrying amount of the long-lived asset (or asset group) is not recoverable and exceeds its fair value." (FASB ASC 360-10-35-17). So, if the net book value of a fixed asset exceeds its fair market value, a local council would be required to recognize in its financial statements an impairment loss equal to the difference between the fair value of the asset and its net book value. It is recommended that local councils test their fixed assets for impairment every year.

6.2 Invested Assets

Each fund may have invested assets, but the most common location is in the endowment fund. Cash, money market investments, or certificates of deposit in instruments with terms of less than 12 months are termed as short-term investments. Cash, securities, or other assets held in investment portfolios to provide income for the operations for the council are recorded as long-term investments. Only the donors may place either a temporary or a permanent restriction on their contributions. If a donor-restricted gift is fully paid in cash **and the purpose of the restriction is not current, such as a capital gift,** cash from that gift should be recorded in a non-current asset account 1900.

The Endowment Fund may contain three classifications of endowment:

- Permanently Restricted Endowment

  A permanent endowment refers to contributions with the donor-specified restriction that the principal be invested in perpetuity.

- Temporarily Restricted Endowment

  A temporary endowment refers to amounts that, at some future time or upon the occurrence of a specified future event (purpose), become available to the council for unrestricted or purpose-restricted use.

- Quasi-Endowment (Unrestricted)

A quasi-endowment fund (or funds functioning as endowment) refers to resources designated by the executive board to be retained and invested for specified purposes for a long but unspecified period. These amounts are unrestricted.

6.2.1 BSA Guidance on UPMIFA and UMIFA

Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Uniform Management of Institutional Funds Act (UMIFA)

FASB ASC 958-205-05 and subsections (formerly FASB Staff Position 117-1) provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to a version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) enacted by the state in which the organization operates. UPMIFA does not apply to trust funds managed by banks and trust companies as required by the Rules and Regulations of the Boy Scouts of America for special funds. If your council's endowment trust fund substantially conforms to the model form, UPMIFA would not apply to endowment funds held therein. The Boy Scouts of America strongly recommends that all local councils consult with their attorneys, trustees, investment advisors, and auditors to determine which of the council's endowment funds, if any, would be subject to UPMIFA and therefore subject to the provisions of ASC 958-205-5. The Staff Position also expands disclosures about an organization's endowment funds (both donor-restricted and board-designated), regardless of the applicability of UPMIFA.

If it is determined that the council is subject to UPMIFA, it is required to reclassify unrestricted net assets associated with the affected endowment fund to temporarily restricted net assets. The temporarily restricted net assets would remain restricted until the council's executive board appropriates them for expenditure, at which point they would be reclassified to unrestricted net assets.

As of January 2012, all states and territories have enacted a version of UPMIFA except Mississippi, Pennsylvania, and Puerto Rico. Mississippi has introduced a version into the legislature, and those remaining are subject to UPMIFA's predecessor, known as UMIFA (the Uniform Management of Institutional Funds Act). The major difference between UMIFA and UPMIFA has to do with endowment spending. UMIFA places restrictions on spending endowment funds if they are worth less than their initial (historic) dollar value. UPMIFA does allow spending from "underwater" endowment funds, subject to certain standards of prudence.

The National Council "Finance Impact Department" can provide guidance and assistance to local councils concerning UPMIFA and UMIFA.

6.2.2 Net Appreciation

Net appreciation is the excess of the fair value of the assets of an endowment fund over the historic dollar value (original gift value) of the fund. If the fair value of the assets is less than the historic dollar value, amounts available for expenditure may be limited depending on state law or, if held in trust, the terms of the trust document.

6.2.3 Investment Reporting:

Accounting for Certain Investments Held by Not-for-Profit Organization is discussed in the FASB ASC topic Not-for-Profit Entities – Investments in Debt and Equity Securities (ASC 958-320), which requires the following:

- Investments in equity securities with readily determinable fair values and all investments in debt securities should be reported at fair value with gains and losses included in the Statement of Activities and Changes in Net Assets.

- Certain disclosures must be made about all investments held by not-for-profit organizations and the return on those investments. This is normally covered in the notes section of the council's audit.

- In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund should reduce temporarily restricted net assets to the extent that donor-imposed restrictions on net appreciation of the fund were not met before the loss occurred. Any remaining loss should reduce unrestricted net assets.

> **BSA Policy: Reporting Investments**
> Councils issue external financial statements at least annually, and these statements must comply with the above FASB ASC topic standard. In addition, management may produce an incomplete set of these reports in the interim for internal purposes. These internal statements may or may not comply with GAAP.

6.2.4 Portfolio Management

The assets contributed by donors to create endowments and the assets designated by the executive board for investment often are combined and invested as a portfolio. Portfolio management requires careful tracking of the historic value within the portfolio and the net appreciation and income produced by the portfolio.

The council should track all donor-imposed restrictions for the permanently and temporarily restricted endowments to provide clear and documented evidence that the council is fulfilling those restrictions.

Most councils invest their portfolios with a trustee under the protection of a model trust agreement. The Boy Scouts of America recommends the use of the model trust agreement as a guide for all councils. Advantages to a model trust agreement include the following:

- Allows the trust to be brought under the group ruling issued by the Internal Revenue Service granting tax-exempt status to such trust funds and declaring them to be public, not private, foundations.

- Formally establishes the fund and gives it perpetual legal status.

- Defines the rules for the trustee working with the council and the council with the trustee.

- Attracts gifts by giving confidence to prospective benefactors that their wishes will be respected now and by all future council executive boards.
- Assures attorneys that the fund can be recommended to their clients as a sound plan to perpetuate their gifts.
- Protects the officers of the council from court action for failing to respect the terms of a will. This responsibility belongs to the trustee.
- Causes the Boy Scouts of America to join with the local council and the trustee to approve the fund and help enhance its growth. Some testators have made bequests to the Boy Scouts of America for the benefit of local councils. This may not be necessary if the benefactor knows that the Boy Scouts of America is linked to the council through this agreement.
- Requires that all proposed changes or amendments to the agreement be supervised by the Boy Scouts of America and the trustee.
- Encourages a local council to use a corporate trustee and take advantage of the many benefits it offers over using individual trustees.
- Minimizes the chances of violating state law regarding investments and management of fiduciaries. Trustee is expected to know what investments are permitted.

In addition to the advantages listed above, it will be of interest to review the Rules and Regulations of the Boy Scouts of America (adopted February 1976 as amended). In Article XI, Section 1, Clause 2 of the Rules and Regulations, reference is made to special funds created for specific purposes, including council endowment funds.

6.3 Split-Interest Agreements

Some donors enter into trusts or other agreements in which not-for-profit organizations share benefits (called beneficial interests) with other beneficiaries. The following are five common types of such agreements:

- Charitable lead trusts
- Perpetual trusts held by third parties
- Charitable remainder trusts
- Charitable gift annuities
- Pooled (life) income funds

6.3.1 Financial Statement Recognition Criteria

Generally, for a local council to be able to recognize in its financial statements its beneficial interest in a split-interest agreement, two conditions must be present:

1. The agreement **must** be irrevocable
2. The trustee or fiscal agent **must not** have the power to unilaterally redirect the underlying assets to another beneficiary (i.e., variance power).

If the above two conditions are met, and the trustee or fiscal agent is an unrelated third party, the local council would initially recognize a noncurrent asset and a contribution, measured at fair value.

Per FASB ASC 958-30-45-1, contribution revenues recognized under split-interest agreements should be classified as increases in temporarily restricted net assets unless either of the following conditions exists:

a. The donor has permanently restricted the council's use of its interest (lead or remainder) in the assets. If the donor has permanently restricted the NFP's use of its interest, the contribution should be classified as an increase in permanently restricted net assets.

b. The donor gives the council's the immediate right to use without restrictions the assets it receives. If the NFP has the immediate right to use its interest without restrictions, the contribution should be classified as increases in unrestricted net assets.

6.3.2 Donor-Advised Funds

Although not split-interest agreements, local councils may have arrangements with community foundations, which often maintain funds, including donor-advised funds, designating them as beneficiaries. Local councils will generally receive periodic distributions under these arrangements. Community foundations operate under IRS rules that require them to possess variance power (see above). This allows them to operate as public charities.

With donor-advised funds, the foundation administering the fund gains full control over the contribution, granting the donor advisory status. As such, the foundation is not legally bound to the donor, but makes grants to other public charities upon the donor's recommendation.

Since the element of variance power exists in both cases above, the local council would **not** record a beneficial interest in the funds in its financial statements. Instead, the distributions would be recorded as received or upon notification by the community foundation or donor-advised funds.

6.3.3 Agency Endowments

Some councils transfer their endowment and other assets to investment pools managed by community foundations. The community foundation provides the council with an annual income stream. Community foundations sometimes refer to these arrangements as agency endowments. Under these arrangements, a local council's endowment funds typically become the property of the community foundation, and ultimate control of the investments and disbursements is given to the board of the foundation. The agreement establishing the endowment clearly states that the community foundation can use the funds only for the purposes expressed in the agreement, i.e., for the benefit of the council or its successors. The council may request that the funds be returned under certain conditions, by a resolution of its board and concurrence by the community foundation's board, as outlined in the signed agency fund agreement. Finally, the foundation maintains the power to change the beneficiary or purpose of the fund, i.e., "variance power."

Although the council actually transfers ownership of some or all of its endowment assets to the community foundation, which maintains variance power over them, the local council **should recognize an asset on its books** for the fair value of the assets underlying the "agency endowment" (unlike in the donor-advised funds example above).

Most investment pools are managed in a manner similar to a mutual fund or a hedge fund, whereby the investing entity receives units or shares (equity ownership—as with Boy Scouts of America Asset Management (BSAAM) at the National Council) in the pool and may withdraw or purchase additional shares either monthly or quarterly, at net asset value. In a few investment pools, councils may own identifiable investments (similar to a brokerage account). The accounting for investment pools depends upon the type of rights the not-for-profit investor has (units, shares, or identifiable investments) and the relationship of the not-for-profit investor to the not-for-profit pool manager.

There are three common structures for investment pools:

1. **The interest in the investment pool is like an interest in a mutual fund or a unit in a hedge fund. Some of these interests may be in trust form**. If the NFP is neither consolidated with the pool manager nor financially interrelated with it, the NFP would recognize its rights to the assets held by the pool manager as a beneficial interest in an identifiable pool of assets from a transfer described in FASB ASC 958-605-25-33(d). FASB ASC 958-605-30-14 and 958-605-35-3 state that if a beneficiary has an unconditional right to receive all or a portion of the specified cash flows from a charitable trust or other identifiable pool of assets, the beneficiary should measure and subsequently re-measure that beneficial interest at fair value.

2. **The interest in the investment pool is like a brokerage account, in that investments are specifically identified in the name of each investor entity**. If the NFP's interest in the third party's investment pool is like a brokerage account (in that investments are specifically identified in the name of each investor entity), FinREC (the AICPA's Financial Reporting Executive Committee) believes that the NFP would report as though it held the investment directly, including making financial statement disclosures. This reporting is similar to reporting investments held on an NFP's behalf by a broker.

3. **The interest in the investment pool is effectively a deposit with a money-market fund**. In circumstances in which the NFP's interest in the third party's investment pool is effectively money on deposit in a money-market fund or bank, whether that deposit is classified as cash, a cash equivalent, or an investment depends on facts and circumstances. In many cases, an interest in a third-party's investment pool is subject to some withdrawal restrictions. TIS section 1100.15, "Liquidity Restrictions" (AICPA, Technical Practice Aids), states that withdrawal restrictions should be considered in determining whether assets meet the definition of cash equivalents and when determining the sequencing of assets on the balance sheet (or

classification as current assets) or disclosures in the notes to financial statements providing relevant information about the liquidity or maturity of assets.

6.3.4. Split-Interest Agreements—Measurement Principles

Generally, if the split-interest agreement is irrevocable and the third-party trustee or fiscal agent* has no variance power with respect to the assets under the agreement, the local council should recognize its beneficial interest in those assets and a contribution measured at **fair value** per the Fair Value Measurement topic of the FASB ASC. In some cases, present value techniques should be used to estimate fair value.

*The following procedures assume that the local council is **not** the trustee or fiscal agent in a split-interest agreement. Due to potentially unfavorable tax consequences, the National Council does not recommend that local councils serve as trustees in these arrangements. *The following procedures assume that the local council is **not** the trustee or fiscal agent in a split-interest agreement. Due to potentially unfavorable tax consequences, the National Council does not recommend that local councils serve as trustees in these arrangements.

6.3.4.1 Subsequent Measurement

A not-for-profit is required to re-measure at fair value at each reporting date its beneficial interest in a trust held by a third-party trustee (FASB ASC 958-30-35-2 and 958-605-35-3). The NFP should re-measure its beneficial interest by applying the same technique that it used upon initial measurement, but it should update all the assumptions, including the discount rate, to reflect current market conditions. However, a change in a valuation technique or its application (for example, a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances.

6.3.4.2 Charitable Lead Trusts

Charitable lead trusts are arrangements in which a donor establishes and funds a trust with specific distributions to be made to a council over a specified period of time.

The donor may restrict the council’s use of the assets. The distribution may be for a fixed dollar amount or a fixed percentage of the trust’s fair market value. Upon termination of the trust, the remainder of the trust assets is paid to the beneficiaries designated by the donor.

6.3.3.5.1 Procedure for Charitable Lead Trusts

If the council is not the trustee and does not exercise control over the trust assets, it should recognize its beneficial interest in those assets as temporarily restricted contribution revenue and a beneficial interest, measured at fair value. When distributions are received, reduce the beneficial interest and reclassify the temporarily restricted net assets to unrestricted net assets. Changes in the fair value of the beneficial interest should be recognized as adjustments to the beneficial interest in the statement of financial position and as changes in the value of split-interest agreements in the statement of activities in the temporarily restricted net asset class. If present value techniques are used to estimate fair value, those changes would reflect the revision of all elements discussed in FASB ASC 820-10-55-5, including the passage of time, revaluations of expected future cash flows based on revisions in the donor's life expectancy, and discount rate assumptions to reflect current market conditions. Any balance in the beneficial interest account remaining upon termination of the trust should be recognized as a change in the value of split-interest agreements in the statement of activities in the temporarily restricted net asset class. As indicated above, beneficial interests in charitable lead trusts should be re-measured at fair value each reporting period.

6.4.3 Perpetual Trusts Held by Third Parties

Perpetual trusts held by third parties are arrangements in which a donor establishes and funds a perpetual trust administered by an individual or organization other than the council. Under the terms of the trust, the council has an irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust.

Procedure for Perpetual Trusts Held by Third Parties

The council should recognize this arrangement as a contribution and as an asset. The contribution is permanently restricted. FASB ASC 958-605-30-14 states that the fair value of a perpetual trust held by a third party generally can be measured using the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the beneficial interest differs from the fair value of the assets contributed to the trust. The council should record the distribution(s) as unrestricted investment revenue (income) unless the donor has restricted its use. At the end of each year, beneficial interests in perpetual trusts should be re-measured at fair value with changes in value recognized in the statement of activities in the permanently restricted net asset class.

6.4.4 Charitable Remainder Trusts

Charitable remainder trusts (CRTs) are arrangements in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term.

When the beneficiary dies, the trust is terminated. Upon termination of the trust, the council may receive immediate use of the assets, or the donor may place a temporary or permanent restriction on their use. The distribution to the beneficiary may be for a fixed amount (charitable remainder annuity trust) or it may be for a specified percentage (charitable remainder unitrust).

Procedure for Charitable Remainder Trusts

If the council is not the trustee and does not exercise control over the assets contributed to the trust, the agreement should be recognized as a beneficial interest in a trust. The council should recognize, as temporarily restricted contribution revenue (or permanently restricted or unrestricted contribution revenue depending on donor stipulations) and as a beneficial interest (a noncurrent asset), the fair value of the beneficial interest. Adjustments to the beneficial interest to reflect changes in the fair value should be measured using the same valuation technique as was used to measure the asset initially and recognized as changes in the value of split-interest agreements. Changes in fair value of charitable remainder trusts should be recognized in the statement of activities in the same net asset class that was used to initially recognize the beneficial interest. As with other beneficial interests in trusts held by third parties, beneficial interests in CRTs should be re-measured at fair value each year. Upon the death of the (income) beneficiary, the beneficial interest is closed, the assets received from the trust are recognized at fair value, and any difference is reported as a change in the value of split-interest agreements.

6.4.5 Charitable Gift Annuities

A charitable gift annuity (CGA) is a contract between a donor and a council in which the donor contributes assets to the council in exchange for a promise by the council to pay a fixed amount for a specific period of time to the donor, or to individuals or organizations designated by the donor. The agreements are similar to charitable remainder annuity trusts, except no trust exists, the assets received are held as general assets of the council, and the annuity liability is a general obligation of the council.

A more common situation among local councils is when a council is named a beneficiary of a CGA administered by the National Council located in the national office.

Procedure for Charitable Gift Annuities

If the local council executes a CGA contract with a donor, assets received are held as general assets of the council, and the annuity liability is a general obligation of the council. The council should enter the agreement in the period in which the contract is executed and record the assets received at fair value. An annuity payment liability should be recognized at the present value of future cash flows expected to be paid to the donor's designee. The difference, if any, between the assets and liabilities should be recorded as unrestricted contribution income. In subsequent periods, payments to the donor's designee will reduce the amount of the liability.

Upon the death of the designee, close the annuity liability and record the change in the value of the agreement in the Statement of Activities and Changes in Net Assets.

If a donor signs a CGA contract with the National Council naming a local council as the remainder beneficiary, the local council should record at fair value its beneficial interest in the CGA and a corresponding contribution recognized in its statement of activities in changes in temporarily restricted net assets, unless the donor has permanently restricted the council's use of its interest or given it the immediate right to use the assets it receives (i.e., unrestricted)—see FASB ASC 958-30-45-1. Since the annuity payment liability is the National Council's, the local council records none. The local council's beneficial interest in the CGA should be re-measured at fair value each year with the change in value recognized in the statement of activities as a change in the same net asset class as upon initial recognition.

6.4.6 Pooled (Life) Income Funds

The National Council offers a pooled income fund as another option for donors interested in planned giving. The BSA Pooled Income Fund Program is similar to the gift annuity program, but is more like a charitable mutual fund. Donors contribute to the pooled fund and receive “investment shares” in the larger pool. They receive lifetime income and an income tax deduction in return for their gift. At the end of the lifetime of the beneficiary (or beneficiaries), the shares are cashed in with the proceeds going to the local council(s) of the donor’s choice (or to establish a new fund at the BSA Foundation).

Procedure for Pooled (Life) Income Funds

When the local council is notified by the National Council that it has been designated as a beneficiary under a pooled income fund arrangement, the local council should record at fair value its beneficial interest in the pooled income fund and a corresponding contribution recognized in its statement of activities in changes in temporarily restricted net assets unless either of the following conditions exists:

a. The donor has permanently restricted the council’s use of its interest (lead or remainder) in the assets. If the donor has permanently restricted the council’s use of its interest, the contribution should be classified as an increase in permanently restricted net assets.
b. The donor gives the council the immediate right to use without restrictions the assets it receives.

Since the payment liability to the donor is the National Council’s, the local council records none. The local council’s beneficial interest in the CGA should be re-measured at fair value each year with the change in value recognized in the statement of activities using the same classification as was used when the contribution was initially recognized.

Upon the donor’s death, any remaining balance in the beneficial interest (noncurrent asset) account should be closed and a change in the value of split-interest agreements should be recognized. For agreements initially recognized as changes in temporarily restricted net assets, a reclassification to unrestricted net assets would also necessary to record the expiration of the time restriction.

6.4 Liabilities

6.4.1 Liability Valuation and Status

Liabilities incurred by the corporation indicate claims against assets by outside parties. These are segregated into current and non-current based on the nature of the demand. Such items as accounts payable, taxes and withholdings, and custodial accounts are considered current. Long-term notes and mortgages are examples of non-current liabilities.

6.4.2 Notes Payable and Long-Term Indebtedness

When the council borrows money from an external financial institution there may be both a current and non-current component to the note payable. The value recorded in current accounts should be the principal that is due in the coming 12 months. The remaining principal balance would be shown in the non-current account. This should be adjusted at least annually and should contain at least an approximate value for interim reporting.

6.5 Net Assets

Net assets represent the portion of assets that are not committed to other entities or persons. An equivalent measure in the for-profit world would be owner's equity or retained earnings. Net assets are the result of revenues and expenses that change the nature of either assets or liabilities over the life of the organization.

During interim reporting periods of a fiscal year, the statement value is calculated based on the carryover from prior years in net asset accounts plus the net of revenues, releases from restriction, expenses, and transfers. In the year-end close process these account balances will be moved by journal into the net asset accounts to begin the new fiscal year.

Certain contributions and resultant revenues may carry a donor restriction on their status and use. Changes in these revenues flow into net assets that follow the original restriction.

Net assets are segregated by any donor restrictions placed on the original contribution or the restricted investment income that created them.

Unrestricted Net Assets

- No donor restrictions
- Board has full discretion (See 6.2 Quasi-Endowment)
- Can exist in operating, capital and endowment funds

Temporarily Restricted Net Assets

- Donor restrictions for time/purpose
- Council can fulfill donor intent and meet restrictions
- Can exist in operating, capital and endowment funds

Permanently Restricted Net Assets

- Donor restrictions–permanent
- Cannot be released
- Available ONLY in capital and endowment funds

Chapter 7

Revenues and Expenses

Revenues and expenses of the corporation are an expression of the way in which the net assets change from time to time based on the operations of the council.

7.1 Revenues

The Boy Scouts of America classifies revenues into two separate types:

- Support
  Derived from direct or indirect contributions
- Other Revenues
  Derived from a variety of operational efforts

7.1.1 Support

Direct contributions are received based on fundraising efforts of the council. The Boy Scouts of America has chosen to segregate types of direct contributions by:	
Friends of Scouting	Special Fundraising Events
Direct Mail	Legacies and Bequests
Capital Campaigns	Foundations and Trusts
Project Sales	Other Direct Contributions
Indirect contributions are received based on fundraising efforts of the council. The Boy Scouts of America has chosen to segregate types of indirect contributions by:	
Associated Organizations	Unassociated Organizations
United Way	United Way Donor Designations
Other Indirect Contributions	Government Fees and Grants

7.1.1.1 Contributions

Contributions are unique to the not-for-profit accounting system. Proper recording and recognition of contributions are fundamental responsibilities of council management. Contributions can be cash, other assets, or services from individuals, for-profit organizations, other not-for-profit organizations, or government entities.

A contribution is:

- an unconditional transfer or settlement of cash or other asset to an entity, or
- a cancellation of liabilities in a voluntary, nonreciprocal transfer by an entity acting other than as an owner.

Record contributions when they are received, with the following two exceptions:

- The amount of the contribution is not clear.
- The promise is conditional. Do not record conditional contributions until the conditions are substantially met. Do not record contributions on which conditions exist that are not likely to be met in the near future.

Other assets may include securities, land, buildings, use of facilities or utilities, materials and supplies, intangible assets, services, or unconditional promises to give those items in the future.

Some inflows of assets are not included in the definition of contributions, are as follows:

- Transfers that are exchange transactions, in which both parties receive goods or services of commensurate value.
- Transfers in which the organization is acting as an agent, trustee, or intermediary for the donor (that is, the organization has no variance power over the assets transferred).
- Tax exemptions, tax incentives, and tax abatements.
- Investment income

7.1.1.2 Donor-Restricted Contributions

Only a donor, or in some cases a court, can place restrictions on a contribution. A donor's restriction may be either explicit or implicit. An explicit restriction is identified when the donor states the restriction in writing. Implicit restrictions are accomplished through the materials identifying and describing various fundraising programs to which the donor subscribes.

Definition: A donor is a person or organization that provides an unconditional promise to give without the expectation of receiving goods or services of a commensurate value of the contribution.

Donor restrictions may fall in any of three types:

- Unrestricted Contributions
- Temporarily Restricted Contributions
- Permanently Restricted Contributions
  See Section 6.5 above for further definition.

7.1.1.3 Pledges

The Contributions Received section of the FASB ASC states that contributions received shall be measured at their fair values (ASC 958-605-30-2). Unconditional promises to give (pledges) that are expected to be collected in less than one year may be measured at net realizable value because that amount results in a reasonable estimate of fair value (ASC 958-605-30-6). It is management's responsibility to estimate the amount of pledges that are ultimately collectible. Failure to record contributions receivable at net realizable value may result in an overstatement of the council's financial position.

BSA Policy: Promises to Give—To conform to GAAP and BSA policy, record promises to give (i.e., pledges) when they are received by the council with no conditions (i.e., with no "strings attached") and are independently verifiable. This ability to verify usually consists of a signed and dated pledge document.

7.1.1.4 Pledge Payments

Payments of pledges usually are made in cash, but may be made with other forms of assets. Payments my take the following forms:

- Cash
- Check
- Credit card
- Electronic fund transfer
- Gift-in-kind
- Online payment transactions

7.1.1.5 Gift-in-Kind

When the council accepts payment of a pledge in a form other than cash, the council must determine the fair market value of the donated asset at the time it is received and record the payment of that amount. In these cases, the type of payment is a gift-in-kind.

Examples of non-cash (gift-in-kind) payments may include the following:

- Stock or bond
- Office supplies
- Works of art
- Fuel
- Building materials
- Land
- Vehicles

7.1.1.6 Special Event Payments

The Internal Revenue Service distinguishes between special events and activities. While an activity relates to the mission of the Boy Scouts of America, the primary purpose for special events is to raise money. Special events realize income in excess of direct benefits provided to participants and the incidental cost of the event. The cost of the direct benefits to participants is a reduction from income.

The principal feature of special events is that participants receive some personal benefit from their participation in the event. The benefited portion of the contribution is not tax-deductible to the donor. The council is responsible for an accounting of benefited costs and disclosing them in all of their literature and issued statements.

To assist in this process, the accounting for special events is divided into three sections:

- Gross contributions—Total fees charged to participate in the event
- Direct benefits costs—Expenses in which the participant receives a benefit
- Indirect costs—Cost of promoting, advertising, and communicating the event

To determine the amount of tax-deductible contribution, take the gross contribution paid to participate and subtract the direct costs of the event on a per-participant basis.

$ Gross contribution
Less $ Direct benefit cost per participant

$ Tax-deductible contribution

All costs are stated at fair market value, regardless of how much the council actually paid for the service.

7.1.1.7 Contributions of Stocks

The key question in finding the value of a stock donation is the date of transfer. This date will be important in establishing a value for the donation.

On the date of transfer of ownership of the stock, the council takes the high and low stock price for the day (look it up on the stock exchange or call a broker for the information) and calculates the average between the two. That is the stock price at time of donation. Multiply this calculated price times the number of shares donated and you will have the value of the donation.

The value does not change, even if it takes a while for the council to be notified of the donation. Also, the amount of the donation is not affected by the subsequent change in stock price, whenever it occurs.

The amount of the donation is booked as a pledge, and the payment results in a contribution and short-term investment. The amount of proceeds from any sale is booked when it occurs. If the amount is less than the pledge, a loss is recorded in the gain/loss account (6601), along with the proceeds of the sale. If there is a gain as a result of the sale, then pay the total amount of the pledge and record in the cash receipts journal the difference to the gain/loss account.

Example:

The council received a donation of 100 shares of stock on March 12, on which date the shares were valued at $2,000. The council sold the stock on March 30 for $3,000.

On March 12, the pledge and short-term investment of $2,000 was recorded. On March 30, upon the sale of stock, the council recorded the payment of the pledge of $2,000 and realized gains on investment (account 6601) of $1,000.

If on March 30 the council sold the stock valued on March 12 for $1,500, then the council would record the pledge payment of $2,000 and record a loss on investment of $500 to account 6601.

Any transactions or brokerage fees associated with the receipt of or sale of this donation should be expensed to brokerage commissions and collection fees account (8006)

7.1.1.8 Payments in Future Years

Pledges that allow payments in future years may need to be discounted to present value. That is, dollars pledged today may not have the full value in the future years. It is not necessary to record separately the discounted value of each individual pledge; the pledges may be discounted by a journal entry prior to year-end for the total of all future payments. At the end of the campaign, if the pledges are fully paid, the council must add back the discounted amount, called accretion.

The present value of unconditional pledges should be measured using a discounted rate consistent with the general principles under FASB ASC topic *Fair Value Measurement* (ASC 820-10). The discounts should be amortized between the date the pledge was made and the date the cash or other method of payment was received.

The discount should be separately disclosed by reporting it as a deduction from pledges receivable and contributions on the face of the Statement of Financial Position and on the face of the Statement of Activities and Changes in Net Assets.

7.1.1.9 Tax Deductions and Contribution Statements

Payments made in campaigns in which the donor receives a benefit, such as a golf tournament, must be treated differently. The benefit received by each donor must be calculated. The Internal Revenue Service requires that this value must be communicated to the donor in certain circumstances.

- Statements for charitable contributions: Charitable organizations described in section 501(c)(3) are eligible to receive tax-deductible contributions in accordance with section 170:

  A charitable organization must provide a written disclosure statement to donors of a quid pro quo contribution (where the direct benefit is received by the donor) in excess of $75. A penalty is imposed on a charity that does not make the required disclosure in connection with a quid pro quo contribution of more than $75. The penalty is $10 per contribution, not to exceed $5,000 per fundraising event or mailing (as of).

The required written disclosure statement must:

- Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the value of goods or services provided by the charity.
- Provide the donor with a good-faith estimate of the value of the goods or services that the donor received.

The charity must furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the disclosure statement is furnished in connection with a particular solicitation, it is not necessary for the organization to provide another statement when the associated contribution is actually received.

Although local councils are not required under IRS rules to issue contribution statements for non-quid pro quo contributions, a donor claiming a tax deduction for a single contribution of $250 or more is required to maintain a bank record (i.e., canceled check) of the transaction or obtain a contemporaneous written acknowledgment of the contribution from the charitable organization. To be contemporaneous, the written acknowledgment must generally be obtained by the donor no later than the date the donor files the return for the year the contribution is made. The written acknowledgment must state whether the donee (charitable organization) provided any goods or services in consideration for the contribution.

7.1.1.10 Matching Gifts

Some organizations have a matching gift policy for their employees. These matching gifts are conditional, depending upon the employee making the initial gift. When a matching gift is received, the contribution is considered a contribution from the organization (employer) to the council. The employer should be recognized as the donor in the same giving type (friends of scouting).

7.1.2 Government Fees and Grants

A limited amount of participation in government-funded projects may occur from time to time.

BSA Policy: Council participation in government-funded projects must have prior approval of the regional director and the funds administered in such a way that the Boy Scouts of America maintains its integrity.

Fees received from government agencies are recorded as temporarily restricted. The restriction is met when the related services are performed by the council.

7.1.3 Associated and Non-Associated

7.2 Other Revenues

Other revenues result from an exchange transaction or earnings on an investment, as opposed to a contribution. Other revenues must be recorded when they are earned. The council may provide goods, services, or programs and receives a fee in exchange. Examples are sales of supplies, product, and camping and activity fees.

7.2.1 Sale of Supplies

Many councils operate a trading post, selling program-related supplies, for the purpose of supporting the Scouting program in the local council. To record the sale of supplies:

- Record sales to either a tax-exempt or taxable sales account in the general ledger, depending on state law.
- Record revenue from these operations as gross sales, less cost of goods sold, with a net revenue.

  When calculating the cost of goods, do not include outbound shipping, postage, or cost of utilities. If the council is using software that produces a cost of goods sold report, record this amount at least monthly. If you are calculating the cost manually, use a percentage of sales to calculate the cost of goods sold.

- Record all inventory purchases in the inventory account.

7.2.2 Product Sales

Councils also conduct sales of products (products not related to the Scouting program) to Scout units for the purpose of raising money for the Scouting program. The product sales cycle begins with the purchase of product inventory by the council. Purchases of product are debited to GL account 1404, *Inventory—Product Sales*, with an offsetting credit to accounts payable (and ultimately cash, when the invoice is paid). Revenue from product sales is recognized when the council delivers the product to units, at which point a debit to GL account 1241*****, *Accounts Receivable—Units*, is recorded with a credit to GL account 6401, *Product Sales* (at retail value). At the same time, the council should recognize the cost of product sold by debiting GL account 6451, *Cost Product Sold—Product Sales*, and crediting GL account 1404, *Inventory—Product Sales*, (at cost). When a unit pays its balance due to the council for product it purchased, the council should record a debit to cash and a credit to GL account 1241, *Accounts Receivable—Units* (Note: This may be accomplished through a point-of-sale system). When the unit has paid its obligation to the council in full, the council should record a debit to GL account 6471, *Commissions Paid to Units—Product Sales*, and a credit to the unit's custodial account, held by the council. This may also be accomplished through a point-of-sale system.

*****Allowances for doubtful accounts and product returns can be recorded at this time, as appropriate, by debiting account 6441, *Provision for Doubtful Accounts/Returns* and crediting account 1270, *Allowance for Doubtful Accounts* (the same accounts may be used for both accruals).

7.2.3 Investment Income

When money is invested, the interest is returned to the council as income and is recorded net of investment costs.

Record investment income in the fund that is the beneficiary of the earnings. Record investment income for the general support of the council in the operating fund. If a donor has restricted the investment income for camp improvements, for example, record the investment income in the capital fund.

Accounting standards, and the policy of the BSA, permit investment income from endowment funds for the general support of the council to be recorded in the operating fund. Investment income is

NOT recorded in the endowment fund and then transferred to the operating fund, except in certain circumstances described under the total return policy.

7.2.3.1 Investment Income From Trust Funds

Trust fund income consists of three basic components:

- Investment Income: Interest income, dividends, and royalties
- Realized Gains/Losses: Gains and losses derived from the sale of stocks, bonds, etc. within the investment portfolio.
- Unrealized Gains/Losses: The change in the market value of current investment items within the investment portfolio based upon a point in time.

7.2.3.2 Board-Approved Spending Policy Guidelines

The endowment fund investments consist of three components:

1. Investment Income—Interest, dividends, and royalties income.
2. Realized Gains/Losses—Income derived from sale of stocks, bonds, etc. within the investment portfolio.
3. Unrealized Gains/Losses—Change in the value of current investment items within the investment portfolio.

Audit guide It is the policy of the Boy Scouts of America that investment income is recorded directly in the operating fund.

7.2.3.4 Income Without a Spending Policy

In accounting for investments using this practice, we provide the following guidelines:

- Restricted funds may not be reclassified.
- Investment earnings should not be booked as investment income in restricted funds and then transferred to an unrestricted fund.
- The Financial and Accounting Guide for Not-for-Profit Organizations explains: The accounting for a fixed percent return must be handled in exactly the same manner as it would be if the organization were making its own investments in its own separate endowment fund. It is not acceptable to record the full percent payment as dividend income. Therefore, it is necessary for the organization to know the amount of its share of the actual dividends and realized gains of the outside investment fund. Its share of the actual dividends is recorded as unrestricted income and its share of the actual total realized gains is recorded as gains, restricted or unrestricted as appropriate, without regard to the percent cash payment received from the investment fund. The carrying value of the organization’s share of this investment fund is thus increased or decreased to the investment fund’s cost basis as though there were no separate investment fund. In short, the accounting for the dividends and interest and realized gains is completely independent of the X percent cash payment. It is dependent on the underlying actual results of the investment fund.

Councils should estimate the amount of investment income that they can expect from their endowment assets and use this figure as the amount to be budgeted in the coming year.

7.2.3.5 Total Return Policy

The standard of care for investing in a trust with a corporate trustee is based on the state law for trusts. When setting investment and spending policies, it is important to remember that the trust document and state law, not a board resolution, govern what the council can do.

Some councils have adopted a total return policy in accordance with their trust document that permits a calculated amount to be recorded each year in the operating fund.

In the years that the investment income is MORE than the calculated amount allowable by the spending policy, record the calculated amount earned, less trustee/management expenses, directly in the operating fund as investment income, and record the remainder in the unrestricted investment income in the endowment fund.

In the years that the investment income is LESS than the calculated amount allowable by the spending policy, record the current year investment income, net of trustee/management expenses, directly in the operating fund. Additionally, use the transfer accounts to transfer the remainder of the calculated amount allowable by the spending policy from unrestricted net assets in the endowment fund to the operating fund, to the extent that they are available.

Record investment revenue (income) when earned, not when the cash is physically received by the council.

7.2.4 Recording Gains/Losses

The Financial Accounting Standards Board has ruled that not-for-profit organizations must show the current market value of investments on statements.

To record an unrealized gain:

Debit	Long-term investments	3-1901-xxx-00
Credit	Unrealized gains or losses—unrestricted	3-6651-xxx-90

Or, if donor restrictions require:

Credit	Unrealized gains or losses—temporarily restricted	3-6651-xxx-91

Or, if donor restrictions require:

Credit	Unrealized gains or losses—permanently restricted	3-6651-xxx-92

To record an unrealized loss:

Debit	Unrealized gains or losses—unrestricted	3-6651-xxx-90

Or, if donor restrictions require:

Debit	Unrealized gains or losses—temporarily restricted	3-6651xxx-91

Or, if donor restrictions require:

Debit	Unrealized gains or losses—permanently restricted	3-6651-xxx-92
Credit	Long-term investments	3-1901-xxx-00

To record realized gains:

Debit	Long-term investments	3-1901-xxx-00
Credit	Gains or losses—unrestricted	3-6601-xxx-90

Or, if donor restrictions require:

Credit	Gains or losses—temporarily restricted	3-6601-xxx-91

Or, if donor restrictions require:

Credit	Gains or losses—permanently restricted	3-6601-xxx-92

To record realized losses:

Debit	Gains or losses—unrestricted	3-6601-xxx-90

Or, if donor restrictions require:

Debit	Gains or losses—temporarily restricted	3-6601-xxx-91

Or, if donor restrictions require:

Debit	Gains or losses—permanently restricted	3-6601-xxx-92
Credit	Long-term investments	3-1901-xxx-00

NOTE: Too high of a spending policy rate could deplete the council's unrestricted net assets in the endowment fund over time. While councils may have a spending policy up to or at 5 percent, if they have no unrestricted net assets left, transfer of temporary and restricted endowment assets is not permitted.

7.2.5 Camping and Activity Revenue

Local councils have many activities in which the participants of the event generate revenues and expenses. These events are almost always in a future time period from when the expenses are incurred. Under these circumstances, the council will have deferred revenues and expenses that will apply to the accounting period when the event is held. All activity revenue and expenses are held and accounted for by the council.

Revenues and expenses are NOT brought into current revenues or current expenses until the event itself is held. If the event is canceled, all collected fees will be refunded and the council will absorb whatever loss may have been generated by the canceled event.

BSA Policy: Gross Revenue— Cash receipts collected for the activity should not be used to pay for expenses incurred during the actual activity. All revenue received at an activity should be turned in to the council intact and reconciled to the field receipts. All expenses should be paid through the council. Revenue in excess of expenses may be utilized as the council deems appropriate, within the council budget.

7.2.6 Unrelated Business Income

When a council derives revenue from activities unrelated to its primary not-for-profit business, the revenue may be subject to federal and/or state income tax. Types of revenue that have previously been subject to federal and/or state taxes include the following:

- Rental income
- Sale of timber
- Sale of other natural resources

There are many provisions and exclusions of this requirement. The local council should consult a local tax adviser and/or the Internal Revenue Service.

7.3 Expenses

The Boy Scouts of America places expenses into two separate types:

- Employment-Related Expenses
  Salaries, taxes, and benefits
- Other Expenses
  All other expenses of the corporation, including depreciation and payment of national charter and service fees

Chapter 8
Chart of Accounts

The National Council of the Boy Scouts of America maintains a master list of accounts and account descriptions. From this list, councils may choose the accounts they need to record their business transactions.

8.1 Account Numbering System

Account Range	Type of Account	Natural Balance
1000–1999	Assets	Debit
2000–2999	Liabilities	Credit
3000–3599	Net assets	Credit
3600–3699	Net assets released from restriction	Credit
3900–3999	Transfers	Credit
4000–4999	Contribution revenue	Credit
5000–5999	Government grants and fees	Credit
6000–6999	Other revenue	Credit
7000–9999	Expenses	Debit

8.2 Categories Within Each Type of

Assets

1000–1099	Cash
1100–1199	Short-term investments
1200–1299	Accounts and notes receivable
1300–1399	Pledges receivable
1400–1499	Inventories
1600–1699	Inter-fund loans
1700–1799	Pre-paid expenses and current assets
1800–1899	Land, building, and equipment
1900–1999	Long-term investments, non-current assets

Liabilities

2000–2099	Accounts payable
2100–2199	Accrued expenses
2200–2299	Payroll taxes and benefits withheld
2300–2399	Custodial accounts
2400–2499	Notes payable
2600–2699	Deferred revenue
2700–2799	Other current liabilities
2800–2899	Long-term indebtedness
2900–2999	Other non-current liabilities

Net Assets

3000–3099	Net asset released from restriction
3100–3199	Adjustments to net assets
3600–3699	Release from restriction assets
3900–3999	Interfund transfers Transfer accounts

Contribution Revenue

4000–4099	Friends of Scouting, direct mail, and project sales contributions
4100–4199	Capital campaign contributions
4200–4299	Special fundraising events
4300–4399	Legacies and bequests
4400–4499	Foundations and trusts
4500–4599	Other direct contributions
4600–4699	Associated organizations
4700–4799	United Way
4800–4899	Unassociated organizations
4900–4999	Indirect contributions

Government Grants and Fees

5000–5099	Grants and fees from government agencies

Other Revenue

6300–6399	Sale of supplies
6400–6499	Product sales
6500–6599	Investment income
6600–6699	Gain/loss on investments
6700–6799	Camping revenue
6800–6899	Activity revenue
6900–6999	Miscellaneous revenue

Expenses - Compensation and Benefits

7000–7099	Salaries
7100–7199	Employee benefits
7200–7299	Payroll taxes
7300–7399	Employee-related expenses

Expenses - Other Expenses

8000–8099	Professional fees
8100–8199	Supplies
8200–8299	Telephone
8300–8399	Postage
8400–8499	Occupancy
8500–8599	Rental and maintenance of equipment
8600–8699	Printing
8700–8799	Travel
8800–8899	Conferences and meetings
8900–8999	Assistance to individuals
9100–9199	Recognitions
9200–9299	Interest
9300–9399	Insurance
9400–9499	Other expenses
9500–9599	Depreciation and amortization
9600–9699	National service fee and charter fee

8.3 Asset Accounts—Usage Guidelines

The account numbers given in the headings refer to the base account number. Reference is made to the other account numbers in the text as necessary.

1000–1099: Cash

Debit entries to the cash accounts (increases in cash) come from the cash receipts and trading post journals and credit entries (decreases in cash) come from the cash payable journal. A general journal entry may be the source to a cash account, but such entries must have the prior approval of the Scout executive or designee.

1001–1020: General Checking Account

These accounts will be bank accounts for all cash receipts and disbursements. Because there should be at least one general ledger cash account for each fund group (operating, capital, and endowment), it is conceivable that there could be a general ledger account for each fund group (1-1001, 2-1001, 3-1001) all tied to one bank account. Multiple accounts in this range are provided to allow each bank account to have its own unique GL account number.

Camping receipts and disbursements should be recorded in the principal bank account unless a separate bank account is considered necessary for depository purposes because of remote locations, in which case account 1-1071 should be used for camping receipts (see below).

1030–1039: Depository Account

Cash may be received by volunteers or council employees in connection with fundraising campaigns, membership enrollments, council activities, etc. Particular care must be taken to safeguard these funds. Otherwise the funds should be turned in to the council service center in such intervals as to preclude unreasonable accumulations of cash outside the council's service center.

Accounts 1030 through 1039 are available to record such deposits. These accounts should be used only for events held at distant locations from the council service center. These accounts should not be used to pay council bills; the only disbursements from these accounts are transfers of funds to the principal checking account.

It is important to note that funds deposited into these accounts are assets of the council and should be recorded in the cash receipts journal immediately upon receipt of the deposit slip. Multiple accounts in this range are provided to allow each bank account to have its own unique GL account number.

1049: Transfers Between Bank Accounts

1048: Payroll Checking Account

It is recommended that all payrolls be paid through the general checking account. However, if a separate checking account is desired for payroll checks, account 1048 is available.

Account 1048 should be maintained on an impress basis (that is, the general ledger balance should always be a set amount, because deposits should always equal the checks drawn). An initial “round amount” deposit may be made to provide for salary checks that may be issued and recorded in the payroll journal in advance of a regular payroll date. The total of checks drawn against the payroll checking account should equal the amount transferred to it from account 1001. When all the payroll checks have cleared, the balance in the payroll bank account should equal the impressed amount originally deposited.

1051–1059: Savings Account

These accounts record deposits of cash in a savings account. Each savings account should be recorded in a separate general ledger account, regardless of whether the accounts are in the same bank.

Interest earned is added to the bank balance by the bank at periodic intervals—monthly, quarterly, semiannually, or annually. The councils should be familiar with the interest dates of each bank account so that interest can be recorded immediately. Interest earned is recorded in the cash receipts journal crediting the appropriate investment income accounts.

1071–1079: Camp Checking Account

It is recommended that all summer camping cash receipts and disbursements be recorded in the general checking account. However, accounts 1071–1079 will be used if a separate bank account to record cash receipt deposits is necessary. If accounts 1071–1079 are used, it is recommended that it be restricted to the deposits of camping cash receipts, and that camping cash disbursements be made from the general checking account. If this is done, the only checks drawn against accounts 1071–1079 represent a transfer of funds between bank accounts and the general checking account. Multiple accounts in this range are provided to allow each bank account to have its own unique GL account number.

If a council operates two or more camps, it may deem necessary a separate bank account for each locations.

1081: Petty Cash

This account records the petty cash of the council. It is to be maintained on an impress basis; therefore, an entry is made to this account in the general ledger only when the account is increased or decreased.

Because the petty cash account is maintained on an impress basis, the general ledger balance remains at a set amount. If a council feels it is desirable to use more than one general ledger account, project codes are available.

1089: Change Account

This account records change monies for cash drawers. A check should be drawn payable to the custodian to open the account. Thereafter, entries are made to this account in the general ledger only when the account is increased or decreased.

1100–1199: Short-Term Investments

1101–1109: Short-Term Investments

These accounts should be used to record the cost or fair value of short-term investments. The distinction between short-term and long-term investments depends on the intended future use of the investments by the council. Classify investments as short-term when the council intends to convert them to cash within a year and then use that cash for a purpose other than reinvestment. Examples: the temporary investment of excess cash of the operating fund in certificates of deposit or other securities, with the proceeds at the time of maturity or sale to be used for operating purposes; the temporary investment of pledge payments received in a capital campaign prior to the start of construction etc. Multiple accounts in this range are provided to allow each bank account to have its own unique GL account number.

Long-term investments are those that the council intends to retain for a year or longer, or, if they mature within a year, to reinvest the proceeds. For example, all investments held by the endowment fund, even certificates of deposit, would be classified as long-term, unless restrictions were due to lapse and the investments were to be sold with the proceeds used for other purposes.

When investments mature or are sold, the appropriate investment account should be credited for the exact amount on the books for that particular investment, i.e., the purchase cost or the fair value at the time of the gift.

Any excess cash received should be credited to an income account in one of these ways:

- If the security was recorded on the books at a “discount” (for less than its face value) and an amount equal to the face value is received at maturity, the excess received over the carrying value should be credited to the appropriate investment income account because the excess represents interest earned (see accounts 6501–6599). U.S. Treasury bills are one of the most common examples of this type of investment.

- Otherwise, the excess should be credited to the appropriate “gain (loss) on investment transactions” account (see accounts 6601–6699).

If the cash received is less than the carrying value of the investment, the appropriate “gain (loss) on investment transactions” account should be debited for the difference.

Investment income (interest and dividends) may be credited to any of the fund groups, depending on legal restrictions or directives of the council executive board. If the income results from payments made to the council for interest or dividends alone, then the entry recording this income is fairly straightforward. The payment can be deposited readily in a cash account of the fund receiving the income, and the resultant entry will debit that cash account and credit investment income. However, if the payment made to the council for a security that matures covers the principal as well as the interest (as in the case of a U.S. Treasury bill), the situation becomes more complicated.

1200–1299: Accounts and Notes Receivable

The receivable accounts are used to record amounts owed to the council other than pledges. Debits (increases) to these accounts may arise from the accounts payable journal (a cash or travel advance) or from the general journal (when revenue is credited for a government grant or when a monthly accrual entry is made). Credits (decreases) to these accounts may arise from the cash receipts journal when payment is received by the council, or from the trading post (write-off of an uncollectible receivable), or even from the accounts payable journal in instances involving the reimbursement of employees for expenses in excess of advances.

1201: Fees / Grants Receivable From Government Agencies

This account should be used to accrue fees earned by the council but not yet paid by a government agency. The offsetting credit in the general journal would be to account 5001, fees from government agencies. Credits to this account come from the cash receipts journal when the government remits the fees / grants. Should additional accounts be necessary, project codes are available.

1211: Grants Receivable From Government Agencies

This account should be used to accrue grants that are payable to the council.

The offsetting credit in the general journal will be to account 5001, grants from government agencies, and further discussion may be found under the same heading in chapter 5. Credits to this account will come from the cash receipts journal or trading post journal when the government remits payment. Should additional accounts be necessary, project codes are available.

1220–1235: Notes Receivable

Although councils ordinarily do not hold notes, these accounts are available if a council finds it necessary to take a note from a unit or employee. There might be an occasion when an “other” source would apply.

1221: Notes Receivable—Units

1222: Notes Receivable—Other

1234: Notes Receivable—Employees

Recording the receipt of a note receivable for amounts owed to the council is accomplished by a voucher entered in the journal or by a journal entry recorded in the general journal. Subsequent receipts of cash in payment for notes receivable are recorded in the cash receipts journal. Amounts owed by employees and paid through payroll deductions will be credited to notes receivable—employees, account 1234, from the payroll journal.

Interest income received from notes receivable would be recorded in the cash receipts or trading post journal and credited to other income, account 6931.

Should additional accounts be required, project codes are available.

1241: Accounts Receivable—Units

This account is used typically to record the monies due from units relating to the council's product sale. For the product sale, this account would be debited in the general journal, and account 6401, sale of products, would be credited when the product is delivered to the units. When the units pay for the product sales, this account would be credited in the cash receipt or trading post journal.

1242: Accounts Receivable—Other

This account is used to record accounts receivable not otherwise classified.

1243: Accounts Receivable—Returned Checks

This account is a clearing account for checks deposited that are returned by the bank as unpaid because of insufficient funds or another reason. All entries in this account should be brought to the attention of the Scout executive at time of entry.

1244: Accounts Receivable—Other Councils

This account is used to record amounts due from other councils. For example, council A may purchase inventory for resale from council B. Council B would debit this account through the general journal, and the credit will come from the cash receipts or trading post journal.

1254: Accounts Receivable—Employees—Cash Advances

Account 1254 records cash advances to employees for council and district activities. When a check for a cash advance is drawn, account 1254 is debited in the accounts payable journal. When the cash advance reconciliation form is completed by the employee, it is turned in to the accounting department. The accounting department then credits this account for the amount of expenditure receipts. The offsetting debits would be applied to the various expense accounts relating to the council or district activity. Unspent cash, if any, should be receipted through the cash receipts or trading post journal, crediting this account.

1255: Accounts Receivable—Employees—Other

This account is for recording other accounts receivable from employees. The source for the debits to this account will generally come from the cash disbursements journal. Credits to this account will result when the employee repays the council in cash (cash receipts journal) or via payroll deductions (payroll journal).

1261: Accounts Receivable—Deposits

This account records deposits with vendors, such as a deposit with a utility company for service. Debits to this account will come from the accounts payable journal when the deposit is made. Credits to this account will come from the cash receipts or trading post journal when a deposit is repaid to the council or from the general journal if the deposit is used by the vendor for partial payment or is forfeited for some reason.

1262: Accounts Receivable—Refunds and Claims

Examples of situations requiring this account are as follows: an overpayment of a vendor's invoice, claims against freight companies for damaged merchandise, and claims due from insurance companies as a result of accidents, etc. Debits to this account would come from the general journal. The offsetting credit should be to the account involved in the situation giving rise to the claim. (If the council repaired an item that had been damaged, repair expense would be debited. When the claim is made, account 1262 would be debited and repair expense should be credited.)

1263: Accounts Receivable—Sales Tax

1264: Accounts Receivable—Use Tax

In some states, operating supplies purchased for a council's own use are not exempt from sales or use taxes at time of purchase, but reimbursement of the taxes may be requested from the state treasurer or tax department by making proper application at the end of the year. If this procedure is followed, a council would use accounts 1263 and 1264 to accumulate the taxes paid during the year.

When the refund check is received in the following year, it will be recorded in the cash receipts journal, and account 1263 or account 1264, as appropriate, will be credited to close out the account.

1270: Allowance for Doubtful Accounts (credit balance)

If subsequent review indicates some doubt of the collectability of accounts receivable, an allowance may be taken here.

1271: Accounts Receivable—Accrued Income from Investments

This account should be used in conjunction with investment income accounts 6501–6503 to accrue for investment income that has been earned but has not been received at the end of an accounting period. The receivable account should be debited and the income account credited in the general journal for interest earned but unpaid on savings accounts and short- and long-term investments (including interest due on bonds for which the coupons had not been clipped), and for dividends declared but not paid. Accruals for investment income need not be made for any minor amounts of unrecorded income.

1272: Accounts Receivable—Unrealized Gains or Losses

This account was used previous to this edition of the Local Council Accounting Manual to record the change in market value relating to investment accounts.

NOTE: If any of the amounts included in the accounts 1200 to 1299 are deemed to be uncollectible by the Scout executive and the council treasurer, such amounts should be "written off" by debiting account 9417, provision for uncollectible accounts (an expense account), and crediting the applicable receivable account. A review of the collectability of all receivable account balances should always be made at year-end.

1300–1399: Contributions Receivable

These accounts should be used in conjunction with the related contribution revenue accounts. The various types of contribution revenue (public support) are described in accounts 4000–4999. Pledges that clearly relate to the current year are to be recorded as revenue of the current year and unrestricted when the pledge is received.

Every pledge should be recorded as part of the daily entries to the contributions journal, and should be supported by a signed pledge card or letter describing the nature of the contribution and the terms of payment. This should be done even if full payment accompanies the pledge. In addition, any cash contributions that do not relate to pledges should also be recorded in the contributions journal. The amounts of the pledges or cash contributions should be entered in the appropriate receivables account and then distributed to the related revenue accounts in accordance with the terms of the contribution. Of course, the sum of the amounts entered in the revenue accounts should always equal the amount entered in the related receivable accounts. Cash received in connection with contribution revenue is recorded in the appropriate contribution receivable accounts. Cash payments must also be posted to the detailed pledge records.

Appropriate provision should be made for uncollectible pledges based on experience, general economic considerations, etc., as described below.

1301: Contributions Receivable—Friends of Scouting Contributions—Current Year

1302: Contributions Receivable—Project Sales—Current Year

1303: Contributions Receivable—Capital Campaign—Current Year

1304: Contributions Receivable—Special Events—Current Year

1305: Contributions Receivable—Legacies and Bequests—Current Year

1306: Contributions Receivable—Foundations and Trusts—Current Year

1307: Contributions Receivable—Associated Organizations—Current Year

1308: Contributions Receivable—United Ways—Current Year

1309: Contributions Receivable—Unassociated and Non Federated Organizations—Current Year

1310: Contributions Receivable—Other Direct Contributions—Current Year

1311: Contributions Receivable—Other Indirect Contributions—Current Year

1312: Contributions Receivable—Contributed Services—Current Year

1319: Contributions Receivable—United Ways Donor-Designated—Current Year

1321: Contributions Receivable—Friends of Scouting Contributions—Prior Year

1322: Contributions Receivable—Project Sales—Prior Year

1323: Contributions Receivable—Capital Campaign—Prior Year

1324: Contributions Receivable—Special Events—Prior Year

1325: Contributions Receivable—Legacies and Bequests—Prior Year

1326: Contributions Receivable—Foundations and Trusts—Prior Year

1328: Contributions Receivable—United Way Allocations—Prior Year

1329: Contributions Receivable—United Way Donor Designations—Prior Year

1330: Contributions Receivable—Other Direct Contributions—Prior Year

1331: Contributions Receivable—Friends of Scouting Contributions—Future Year

1332: Contributions Receivable—Project Sales—Future Year

1333: Contributions Receivable— Capital Campaign—Future Year

1334: Contributions Receivable—Special Events—Future Year

1335: Contributions Receivable—Legacies and Bequests—Future Year

1336: Contributions Receivable—Foundations and Trusts—Future Year

1338: Contributions Receivable—United Way—Allocations—Future Year

1339: Contributions Receivable—United Way—Donor Designations—Future Year

1340: Contributions Receivable—Other Direct Contributions—Future Year

1346: Contributions Receivable—Direct Mail—Current Year

1347: Contributions Receivable—Direct Mail—Prior Year

1348: Contributions Receivable—Direct Mail—Future Year

1350–1369: Allowance for Discounted Future Value

Discounting future value is the process for long-term receivables that are anticipated to be paid no earlier than one year. This process involves discounting the value of pledges receivable because current cash is more valuable than future cash.

1351: Allowance for Discounted Future Value – Friends of Scouting – Current Year

1353: Allowance for Discounted Future Value—Capital Campaign—Current Year

1354: Allowance for Discounted Future Value—Capital Campaign—Future Year

1355: Allowance for Discounted Future Value—Legacies and Bequests—Current Year

1356: Allowance for Discounted Future Value—Special Events—Current Year

1358: Allowance for Discounted Future Value—Legacies and Bequests—Future Year

1362: Allowance for Discounted Future Value—Other Direct Contributions—Current Year

1363: Allowance for Discounted Future Value—Other Direct Contributions—Future Year

1368: Allowance for Discounted Future Value—Foundations and Trusts—Current Year

1369: Allowance for Discounted Future Value—Foundations and Trusts—Future Year

1370–1399: Allowance for Uncollectible Pledges

Local councils record unconditional promises to give (i.e., pledges) that are expected to be collected in less than one year at net realizable value because that amount results in a reasonable estimate of fair value (ASC 958-605-30-6). This requires councils to estimate amounts that ultimately will prove to be collectible. Usually the council will have an idea of the percentage of pledges that will prove to be uncollectible based on experience. Once the percentage has been determined, it should be multiplied by the pledges recorded, and the result should be debited to the appropriate provision for uncollectible pledges account and credited to the appropriate allowance for uncollectible pledges account. The provision for uncollectible pledges accounts are “contra” revenue accounts (they show deductions from contribution revenue), and they should always have debit balances; the allowance for uncollectible pledges accounts are “contra” asset accounts (they show deductions from pledges receivable), and they should always have credit balances. The result obtained when the balances in the allowance for uncollectible pledges accounts are subtracted from the balances in the pledges receivable accounts is the amount the council actually expects to collect from unpaid pledges, which is net realizable value.

Note: for local council audited financial statement purposes, only the net amounts of the contribution receivable and contribution revenue accounts are shown; no allowance or provision accounts are displayed on the face of the financial statements.
Certain types of pledges do not lend themselves to the use of a flat percentage for the estimation of uncollectible amounts. In these cases, the council will have to make reasonable estimates based on the nature of the pledges, knowledge of the donors, etc. Even if a percentage is used, the council should periodically assess the adequacy of the allowance for uncollectible pledges. Such an assessment should always be made at year-end. The offsetting debits or credits to any adjustments made to the allowance for uncollectible pledges accounts should be to the appropriate provision for uncollectible pledges accounts.

1370: Allowance for Uncollectible Pledges—Other Direct—Current Year (credit balance)

1371: Allowance for Uncollectible Pledges—Friends of Scouting—Current Year (credit balance)

1372: Allowance for Uncollectible Pledges—Project Sales—Current Year (credit balance)

1373: Allowance for Uncollectible Pledges—Capital Campaign—Current Year (credit balance)

1374: Allowance for Uncollectible Pledges—Special Events—Current Year (credit balance)

1375: Allowance for Uncollectible Pledges—Legacies and Bequests—Current Year (credit balance)

1377: Allowance for Uncollectible Pledges—United Way Donor-Designated—Current Year (credit balance)

1378: Allowance for Uncollectible Pledges—United Way Allocation—Current Year (credit balance)

1379: Allowance for Uncollectible Pledges—Foundations and Trusts—Current Year (credit balance)

1380: Allowance for Uncollectible Pledges—Other Direct—Prior Year (credit balance)

1381: Allowance for Uncollectible Pledges—Friends of Scouting—Prior Year (credit balance)

1382: Allowance for Uncollectible Pledges—Project Sales—Prior Year (credit balance)

1383: Allowance for Uncollectible Pledges—Direct Mail—Current Year (credit balance)

1384: Allowance for Uncollectible Pledges—Special Events—Prior Year (credit balance)

1385: Allowance for Uncollectible Pledges—Legacies and Bequests—Prior Year (credit balance)

1386: Allowance for Uncollectible Pledges—Capital Campaign—Prior Year (credit balance)

1387: Allowance for Uncollectible Pledges—United Way Donor-Designated—Prior Year (credit balance)

1388: Allowance for Uncollectible Pledges—United Way Allocations—Prior Year (credit balance)

1389: Allowance for Uncollectible Pledges—Foundations and Trusts—Prior Year (credit balance)

1390: Allowance for Uncollectible Pledges—Other Direct—Future Year (credit balance)

1391: Allowance for Uncollectible Pledges—Friends of Scouting—Future Year (credit balance)

1392: Allowance for Uncollectible Pledges—Project Sales—Future Year (credit balance)

1393: Allowance for Uncollectible Pledges—Capital Campaign—Future Year (credit balance)

1394: Allowance for Uncollectible Pledges—Special Events—Future Year (credit balance)

1395: Allowance for Uncollectible Pledges—Legacies and Bequests—Future Year (credit balance)

1397: Allowance for Uncollectible Pledges—United Way Donor-Designated—Future Year (credit balance)

1398: Allowance for Uncollectible Pledges—United Way Allocation—Future Year (credit

balance)

1399: Allowance for Uncollectible Pledges—Foundations and Trusts— Future Year (credit balance)

1400–1499: Inventories

1401: Inventory—Supplies for Resale—Council Service Center

This account records the value of inventory in the council service center for items such as Scouting badges, insignia, and literature purchased for sale from the National Supply Group as well as other approved vendors. It should not include inventory at camp trading posts or nonsalable supplies. This account is intended for items purchased for resale; the value of the items subsequently used in council operations should be removed as described below.

Debits to this account for supplies purchased for resale will come from the accounts payable journal by recording vouchers from the National Supply Group or other approved vendors. Credits to this account to relieve the inventory for the cost of the supplies sold during the month will come from the general journal and will be offset by debits to account 6351.

A physical inventory of supplies for resale is required annually at a time that should be arranged with the council's auditors (and preferably when quantities are low). The inventory should be valued at both cost and retail in order to establish the costing percentage.

Obsolete items should be inventoried for control purposes, but not priced unless the Scout executive feels a salvage value is appropriate. The balance in this account should be adjusted to equal the cost valuation obtained from the "physical" inventory. If the council is using point-of-sale software, upon adjusting the inventory balances, refer to the true cost value total on an inventory value report. The offsetting debit or credit should be to account 6351.

Items used in council operations should be recorded when taken from stock as to quantity, catalog number, description, and cost on a monthly listing or individual requisition forms, depending on the volume of transactions. The listing or requisitions should be priced and totaled at the end of the month and recorded in the general journal, debiting the appropriate supplies expense account and crediting inventory, account 1401. Account 1401 should also be credited as supplies are consigned to employees or others. See accounts 1402–1403 below for further explanation.

1402: Inventory—Supplies for Resale—Consigned to Employees

1403: Inventory—Supplies for Resale—Consigned to Others

These accounts record the value of salable supplies consigned to employees, volunteers, or others. It is important to note that the consignment of supplies does not result in a sale until the supplies have been sold.

Use of these accounts is optional and may be advantageous to councils responsible for large geographical areas, because control is possible through the use of "memorandum invoices" for supplies consigned. Use of the unit accounts, processing through cash receipts, may eliminate the need for use of these two accounts.

Transactions affecting these accounts should be entered in the general journal. One entry would debit account 1402 or 1403 for the total value of inventory sent on consignment as determined from the memorandum invoices, with a credit to account 1401. Each consignee should submit an inventory of supplies on hand at the end of the month, which should be priced. These inventories are totaled, and the difference between this total and the total consigned during the month plus the previous month-end inventory will be the cost of the items sold. This cost should be recorded in a second entry, debiting account 1401 and crediting account 1402 or 1403. Supplies returned unsold should be recorded in the same manner. During the month, remittance received for consigned items sold is processed in the same manner as sales from the council service center, as described under account 6301.

1404: Inventory—Product Sales

This account records the value of the inventory of products held for resale (product sales). This account is not intended to include supplies for resale or Scout badges, literature, and other items mainly purchased for resale (from the National Supply Group—see account 1401).

Debits to this account will come from the accounts payable journal for products purchased for resale. Credits to this account, to relieve the inventory for the cost of goods sold during the month, will come from the general journal and will be offset by debits to account 6451. This occurs when product sales inventory is issued to units (and the sale is recorded).

Outbound shipping and other costs related to a product sale campaign should not be charged to this account.

Maintaining an inventory for product sales provides the council with effective control over the products not consigned to local units. Consignment forms or invoices should be utilized for product held by the units; this will create awareness by the unit of its accountability to the local council.

1421: Inventory—Camp Trading Post

This account records the value of inventory at the camp trading post on items purchased for sale from the National Supply Group and other items purchased for resale.

The accounting treatment for account 1421 is the same as for account 1401. The council may wish to keep a separate inventory general ledger account for each camp operation by using different project codes for each camp.

A physical inventory of trading post merchandise, which will generally also be the year-end inventory, is required at the end of the camping season. However, the inventory may be rechecked at the time arranged with the council's auditors, and should be rechecked when camp opens the following year. The inventory should be valued at both cost and retail in order to establish a costing percentage in the same manner as explained for account 1401. Obsolete or nonsalable items should be inventoried for control purposes but not priced unless the Scout executive feels a salvage value is appropriate. The balance in this account should be adjusted to equal the cost valuation obtained from the physical inventory at the close of the summer camp season.

These accounting procedures should not be confused with the retail valuation of the trading post weekly inventory and weekly sales report described in the Camp Trading Post Manager Guide and Camp Program and Property Management Guide No. 20-920.

1441: Inventory—Donated Goods and Services

This account should be used to record the market value of items donated and is carried over to the next event or activity.

1451: Inventory—Supplies—Camp

This account records the value of food and other commissary supplies at camp. If additional accounts are needed, the council should use project codes as explained above for account 1421.

The monthly debit to account 1451 will come from the accounts payable journal and/or general journal. The cost of food and other commissary supplies used during the month should be credited to this account. Each camp project code should be clearly broken out to facilitate posting to the camping subsidiary records. The cost of food and other commissary supplies used during the month can be computed from the weekly food and supplies inventories prepared for cost control purposes described in Camp Program and Property Management No. 20-920.

Commissary Operation—In some instances, food may be sold in case-lots to employees or volunteers at cost or cost plus, either during or at the end of camping season. The cost of the food sold will be credited to account 1451 as part of the total cost computed for the general entry described in the preceding paragraph.

A physical inventory is required at the end of each camping season. Generally, it will also be the year-end inventory. The inventory may be rechecked at a time arranged with the council's auditors, and should be rechecked when camp opens the following year. The inventory should be valued at cost. The balance in the account should be adjusted to equal the cost of valuation obtained from the physical inventory. The offsetting debit or credit in the general journal should be to account for the specific camp operation to be charged.

If supplies are used between camp seasons, an entry should be made in the general journal to credit account 1451 and debit the appropriate account related to the use of the supplies.

1600: Inter-Fund Loans

This account is used when it becomes necessary to either have one fund temporarily borrow assets from another fund or temporarily have assets of one fund residing in another fund. The inter-fund loan account is used to record this temporary transaction between funds.

The act of borrowing/loaning between funds requires the involvement of at least two, and sometimes all three, funds. Transactions in all involved funds are required such that entries in one fund must be matched by a parallel entry in a receiving or loaning fund(s). This will always yield a zero balance in the total of all funds.

While not required, it is recommended that all inter-fund loans be approved by the executive board for large amounts or amounts to be repaid over an extended period of time.

1610: Inter-Fund Loan – Non Current

This account is to be used to record the amount of an inter-fund loan which is to be re-paid in a future year.

1700–1799: Prepaid Expenses and Other Current Assets

Prepaid expense accounts record, as assets, material expenses that have been paid in the current period but are appropriately related to a subsequent accounting period. Their use permits the proration of material expenses, minimizing distortions of net income from one accounting period to another.

Take, for example, a $2,500 fire insurance premium for a 36-month term. To charge the total premium of $2,500 to expense in the accounting period in which it is paid obviously distorts the net income for that period, and for each of the remaining 35 months, which would not be charged with any of the expense. To overcome this undesirable distortion, the $2,500 will be charged to a prepaid expense account and the expense apportioned equally over the 36-month term of the policy, as explained below under account 1701, unexpired insurance.

The detailed chart of accounts provides a number of prepaid expense accounts that may be used at the option of each council, except that all local councils should use account 1701, unexpired insurance. A minor amount of expense, such as interest, that obviously would not distort net income, may be charged directly to the expense account when paid, even if applicable to a subsequent period. The additional recording in a prepaid interest account and journalizing it monthly to an expense account is not necessary for immaterial amounts.

1701: Unexpired Insurance

This account records premiums paid in advance. Usually insurance premium payments cover a one-year term, but they may be for a longer period of time, or cross fiscal year-ends.

The purpose of this account, following the procedure described below, is to facilitate proration of insurance expense over the months covered by the policy term. The balance in this account of premiums paid in advance will be reported as an asset with other prepaid expenses in the council's monthly financial statement.

Insurance premiums will be debited to account 1701 from the accounts payable journal. Refunds and dividends will be credited from the cash receipts journal. All transactions involving council insurance coverage should be recorded in this account, except the costs of insurance to be borne by campers or participants in activities or special events.

An insurance form register is to be maintained. It should include the policy number, insuring company, risk covered, amount of coverage, premium period, amount of premiums, cost per month, amount unexpired at council's year-end, and number of months remaining. The total insurance cost per month will be allocated and debited to the proper expense accounts each month, and the total credited to account 1701 by a journal entry in the general journal. This monthly allocation will generally remain unchanged until a renewal premium is paid or a refund or dividend received.

Depending on state law, workers' compensation insurance premiums could be included in a monthly insurance entry. An advance premium paid to the insuring company usually approximates the annual cost and will be debited to account 1701.

A statutory workers' compensation insurance deposit, which may be required in some states, should be debited to account 1702, rather than account 1701.

At the end of the council's fiscal year, the balance of account 1701 and the insurance register of some form should be reviewed. Adjustments should be made if too much or too little insurance expense has been recognized during the year.

1702: Workers’ Compensation Insurance Deposits

This account records statutory workers’ compensation insurance deposits, which may be required by some states. See also account 1701, unexpired insurance.

1703: Prepaid Fundraising Expenses

This account records the cost of fundraising services and materials, such as financial development programs, promotional literature, and pledge cards, incurred during one accounting period that would be charged to a subsequent period. Fundraising costs should generally be charged to the operating fund. However, where fundraising costs can be specifically identified with a special-purpose campaign, such as a building fund campaign, it is appropriate to charge such costs as expenses in that fund. If fundraising costs are charged to operating expense when incurred, debit the portion applicable to the next period to this account and credit the related expense accounts by an entry in the general journal. An example would be financial counseling fees paid in the current year for developing next year’s FOS campaign.

If costs are debited to this account when incurred, it would then be necessary to credit this account for the costs applicable to the current year and debit the appropriate expense accounts.

1705: Prepaid Expenses—Interest

This account is used to record material amounts of interest paid in advance. The purpose of this account is to facilitate proration of interest expense over the months covered for the future.

Debits to this account will come directly from the accounts payable journal or from general journal entries. Credits to this account will come from general journal entries that debit the appropriate interest expense accounts in the applicable month.

1706: Prepaid Expenses—Rent

This account is used to record significant amounts of rent paid in advance, except for rental payments that relate to camping expenses borne by campers, and to activities and special events. Those payments should be debited directly to the camping, activities, and special events accounts related to class codes 20, 21, and 70.

The debits to this account could come directly from the accounts payable journal or from general journal entries. Credits to this account will come from general journal entries that debit the appropriate rental expense accounts in the applicable month.

1707: Prepaid Expenses—Taxes, Real Estate, and General

A council may be subject to taxes, assessments, and licenses on all or part of its real estate or other assets. This account should be used to record significant amounts paid in advance in the same manner that prepaid rent is recorded in account 1706 above.

1708: Prepaid Expenses— Maintenance Services

This account records contract payments paid in advance. Usually they cover a one-year term, but they may be for a longer period of time, or cross fiscal year-ends. The purpose of this account is to facilitate proration of equipment service over the months covered by the contract term. More information can be found in the explanation for account 1701.

The debits to this account will come directly from the accounts payable journal. Credits to this account will come from general journal entries, which debit the appropriate expense accounts in the applicable month.

1709: Prepaid Expenses—Building Maintenance Services

This account would be handled in the same manner as account 1708.

1710: Prepaid Expenses—Other

This account records prepaid expenses other than those specifically for the other accounts in this base account group.

1711: Prepaid Expenses - Inventory—Office Supplies

This account records the value, if material, of office supplies on hand, such as paper, printing materials, and office forms. Do not include items that belong in account 1401, inventory supplies for sale.

A physical inventory should be taken annually at a time arranged with the council's auditors (preferably when stock is low). Consider counting only full or unopened packages. For example, count full reams of paper, but not an open ream. It also may be practical to estimate a total value for certain similarly priced items rather than cost each item separately.

The balance in the account should be adjusted to equal the cost valuation obtained from the physical inventory. The offsetting debits or credits should be to the applicable expense accounts, and the balance in this account should remain unchanged until a new physical inventory is taken. Month-to-month adjustments are generally not necessary, as the level of inventory should not change appreciably. Purchases during the year should be debited directly to the appropriate expense accounts through the accounts payable journal.

1712: Inventory—Audiovisual and Training Equipment

This account should be used to record the purchase of audiovisual and training equipment too low in cost to make it practical to capitalize in furniture, fixture, and equipment (screens, easels, etc.). A physical inventory should be taken each year, and the difference between the balance in this account and the physical inventory cost valuation should be debited to account 8103, program supplies expense, and credited to this account in the general journal.

1713: Inventory—Expendable Camp Equipment

This account should be used to record the purchases of expendable unit equipment (axes, Dutch ovens, etc.) and expendable dining hall and kitchen equipment (utensils, dishes, etc.). A physical inventory should be taken at the end of each camping season, and the difference between the balance in this account and the physical inventory cost valuation should be debited for each camp in either account 8111, supplies – camping equipment, or account 8112, supplies - kitchen.

1722: Prepaid Expenses—Service Contracts

This account is used to record the value of office equipment service contracts, such as postage machines.

1723: Prepaid Expenses—Computer Service

1724: Prepaid Expenses—Equipment Service Contracts

1725: Prepaid Expenses—Printing Equipment Service Contracts

1726: Prepaid Expenses—Camp Service Contracts

1727: Prepaid Expenses—Security Systems Service Contracts

1728: Prepaid Expenses—Fire Detection Service Contracts

1731: Inventory—Other Materials and Supplies (Nonsalable)

This account records the value of material amounts of other nonsalable materials and supplies on hand, such as a large quantity of not-for-sale program supplies to be used in connection with a program for the coming year, or a large quantity of usable construction materials received as a donation. Debits to this account should come directly from the accounts payable journal for material purchases and directly from the general journal for material donations. Credits to the account should come from general journal entries, relieving this account for items used.

The physical inventory procedures are the same as those for account 1711.

1751: Other Current Assets

This account should be used to record any other assets that the council intends to hold for less than one year and that are not properly classified in the accounts above.

1760: Prepaid Expenses—Special Events

Fundraising expenses attributable to special events held in subsequent accounting periods should be recorded in this account until completion of the related special events. Examples of such expenses would be the cost of publicity and printing tickets.

All prepaid fundraising expenses applicable to special events may be included in this one account. However, it is essential to make a month-end check of the account as follows:

- After all the monthly posting has been made to this account and the detailed special event subsidiary records, the accounting specialist should take the special event subsidiary records and obtain a total of the fundraising expenses on all special events that are “open” (those special events that have not been completed).

- The debits to this account should come from the following sources:

    (1) Accounts payable journal related to prepaid special events, (2) prepaid expenses, and (3) entries from the general journal to transfer the cost of councils’ supplies used for special events.

The credits to this account will come from the general journal entries transferring prepaid expenses for particular special events to the basic general ledger expense accounts after the completion of those events. The above journal entry should not be delayed after the completion of a special event. If necessary, provisions should be made to record the liability of not-yet-received invoices for any receivables resulting from the event. (The entry crediting prepaid fundraising expenses should be made at the same time that the related entry is made for the deferred revenue accounts.) Any adjustment to the expenses of the event that needs to be made after the special event has been closed to the basic expense account should be made directly to those basic expense accounts.

1761: Prepaid Expenses—Camp

1762: Prepaid Expenses—Activities

1800: Unallocated Asset Acquisition

This account will only have values if a fixed asset transaction has not been completed properly.

<u>1801–1899: Land, Buildings, and Equipment</u>

These accounts are provided to record the cost of purchased fixed assets or the fair value of donated fixed assets that are owned and used by the council. <u>(Fixed assets that are held for sale should be recorded in account 1951.)</u> Debits to these accounts will come from the following sources: (1) the accounts payable journal for assets that are purchased in their finished form with cash from the capital fund; (2) entries in the general journal that record the assumption of notes payable (see accounts 2400–2499 and 2800–2899) or other liabilities (see accounts 2000–2099); (3) entries in the general journal that record the receipt of donated fixed assets (see the pledges receivable section, accounts 1300–1399, for further explanation); (4) entries in the general journal that record fixed assets that have been obtained via transfers from the operating fund; and (5) entries in the general journal that transfer the cost of completed assets, e.g., buildings, from the construction in progress accounts.

Purchased fixed assets should be recorded at-cost, and donated assets should be recorded at their fair value at the date of gift. The council should establish a capitalization limit, and all items with a cost or value equal to or in excess of the limit, and with a useful life expectancy of more than one year, should be capitalized (recorded in the fixed-asset accounts). All items with a cost or value below the limit should be expensed, regardless of life expectancy. Setting the limit is a matter of judgment—too high a limit will result in a misstatement in the financial statements, and too low a limit will result in unnecessary accounting. However, a limit of $1,000 to $2,500 will suffice in most cases.

The cost of major repairs, overhauls, or renovations that have the effect of lengthening the useful life of an asset for a period of time in excess of the original life estimate are to be added to the appropriate fixed-asset accounts. On the other hand, the cost of ordinary repairs and maintenance necessary to maintain the asset in operating condition should be recorded in an appropriate expense account (see accounts 8409, 8413, 8502, 8703, 8708, etc.).

Credits to these accounts will come from general journal entries recording the sale or abandonment of fixed assets or the transfer to another fund of fixed assets for subsequent sale. The entries relating to these transactions are explained in detail in a separate section below.

A fixed-assets register should be maintained for general ledger accounts that include more than one item. For example, account 1812, buildings—camp, might include a dining hall, an office, a house for the ranger, a health lodge, or various storage sheds. At a minimum, the register should have a description of each structure or item, the date it was built or acquired, an estimate of its useful life, its cost, the accumulated depreciation to-date (see below), and a record of any restrictions on the use or ultimate disposition of the item. The register sections for furniture, fixtures, and equipment should also include identification numbers, e.g., serial numbers. After the month-end postings to the general ledger and the fixed-assets sub-ledger, the individual cost figures in the sub-ledger should be totaled and the result should agree with the balance in the corresponding general ledger account. The same procedure should be followed with regard to accumulated depreciation. Annual physical inventories should be taken of fixed assets and reconciled to the sub-ledger.

1801—1809: Land

Include the cost of the land itself, plus incidental costs such as surveying fees, the cost of title search, title insurance, attorney fees, closing costs, etc.

1801: Land—Council Service Center

1802: Land—Camp

1805—1810: Land Improvements

These accounts include the cost of paving a parking lot or road, building a swimming pool, or installing power lines and poles, sewer lines, dams, dikes, stairways down a bluff to the waterfront, piers, docks, etc.

1806: Land Improvements—Council Service Center

1807: Land Improvements—Camp

1810—1814: Buildings

These accounts include the cost of construction, plumbing, electrical work, and heating and air-conditioning facilities, as well as architectural and design fees.

1811: Buildings—Council Service Center

1812: Buildings—Camp

1815—1819: Leasehold Improvements

These accounts include the cost of any improvements of a permanent nature made to facilities leased from others that revert to the lessor at the end of the lease.

1816: Leasehold Improvements—Council Service Center

1817: Leasehold Improvements—Camp

<u>1820—1825: Furniture, Fixtures, and Equipment</u>

These accounts include the cost of furniture, fixtures, and equipment, such as desks, chairs, tables, cabinets, safes, rugs, computers and other office machines, cameras, projectors and other audiovisual equipment, dining hall and kitchen appliances, tents, etc.

If some of the items listed above individually cost less than the capitalization limit, the council must expense these items to the appropriate expense account in either fund 1 or fund 2.

1821: Furniture, Fixtures, and Equipment—Council Service Center

1822: Furniture, Fixtures, and Equipment—Camp

<u>1826—1829: Automotive Equipment</u>

These accounts include the cost of automobiles, trucks, tractors, lawn mowers, snowplows, buses, etc.

1826: Motor Vehicles—Council Service Center

1827: Motor Vehicles—Camp

<u>1830—1835: Aquatics Equipment</u>

These accounts include the cost of all types of watercraft, such as canoes, rowboats, sailboats, and motorboats, and any related equipment, such as sails and engines.

1832: Aquatics Equipment—Camp

1836: Capital Leases

This account is used to record the value of capital leases that must be amortized.

1841: Construction-in-Progress

This account is used to accumulate construction costs for facilities the council is having built, e.g., a new council office or an additional building at camp. Once the facility has been completed, the cost is transferred to the appropriate fixed-asset account via a general journal entry, which debits that account and credits account 1841.

Debits to account 1841 may come from the following sources: (1) the accounts payable journal for purchases made from capital fund, (2) entries in the general journal that accrue for liabilities, (3) entries in the general journal that record purchases that have been made via transfers from the operating fund, and (4) entries in the general journal that record the use of building materials inventoried in account 1731, other materials and supplies (nonsalable), and the contributions journal for services and items donated.

1856: Accumulated Depreciation—Land Improvements—Council Service Center (credit balance)

1857: Accumulated Depreciation—Land Improvements—Camp (credit balance)

1861: Accumulated Depreciation—Buildings—Council Service Center (credit balance)

1862: Accumulated Depreciation—Buildings—Camp (credit balance)

1866: Accumulated Amortization—Leasehold Improvements—Council Service Center (credit balance)

1867: Accumulated Amortization—Leasehold Improvements—Camp (credit balance)

1871: Accumulated Depreciation—Furniture, Fixtures, and Equipment—Council Service Center (credit balance)

1872: Accumulated Depreciation—Furniture, Fixtures, and Equipment—Camp (credit balance)

1876: Accumulated Depreciation—Motor Vehicles—Council Service Center (credit balance)

1877: Accumulated Depreciation—Motor Vehicles—Camp (credit balance)

1882: Accumulated Depreciation—Aquatics Equipment—Camp (credit balance)

1886: Amortization—Capital Lease

This account is used to record the amortized cost of all capital leases.

Disposal/Retirement Fixed Assets

The proper accounting procedures for the sale, trade-in, or scrapping of fixed assets that have been held for council use are as follows:

A gain or loss from a sale should be reported as revenue or expense in the capital fund. Such a gain or loss is defined as the difference between the proceeds of the sale and the original cost (or fair market value at date of gift for donated assets), reduced by the accumulated depreciation as of the date of sale. Gains should be recorded in account 2-6906 and losses should be recorded in account 2-9589.

Proceeds from the sale of fixed assets that are not used for the purchase of other fixed assets in the current year, are not legally required to be used to purchase other fixed assets, or are otherwise restricted should be transferred to the operating fund via the fund transfer accounts.

A gain (or loss) on a trade-in should also be reported as revenue (or expense) in the capital fund. Such a gain (or loss) is defined as the difference between the trade-in allowance and the net book value of the item traded in. (The trade-in allowance is defined as the difference between what the item would have cost in cash without the trade-in and what the council actually paid in cash with the trade-in.)

Fixed Assets Held for Sale

It is possible that a council may receive a contribution of fixed assets that are to be sold and the proceeds used by the council. In this case, the fair value of the fixed assets should be recorded in account 1951, fixed assets held for sale, of the fund that will ultimately benefit from the proceeds, and not in accounts 1800–1899.

<u>1900–1999: Long-Term Investments and Other Noncurrent Assets</u>

1900: Cash—Donor-Restricted

1901–1949: Long-Term Investments

Long-term investments are those that the council intends to retain for at least a year or, if they mature within a year, to reinvest the proceeds. For example, all investments held by the endowment fund, even certificates of deposit, would be classified as long-term, unless restrictions were due to lapse and the investments were to be sold with the proceeds used for other purposes.

1940-1949 Long Term Investment – Trust Account

1951: Fixed Assets Held for Sale

This account is used to record the value of fixed assets that are not being used by the council in its operations and that are being held for sale. This account most likely will be used to record the fair value of donated fixed assets that are to be sold by the council to obtain the proceeds. The fund to be used with this account is the one for the fund that ultimately will receive the proceeds.

1952: Other Noncurrent Assets

This account records assets that have an extended life, such as land, buildings, equipment, and long-term investments.

1955: Beneficial Interest

1956: Cash Surrender Value Life Insurance

8.4 Liability Accounts—Usage Guidelines

<u>2000–2099: Accounts Payable</u>

These accounts record amounts owed to others.

2006: Accounts Payable—Control Account

This account records amounts due to all suppliers or vendors.

<u>2100–2199: Accrued Expenses</u>

The purpose of accrued expense accounts is to record, as a liability, expenses incurred and unpaid for which invoices have not been received at the close of an accounting period. Their use provides for recording significant expenses in the accounting period to which they are chargeable and, thus, the matching of the revenues of an accounting period with the related expenses.

For example, assume a law firm does some work for the council in November, but an invoice is not received from the law firm at the time the books are to be closed for November. The amount, if not known, should be estimated and, if material, recorded by a journal entry in the general journal, debiting account 8003, legal fees, and crediting account 2121, accrued professional fees. Were this entry not recorded, November expenses would be understated.

The detailed chart of accounts provides a number of accrued expense accounts. Each council will use account 2111, accrued payroll. The other accounts may or may not be used. For example, an immaterial amount of interest expense, which obviously would not distort net income, may be disregarded in the period in which it was incurred. The interest may be charged directly to expense in the period in which it is paid, rather than involve the additional accounting of recording the liability in account 2105, accrued interest.

All accruals other than account 2111, accrued payroll, will be originated by general journal entries debiting appropriate expense accounts and crediting related accrued expense accounts. As invoices for these expenses are received, these entries will be debited in the accounts payable journal.

2101: Accrued Insurance

This account records the liability for insurance premiums payable but not billed at the end of a month. Ordinarily, insurance is paid in advance, as explained in account 1701, unexpired insurance.

2105: Accrued Interest

This account records liability for interest accrued but unpaid on notes payable. (Refer to accounts 2400–2499, notes payable—due within one year, and accounts 2800–2899, long-term indebtedness.)

2106: Accrued Rent

This account records rent not yet paid at the end of an accounting period. Rent paid in advance is recorded in account 1706, prepaid expenses—rent.

2107: Accrued Taxes—Real Estate and General

This account records real estate taxes and licenses owed but not billed at the end of an accounting period. (See also account 1707, prepaid expenses—taxes, real estate, and general.)

2111: Accrued Payroll

This account is a clearing account for the net amount of semimonthly payrolls. The credit will be the total of accrued payroll from the payroll journal, and the debit will be the total of accrued payroll from the cash disbursements journal.

If a council pays employees on a schedule other than a semimonthly or monthly basis, for example, weekly or biweekly, it may be necessary to compute the amount earned but unpaid at the end of a month and record this amount, if substantial, by an entry in the general journal. This entry will be reversed by the first of the following month.

2112: Accrued Vacation Pay

This account records the accrued liability for employees' right to receive compensation for earned vacation.

2121: Accrued Professional Fees

This account records the liability for professional fees, such as auditing, legal, and financial counseling fees.

2131: Accrued Expenses—Other

This account should be used to record any other accrued expenses that do not fit into the categories discussed above.

2200–2219: Payroll Taxes Payable

These accounts record payroll taxes payable, and include both the employer's portion and those amounts withheld from the employees' salaries for Social Security, federal, state, county, and city income taxes, unemployment and disability insurance, and other payroll taxes, as applicable.

Credits to these accounts will come from the payroll journal, and payments of taxes will be debited from the accounts payable journal.

2201–2202: Federal Taxes Payable

These accounts record amounts withheld from employees' pay for Social Security taxes under the Federal Insurance Contributions Act and for federal income tax. Account 2201 also records the employer's share of Social Security taxes.

Credits for accounts 2201 and 2202 for amounts deducted from the employees' pay come from the payroll journal.

The employer's share of Social Security taxes also comes from the payroll journal. The amount is the identical amount deducted from the employees' pay. This entry will debit account 7201, Social Security taxes—employer's share, and credit account 2201. However, any portion attributed to camp salaries charged against campers' fees is debited to account 7201, Social Security taxes—employer's share, using the camp's project code.

Questions regarding the frequency and method of payments of these taxes to the Internal Revenue Service should be directed to the council's auditor.

2201: Social Security Taxes Withheld

2202: Federal Income Tax Withheld

2203–2210: State and Local Taxes Withheld

These accounts record state, county, or city income tax or other payroll taxes withheld from employees' pay. These taxes are not an expense of the council. When employees reside in various taxing districts, project codes are available for additional state income taxes withheld. Project codes are available for additional county and city income taxes withheld.

Credits to these accounts will come from the payroll journal.

2203: State Income Tax Withheld

2204: County Income Tax Withheld

2206: City Income Tax Withheld

2212: State Unemployment and Disability Taxes Withheld (includes employer's share)

2213: Other Payroll Taxes Withheld

These accounts record payroll taxes, other than Social Security taxes, that may be shared by both the employee and the employer. The method of accounting is the same as for Social Security taxes.

The employer's portion will be debited to the appropriate payroll tax expense account (see accounts 7200–7299).

2220–2299: Benefits and Other Payroll Deductions

These accounts record the payroll deductions for group life insurance and major medical insurance premiums, part of which may be paid by the council under the employee benefits program of the Boy Scouts of America.

Amounts deducted from employees' salaries will be credited to these accounts from the payroll journal. These accounts are debited from the accounts payable journal when the required remittance is made for the total contributions, as shown on the monthly statement from the National Council. The council's share, if any, will be debited to the appropriate employee benefits expense accounts (accounts 7102–7103) from the accounts payable journal.

2220: Payroll Deductions - BSA Dependent Life Insurance

2221: Payroll Deductions— BSA Group Accident Insurance

2222: Payroll Deductions—BSA Payroll Group Life Insurance

2223: Payroll Deductions—BSA Group Major Medical Insurance

2224: Payroll Deductions—BSA Retirement Plan

2225 - Payroll Deductions - BSA Thrift Plan

2226 - Payroll Deduction - BSA AFLAC Insurance

2227 - Payroll Deduction - BSA Health Savings Account

This account records payroll deductions for monthly contributions to the National Council for the Boy Scouts of America retirement plan, a portion of which is paid by the employee and a portion by the council. The employees' portion is credited to this account from the payroll journal. When the required remittance is made for the total contributions, as shown on the monthly statement from the National Council, the employees' portion is debited to this account from the accounts payable journal and the employer's portion is debited from the accounts payable journal to account 7104, retirement plan—employer's share.

2228: Payroll Deductions— BSA Long-Term Disability Insurance

This account should be handled in the same manner as account 2221 (see above). The related expense account for the employer's share is account 7108.

2229: Payroll Deductions— BSA Dental Plan

This account records both the employees' payroll deductions and the employer's share of premiums for the dental assistance plan. (Also see account 7109.)

2230: Payroll Deductions—BSA Vision Care

This account records both the employees' payroll deductions and employer's share (if any) of premiums for the vision care plan. (Also see account 7110.)

2231: Payroll Deductions— Council Supplemental Retirement Plan – (TDA, Thift, etc.)

Payroll deductions authorized within certain limits by employees enrolled in the basic retirement plan to be paid monthly by the council to the insurance company as a contribution for supplemental benefits under the supplemental retirement plan are recorded here. The reduced earnings will be shown as gross earnings for income tax purposes on Form W-2 received by employees from the council at year-end. The remainder is currently free of income tax.

The credit to this account will come from the payroll journal and the debit from the accounts payable journal.

2232: Payroll Deductions—BSA Scout Executives' Alliance

This account records the monthly contributions for fellowship benefits deducted from salaries of professional employees who are members of the Scout Executives' Alliance.

The monthly credit to this account will come from the payroll journal and the debit from the cash disbursements journal.

2233: Payroll Deductions—Credit Unions

This account records deductions from employees' pay for deposit in credit unions.

The credit entry to this account will come from the payroll journal. The debit to this account for deposits in credit unions or for the purchase of bonds will come from the accounts payable journal.

2234: Payroll Deductions—Other Group Insurance

This account records deductions for group insurance from the salaries of employees who are not covered by the Boy Scouts of America group life plan. The accounting for this payroll deduction is the same as for account 2233 above.

2235: Payroll Deductions—United Ways

This account records deductions from employees' wages for United Way pledges. The credit to this account will be from the payroll journal. Debits to this account will come from the accounts payable journal for remittances to the appropriate United Ways.

2236: Payroll Deductions- Other Benefits

2237: Payroll Deductions—Friends of Scouting

This account records deductions from employees' pay for Friend of Scouting pledges. The credit to this account will be from the payroll journal.

These deductions represent revenue to the council and are to be recorded as such by an entry in the general journal. The journal entry will debit this account and credit the applicable accounts in account code group 1300–1399, pledges receivable.

2300–2399: Custodial Accounts

These accounts record funds to be held in custody. A custodial account is established to record cash received and disbursed on instruction of the person or group from whom the cash was received. These funds are held in trust and should not be expended for operating purposes. Accounts 2301 and 2302, for registration fees and Boys' Life subscriptions, will be used by all councils. The other accounts in this group will be used to the extent required. Comments on particular accounts follow.

2301: Custodial Account—Registration Fees

2302: Custodial Account—Boys' Life Subscriptions

These accounts record registration fees and Boys' Life subscriptions that are received from units and individuals and are to be transmitted to the National Council.

Credits to the accounts will come from the cash receipts journal and debits from the membership journal. The disbursements ordinarily are electronic transmittals to the national office. Should it be necessary to refund part or all of a registration fee or a Boys' Life subscription, this should be done by check, and this account will be debited in the accounts payable journal. No refunds are to be paid in cash from a petty cash account or from the council's daily cash receipts.

The credit balance in each of these accounts at the end of each month will represent amounts owed to the National Council. A listing must be prepared at the end of each month of the amounts received but not transmitted to the National Council for registration fees and for Boys' Life subscriptions, the totals of which must agree respectively with the credit balances in these accounts.

2303: Custodial Account—World Friendship Fund

This account records amounts received for the World Friendship Fund to be transmitted to the National Council. Credits will come from the cash receipts journal, and debits from the accounts payable journal.

2304: Custodial Account—Region Courtesy Fund

Account 2304 records money passing through the council for the benefit of the region courtesy fund that will be disbursed to the region..

The credits to this account come from the cash receipts journal, and debits from the accounts payable journal.

2305: Custodial Account—Council Fellowship Fund

These accounts record amounts received from employees for the council fellowship fund. Account 2305 is for the council fellowship fund for such purposes as flowers for illness, anniversaries, etc.

The credits to this account come from the cash receipts journal, and debits from the accounts payable journal.

2306: Custodial Account—Other

This account records custodial amounts other than those specifically provided for in the other accounts in this project code.

2307: Custodial Account—Direct Subscriptions—Scouting Magazine

This account is provided to record direct Scouting magazine subscriptions received from units and individuals that are to be transmitted to the National Council. (Do not include the portion of the adult registration fees applicable to this magazine in this account. Such amounts should be included in account 2301.) The accounting treatment is the same as for account 2302.

2341: Custodial Account—Unit Deposits

This account records funds held by a council for units under its jurisdiction, as provided for by Article X, Section 3, Clause 1 in the Standard Local Council Articles of Incorporation and Bylaws, in connection with the unit deposit plan. This plan permits units to deposit funds to their credit in the council service center, thus making it convenient for units to make purchase without sending cash.

Both the credit to this account, representing cash received from units, and the debit, representing purchases by units, will be posted from the cash receipts journal. Each month this account must be balanced from the total current deposit balances shown on the Customer Accounts Report, if using point-of-sale cash receipts software.

2350–2359: Custodial Accounts—Training

These accounts record amounts received primarily from volunteers attending national and regional training courses. These training courses are not considered council activities. Amounts received merely pass through the council and, therefore, do not affect the council's activities accounts. The credit to these accounts comes from the cash receipts journal, and the debit from the accounts payable journal.

2351: Custodial Account—National Training Courses

2352: Custodial Account—Regional Training Courses

2360–2369: Custodial Accounts—Meetings

These accounts record amounts received from volunteers in connection with national or regional meetings. The accounting treatment is the same as for accounts 2351 and 2352.

2361: Custodial Account—National Meetings

2362: Custodial Account—Regional Meetings

2371: Custodial Account—Order of the Arrow

This account records funds held on behalf of the Order of the Arrow. It is an established BSA policy that the local council acts as a banker for its local Order of the Arrow lodge. It is against BSA policy for the Order of the Arrow lodge to have its own bank account. The local council should not maintain the books of the Order of the Arrow lodge.

Credits to this account will represent receipts from the cash receipts journal representing payment of Order of the Arrow dues, fees for Ordeals, etc. Debits to the account will represent disbursements from the accounts payable journal for invoices approved by the Order of the Arrow lodge for payment.

Supplies purchased by the Order of the Arrow are the property of the lodge and should not be included by the council in account 1401, inventory—supplies for sale—council service center.

Any other accounting for various chapters, activities,etc, of the Order of the Arrow, if in use, are to be maintained by the Order of the Arrow lodge itself.

2372: Custodial Account—National Eagle Scout Association

This account shows funds held on behalf of the National Eagle Scout Association, ordinarily representing amounts not yet remitted to the National Council.

The accounting treatment is the same as for account 2303.

<u>2400–2499: Notes and Mortgage Notes Payable—Amounts Due Within One Year</u>

These accounts record amounts due within one year on notes and mortgages payable to banks and others. Amounts due beyond one year are recorded in accounts 2800–2899, long-term indebtedness. However, the portion of long-term indebtedness that becomes payable within one year is short-term and should be classified as such for financial statement purposes.

2401: Notes Payable (Due Within One Year)

A different project code should be used to record each note or portion thereof due within one year. These accounts may be credited through either the cash receipts journal or the general journal. The former is used if cash is received directly from the lender. The latter is used to record the purchase of non-cash assets when the lender pays the vendor directly and the council does not handle the cash. The total of the credits to the notes payable and the related long-term indebtedness accounts should be equal to either the cash received or the cost of the asset purchased; do not include interest payable in these accounts. If fixed assets are purchased in this matter, remember that the resultant note payable will be a liability of the capital fund.

When a note payable is recorded, the council should obtain or prepare a schedule of the principal and interest payments to be made. In many cases, one payment will be made each month covering both the interest and principal due.

Such combination payments should be split into their principal and interest parts on the schedule. As payments are made, the portion applicable to interest should be debited to the appropriate interest expense accounts, 9200–9299, and the portions applicable to principal should be debited to the appropriate notes payable (due within one year) account. If interest is not paid monthly and is significant, accruals should be made, as explained in the section on accounts 2100–2199, accrued expenses. The schedule of principal payments should also be used to make the reclassification entries between the long-term indebtedness and notes payable (due within one year) accounts, as explained above.

If fixed assets were purchased through notes, additional entries will be required, depending on how the payments are made. These entries will be made in the manner described below for mortgage notes payable, and mortgage interest is charged to account 9201.

2436: Capital Lease Obligations (Due Within One Year)

Under GAAP, capital leases are accounted for as financing arrangements where an asset, usually equipment, and an offsetting liability (like a note payable) are recorded. Amounts due within one year under lease obligations are recorded in this account.

2451: Mortgage Notes Payable (Due Within One Year)

Mortgages are notes payable secured by real property (land and buildings). A different general ledger account should be used for each mortgage to record the portion due within one year. The credits to these accounts will come from the general journal.

1. When the mortgage is assumed by the council, the appropriate land and/or building accounts will be debited for the amount of the mortgage, the appropriate mortgage notes payable (due within one year) account will be credited for the amount of principal payable in the first 12 months, and the related long-term indebtedness account will be credited for the remaining principal.

2. When amounts are reclassified from the long-term indebtedness accounts, as explained above.

Normally, mortgage payments are made on a monthly basis over a period of years. Each such payment is made up of an interest portion and a principal portion. The amounts applicable to each should be obtained from the lender. Generally, mortgage interest is treated as occupancy expense of the operating fund and is debited to account 9201 (mortgage interest). The principal portion of the payment must be debited to the appropriate mortgage notes payable account of the capital fund, so unless separate checks are written for the interest and principal portions, the inter-fund transfer accounts will have to be used, as shown in the following examples.

<u>2600–2699: Deferred Revenue</u>

2604: Deferred Fees—Special Events

This account is only to be used to record revenue from a special event received in one year when the event is to be held in a future year. The revenue is “conditional” upon the completion of the event, and therefore is not recognized as a contribution until the condition is met. All revenue from special events received in the same year that the event is held is recorded in general ledger revenue accounts 4201–4248. The associated project code is used to defer the revenue until the event is held.

<u>2629–2630: Deferred Revenue</u>

These accounts should be used to record cash receipts that are applicable to future accounting periods, e.g., deposits made by a unit to apply to the activity fee or at the end of summer camp to hold a site for next year’s summer camp. When appropriate, or at the beginning of next year, these amounts should be debited to these accounts and credited to the appropriate revenue account, using the appropriate project code.

2629: Deferred Revenue—Activities—Next Year

2630: Deferred Revenue—Camp—Next Year

2631: Deferred Revenue—Other

This account should be used to defer any fees, grants, or other revenue that are applicable to future accounting periods.

2654: Deferred Direct Benefits Costs—Special Events (debit balance)

Refer to the explanation given under deferred contribution revenue—special events, account 2604.

2700–2799: Other Current Liabilities

2741: Auto Lease Contingency

Employees who need to use a car extensively in their work, and are assigned a leased car for both business and non-business use, should pay the council a flat monthly charge plus personal mileage and the rental cost of any "extra equipment" they may order for non-business use of the car. These payments and charges are handled as follows:

1. Payments received by the council for personal mileage and extra equipment rentals will be credited to account 8706, leasing costs—vehicles.
2. The flat monthly charges paid to the council will be credited to account 2741, auto lease contingency. The balance in this account should be used to pay certain maintenance and repair expenses not covered under the lease agreement, such as replacement tires, snow tires, and wheel alignments, plus damage repairs within the deductible amounts for comprehensive physical damage and collision insurance coverage. Detailed schedules or sub-accounts should be maintained for each vehicle, showing employee's name, amounts received and paid, dates, and a brief explanation of each payment.

2761: Sales Tax Payable

Sales tax payable represent taxes collected by the council on behalf of taxing authorities. These taxes generally arise from sales of supplies at the council office and camp trading posts, from planned activities or special events such as a Scouting show or benefit, and in some states, Boys' Life subscriptions.

2764: Use Tax Payable

Use tax arises from the use of taxable materials and supplies by the council, and ordinarily is included as a sales tax on invoices received from vendors. See also accounts 1263 and 1264, accounts receivable—sales tax and accounts receivable—use tax, relative to sales and use taxes on council purchases.

Each month, credit entries to the sales tax accounts will come from the cash receipts journal. Credit entries to the use tax accounts will come from an entry in the general journal that will debit the appropriate expense or activity accounts.

Debit entries to all of these accounts will come from the accounts payable journal. Timely remittance of sales and use taxes to taxing authorities may entitle the council to a commission or discount, which, if received, will be credited to account 6931, other revenue.

2782: Funds of Inactive Units

This account records funds of inactive or lapsed units. See Article XI, Section 1, Clause 2b of the Rules and Regulations of the Boy Scouts of America. These funds are held in the nature of a trusteeship with the hope that the unit will be chartered, at which time the funds may be transferred to the custody of the unit committee or chartered organization's treasurer upon approval of duly accredited authority. Such a transfer requires the approval of the Scout executive and the council treasurer.

A credit to this account will generally come from the cash receipts journal. It could also come from a journal entry in the general journal for funds of a previously active unit already held by the council. A debit to this account will generally come from the accounts payable journal.

2783: Unclaimed Wages

This account records the liability for unclaimed wages payable to former employees. When former employees cannot be located, their payroll checks outstanding for 12 months or more should be transferred to this account by an entry in the general journal that will credit this account and debit the cash checking account involved, such as account 1001 or 1048.

This liability will remain on the books until claimed by the former employee or treated in accordance with state law. Disbursements of previously unclaimed wages would be entered in the accounts payable journal.

2784: Garnishments Owed

This account is used to record garnishments owed and deducted from wages.

2785: Child Support Payments

Child support payments owed and deducted from wages are recorded to this account.

2786: Scout Bucks Issued

Scout bucks issued and still outstanding are recorded in this account. It is advisable to include an expiration date on gift certificates in order to reconcile and write off old certificates by local policy.

2787: Gift Certificates Issued

This account is used to record gift certificates issued that have not been redeemed. It is advisable to include an expiration date on gift certificates in order to reconcile and write off old certificates by local policy.

2789: Other Current Liabilities

This account should be used to record any other current liabilities that do not fit into the categories discussed above.

2800–2899: Long-Term Indebtedness

2801: Long-Term Notes Payable

This account records the portion of notes payable due longer than one year.

2851: Long-Term Mortgage Notes Payable

This account records the portion of a mortgage loan due longer than one year.

2900–2999: Other Noncurrent Liabilities

2901: Other Noncurrent Liabilities

Noncurrent liabilities not otherwise identified.

2936: Capital Lease Obligations—Noncurrent

Capital leases not due within the current year are recorded in this account.

8.5 Net Asset Accounts—Usage Guidelines

3000–3099: Net Assets

Unrestricted Net Assets—Class code 00

This account records the accumulated excess or deficiency of operating revenues and transfers from other funds over operating expenses, and transfers to other funds as of the beginning of the council's fiscal year. At year-end, all revenue, expense, and transfer accounts with fund designations are closed to this account. In addition, account 3101, unrestricted, (see below) closes to account 3001.

Temporarily-Restricted Net Assets—Class code 01

These accounts record transactions of the council resulting (a) contributions and other inflows of revenues, the use of which by the council is limited by donor-imposed stipulations that will either (temporary) or neither (permanent) expire by passage of time or/nor can be fulfilled or otherwise removed by actions of the council; (b) other asset enhancements subject to the same kinds of stipulations; and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations.

Permanently Restricted Net Assets—Class code 02

The balance in this account indicates the cumulative amount of contributions restricted to the, where there is no access to principal (e.g., the BSA model trust), as of the beginning of the year. Additional account numbers are available for contributions in which temporary restrictions are given, e.g., the donor requests that a special memorial fund be set up or that the principal should be used for a specified purpose.

3001: Net Assets—Unrestricted

3002: Net Assets—Unrestricted Board-Designated Funds

This account records the net assets that have been designated by the executive board for specific purposes. It should be noted that only a donor can place a restriction on net assets, and that the executive board cannot be a donor. Therefore, all net assets designated by the board are unrestricted. This account is used to segregate board-designated net assets from other unrestricted net assets. Transactions are recorded to this account using the adjustments to net asset accounts 3101 and 3102.

<u>3005–3065: Net Asset Accounts—Direct/Indirect Support and Revenue</u>

Direct and Indirect contribution revenue accounts and investment revenue and gain/loss accounts close to these net asset accounts. Balances in these accounts are affected by Net Asset Adjustment accounts 3100—3199 (see next page) and Release from restriction accounts 3600—3699).

3005: Net Assets—Friends of Scouting

3006: Net Assets—Direct Mail

3007: Net Assets—Project Sales

3010: Net Assets—Capital Campaign

3015: Net Assets—Special Events

3020: Net Assets—Legacies and Bequests

3025: Net Assets—Foundations and Trusts

3030: Net Assets—Other Direct Contributions

3035: Net Assets—Associated Organizations

3040: Net Assets—United Way Allocations

3041: Net Assets—United Way Donor Designations

3045: Net Assets—Unassociated Organizations

3050: Net Assets—Other Indirect Contributions

3055: Net Assets—Government Fees/Grants

3060: Net Assets—Investment Revenues

3065: Net Assets—Gains/Losses on Investment Transactions

3100–3199: Adjustments to Net Assets

These accounts should be used to record general journal entries correcting material (significant) errors in the prior year's published financial statements and/or material adjustments resulting from the current resolution of accounting problems that occurred in prior years because of uncertainty. For example, a lawsuit settlement in the current year might relate to events that took place in a prior year. The amount of any prior period adjustments should be shown in the "other changes in net assets" section of the statement of support, revenues, expenses; and changes in net assets should be fully explained in the notes to the financial statements. (The beginning-of-the-year net assets should equal the end-of-the-year net assets shown in the published financial statements of the prior year.) However, if comparative financial statements are given for the prior year, they should be restated for the adjustment.

The current-year financial statements will have a restated beginning net asset and show no adjustment for the prior period. The balance in these accounts should be closed to the appropriate net asset account at year-end.

3101: Net Asset Adjustment to 3001: Net Assets—Unrestricted

3102: Net Asset Adjustment to 3002: Net Assets—Unrestricted Board-Designated Funds

3105: Net Asset Adjustment to 3005: Net Assets—Friends of Scouting

3106: Net Asset Adjustment to 3006: Net Assets—Direct Mail

3107: Net Asset Adjustment to 3007: Net Assets—Project Sales

3110: Net Asset Adjustment to 3010: Net Assets—Capital Campaign

3115: Net Asset Adjustment to 3015: Net Assets—Special Events

3120: Net Asset Adjustment to 3020: Net Assets—Legacies and Bequests

3125: Net Asset Adjustment to 3025: Net Assets—Foundations and Trusts

3130: Net Asset Adjustment to 3030: Net Assets—Other Direct Contributions

3135: Net Asset Adjustment to 3035: Net Assets—Associated Organizations

3140: Net Asset Adjustment to 3040: Net Assets—United Way Allocations

3141: Net Asset Adjustment to 3041: Net Assets—United Way Donor Designations

3145: Net Asset Adjustment to 3045: Net Assets—Unassociated Organizations

3150: Net Asset Adjustment to 3050: Net Assets—Other Indirect Contributions

3155: Net Asset Adjustment to 3055: Net Assets—Government Fees/Grants

3160: Net Asset Adjustment to 3060: Net Assets—Investment Revenues

3165: Net Asset Adjustment to 3065: Net Assets—Gains/Losses on Investment Transactions

3600–3699: Net Assets Released From Restriction

These accounts are used to record a reclassification of net assets from one class of net assets (unrestricted, temporarily restricted, or permanently restricted) to another class. The reclassification accounts are closed to the appropriate net asset accounts at year-end.

Release from restriction should be done within the same fund and not completed through a transfer between funds. For example: If temporarily restricted net assets in the capital fund are to become unrestricted net assets in the operating fund, first reclassify the funds in the capital fund from temporarily restricted to unrestricted, then transfer to the operating fund (unrestricted to unrestricted).

3605: Release from Restriction Friends of Scouting Contributions (Net Asset 3005)

3606: Release from Restriction Direct Mail (Net Asset 3006)

3607: Release from Restriction Project Sales (Net Asset 3007)

3610: Release from Restriction Capital Campaign (Net Asset 3010)

3615: Release from Restriction Special Events (Net Asset 3015)

3620: Release from Restriction Legacies and Bequests (Net Asset 3020)

3625: Release from Restriction Foundations and Trusts (Net Asset 3025)

3630: Release from Restriction Other Direct Contributions (Net Asset 3030)

3635: Release from Restriction Associated Organizations (Net Asset 3035)

3640: Release from Restriction United Way Allocation (Net Asset 3040)

3641: Release from Restriction United Way Donor-Designated (Net Asset 3041)

3645: Release from Restriction Unassociated Organizations (Net Asset 3045)

3650: Release from Restriction Other Indirect Contributions (Net Asset 3050)

3655: Release from Restriction Government Fees/Grants (Net Asset 3055)

3660: Release from Restriction Investment Income (Net Asset 3060)

3665: Release from Restriction Realized Appreciation (Net Asset 3065)

3900: Transfers Between Funds

Transfers between funds accounts are used to record transfers of unrestricted assets between funds, as opposed to inter-fund loans. All transfers are permanent movement of assets between two or more funds. All transfers should have the specific approval of the executive board or be related to a board-approved budget that shows such transfers. The transfer accounts are closed to the appropriate unrestricted fund accounts at year-end.

Transfers are shown in the other changes in net assets section of the statement of support, revenues, expenses, and changes in net assets. Significant types of transfers should be disclosed on separate lines of the statement. Examples of transfers that might require separate line disclosure are the following: expenditures for fixed assets by the operating fund; the transfer of proceeds from a sale of fixed assets from the capital fund to other funds; the transfer of previously restricted funds, where the restrictions have lapsed; the transfer of contributions from the capital fund to the operating fund, as specified in the brochure for a capital campaign; appropriations of operating fund monies to be set aside for special purposes in the other funds.

In order to maintain the detail necessary for disclosure and to close the transfer account balances to the appropriate fund accounts, a project code can be used when recording the transaction. The amounts coded may be posted to separate general ledger accounts for each different combination of the fund, base account number, project codes, and class codes.

8.6 Revenue Accounts—Usage Guidelines

4000-4599: Public Support Received Directly

These accounts record contributions received by a council as a result of its own efforts or efforts under its direct supervision. Accounts provided for public support received indirectly, i.e., through the efforts of another organization, are discussed in the following section. Classification of support as direct and indirect is required so that readers of a council's financial statement can relate fundraising costs to the support received.

4000–4099: Annual Contributions and Project Sales

4001: Contributions—Friends of Scouting

Friends of Scouting contributions are amounts pledged to support the current year's operations. Amounts pledged to support future year's operations are credited to account 4001-xxx-91.

4002: Contributions—Friends of Scouting—Prior Year

4010: Contributions—Direct Mail

This account records transactions in the same manner as account 4001, except for the source of the gift. This account is credited with monies received through the mail as a result of the direct mail campaign, instead of pledged amounts from individuals and business, which are credited to account 4001.

4018: Provision for Uncollectible Contributions—Direct Mail

4054: Accretion of Discounted Future Value—Friends of Scouting

4067: Provision for Discounted Future Value—Friends of Scouting

4069: Provision for Uncollectible Pledges—Friends of Scouting (debit balance)

4071: Contributions—Project Sales

Amounts pledged for project sales for the current year are credited to this account from the contributions journal.

Amounts pledged for the future years are credited to account 4071-xxx-91. Project codes are available to record individual project sales, or the fundraising software - may be used instead.

Project sales are taking a part of the council program, putting it in project form, and selling it to someone. Such projects are ordinarily for operating expenses, but may include special programs outside the budget, and budgeted capital needs. Examples of regular operating budget projects include the financing of the costs of the council's training program, telephone services, summer camp scholarships known as "camperships," or program supplies—the revenue for these types of project sales normally would be included in the operating fund. An example of a special project would be the financing of a paraprofessional position not included in the operating budget. Projects involving the purchase of fixed assets, e.g., a vehicle would be reported in the capital fund. By selling a project to a donor, stewardship responsibilities are imposed upon the council to use the funds for the purpose stipulated. However, "price tags" on project sales usually are rounded amounts that probably will not match the actual costs exactly, so councils should use discretion on the spending of insignificant amounts of unused monies. Any significant unused amounts should be held until instructions are received from the donor on the manner in which they are to be used.

4072: Contributions—Project Sales—Prior Year

4089: Provision for Uncollectible Pledges—Project Sales (debit balance)

<u>4100–4199: Contributions—Capital Campaign</u>

These accounts are used only when the council conducts a formal capital campaign to raise money for the capital fund. Contributions to the capital fund not resulting from such campaigns should be credited to the other contribution revenue accounts.

Capital campaigns usually extend over multiple years and solicit funds to cover the cost of the campaign, as well as for capital additions or improvements to the fixed assets of the council. The intended uses of the funds raised should be clearly described in the materials used in the capital campaign. All contributions should be recorded as temporarily restricted and released from restriction as expenditures occur.

All fundraising expenses related to a capital campaign should be included in the capital fund in order to relate them properly to the funds raised. Account 4101 can have only the capital fund code of 2.

If funds are raised for the operating and/or endowment fund as part of the capital campaign which is not recommended, the appropriate amounts must be transferred to the appropriate fund through the use of the transfer account 3900. The total amount of such transfers should be clearly disclosed on a separate line in the other changes in net assets section of the statement of support, revenue, expenses, and changes in net assets. Such amounts should be distinguished from transfers of the proceeds from the sale of fixed assets by the use of the project code.

2-4101: Contributions—Capital Campaign

2-4153: Provision for Discounted Future Value—Capital Campaign (debit balance)

This account is used to record the amount of cash discounts for future pledges.

2-4154: Accretion of Discounted Future Value—Capital Campaign (credit balance)

This account is used to record the reduction of cash discount for future capital campaign pledges.

2-4189: Provision for Uncollectible Pledges—Capital Campaign (debit balance)

4200–4299: Contributions—Special Events

There is a difference between special events and activities, which is determined by the IRS.

Distinguished citizen award dinners, lunches, golf matches, etc., are special events. The primary purpose of special events is to raise money by realizing revenue in excess of direct benefits provided to participants (catering expense, green fees) and the incidental cost of the event (principal costs, publicity, etc.). The cost of the direct benefits to participants is a reduction from revenue.

The result of these entries is to record as contribution revenue the gross receipts from special events, less the cost of direct benefits provided to the participants. However, the latter amount should be disclosed parenthetically after the special events caption in the statement of support, revenues, expenses, and changes in net assets. The direct fundraising costs, on the other hand, are included in the fundraising expenses line of the statement of support, revenues, expenses, and changes in net assets.

4201: Contributions—Special Events—Sponsorships

This account is used to record amounts from donors who agree to pay for all or part of the expenses of a special event.

4202: Contributions—Special Events—Participants

4203: Contributions—Special Events—Souvenir Programs

4204: Contributions—Special Events—Advertising Revenue

4205: Contributions—Special Events—Concession Revenue

4209: Contribution—Special Events—Resale Items

4231: Contributions—Special Events—Other

4249: Provision for Uncollectible Pledges—Special Events (debit balance)

4250: Fees—Special Events

This account is used to record the portion of the event fee reflected in direct benefits. This is the portion of the fee that is not tax-deductible.

4251: Cost of Direct Benefits—Meals (debit balance)

4252: Cost of Direct Benefits—Rental of Facilities (debit balance)

4253: Cost of Direct Benefits—Speaker Fees and Honorariums (debit balance)

4254: Cost of Direct Benefits—Music and Other Entertainment (debit balance)

4255: Cost of Direct Benefits—Prizes and Awards to Participants (debit balance)

4256: Cost of Direct Benefits—Commissions (debit balance)

4257: Provision for Discounted Future Value (debit balance)

4258: Accretion of Discounted Future Value (credit balance)

4261: Cost of Direct Benefits—Donated Goods and Services (debit balance)

4271: Cost of Direct Benefits— Other (debit balance)

The titles of the accounts above are self-explanatory taken in conjunction with the general discussion of accounts 4200–4299.

4300–4399: Contributions—Legacies and Bequests

4301: Contributions—Legacies and Bequests

Legacies and bequests are gifts made through a will after the death of the donor. Legacies and bequests applicable to the current year are credited to this account. Legacies and bequests applicable to subsequent years would be credited to account 4301-xxx-91. Such restriction could occur if the will stipulates the year the gift is to be used or if there is uncertainty over the date of receipt.

4353: Provision Discount Future Value—Legacies and Bequests (debit balance)

4354: Accretion of Discount Value—Legacies and Bequests (credit balance)

4369: Provision for Uncollectible Pledges—Legacies and Bequests (debit balance)

4400–4499: Contributions—Foundations and Trusts

These accounts record the contributions received from foundations and trusts. Solicitation to foundations is generally for a specific purpose, e.g., purchase of training equipment. It is important to remember that funds so received impose a stewardship upon the local council to use the funds received for the purpose designated.

4401: Contributions—Foundations and Trusts

4453: Provision for Discounted Future Value—Foundations and Trusts (debit balance)

4454: Accretion of Discounted Future Value—Foundations and Trusts (credit balance)

4469: Provision for Uncollectible Contributions—Foundations and Trusts (debit balance)

4500–4599: Other Direct Contributions

These accounts are used to record direct contributions that are not applicable to the accounts above. Examples include memorial or congratulatory tributes. Amounts with restrictions of time or purpose should be credited to account 4501-xxx-91.

4501: Contributions—Other Direct

4531: Contributions—Other Direct—Contributed Goods and Services

This account is credited when the council receives contributions of services that must be recognized if the services received meet the following criteria. The services must a) create or enhance non-financial assets, or b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftspeople. Contributed services and promises to give that do not meet the above criteria shall not be recognized.

4551: Contributions—Learning For Life

4553: Provision of Discounted Future Value—Other Direct Contributions (debit balance)

4554: Accretion of Discounted Future Value—Other Direct Contributions (credit balance)

4569: Provision for Uncollectible Pledges—Other Direct Contributions (debit balance)

4600-4799: Public Support Received Indirectly

These accounts record contributions received by a council through the fundraising efforts of another organization. Accounts provided for public support received directly (as a result of its own efforts or under its direct supervision) are discussed in the previous section. Classification of support as direct and indirect is required so that readers of a council's financial statements can relate fundraising costs to the support received.

<u>4600–4699: Contributions—Associated Organizations</u>

4601: Contributions—Order of the Arrow

4602: Contributions—National Council

These accounts record contributions related to support of the Scouting program in the local council within the Scouting family, such as the National Council, the regional office, the council's own units, the local Order of the Arrow lodge, etc.

Support from the civic groups, chartered organizations, and foundations and trusts (for example, the local Rotary or Kiwanis group may be actively supporting the council camp) would be recorded in accounts under public support—received directly, accounts 4000–4469, discussed in the preceding section.

4603: Contributions—Other Associated Organizations

4604: Contributions—Learning for Life Foundation

<u>4700–4799: Contributions—United Ways</u>

These accounts record the revenue from local United Ways and associated federated fundraising organizations that support the council's operating budget. Amounts with restrictions (time or Purpose) should be credited to 4701-xxx-91.

4701: Contributions—United Ways—Allocation

This account is for the amount allocated to the local council by a United Way.

4702: Contributions—United Ways—Donor-Designated

This account records monies designated by the United Way donor to direct his United Way gift to the local council.

4768: Provision for Uncollectible Pledges—United Way Donor-Designated (debit balance)

4769: Provision for Uncollectible Pledges—United Way—Allocation (debit balance)

<u>4800–4899: Contributions—Unassociated and Non Federated Fundraising Organizations</u>

4801: Contributions—Unassociated and Non Federated Fundraising Organizations

This account is provided to report allocations from independent Non Federated campaigns for multiple-agency support, such as those conducted by some large industrial plants and by charity-support organizations within trade associations. Credits to this account will come from the contributions journal for amounts applicable to the current year. Amounts with restrictions (time or Purpose) should be credited to 4801-xxx-91.

<u>4900–4999: Other Indirect Contributions</u>

4901: Contributions—Other Indirect

This account is for indirect contributions not applicable to the accounts above. The credits to this account will come from the contributions journal for amounts applicable to the current year. Amounts applicable to subsequent years should be credited to account 4901-xxx-91.

5000: Fees and Grants From Government Agencies

The accounts below are provided to record support and revenue received from governmental sources, other than the surplus food and subsidies. Council participation in government-funded projects must have the prior approval of the regional office, and the funds must be administered in such a way that the Boy Scouts of America maintains its integrity.

Grants from government agencies should be recorded when they are awarded. If they are to be used in the year in which they are awarded, account 1211, grants receivable from government agencies, should be debited in the general journal, and account 5001 should be credited. Grants to be used in subsequent years should be credited to account 5001-xxx-91 and then released from restriction in the years they are to be used.

Because grants are usually awarded for a specific purpose, they most often will be recorded with project codes.

<u>5000–5099: Fees From Government Agencies</u>

5001: Grants/Fees From Government Agencies

Explanation and Use of Revenue Accounts

6300–6399: Sales of Supplies Net of Supply Costs

The income from the sale of supplies is shown net of the costs of the supplies on the statement of support, revenues, expenses, and statement of activities and changes in net assets; however, the costs are shown parenthetically as part of the caption. Income from the camp trading posts is not included in these accounts, but in the camping revenues accounts discussed below.

6301: Sale of Nontaxable Supplies—Council Service Center

This account is used to record sales of supplies from the council service center and from supplies on consignment.

6302: Sale of Supplies—Council Service Center—Taxable Sales

This account is the same as account 6301, except it records taxable sales.

6351: Cost of Sales—Supplies—Council Service Center (debit balance)

When supplies for sale from the council service center are purchased, the cost is recorded in account 1401, inventory—supplies for sale—council service center. The cost of the supplies sold each month must be transferred from that account to a cost-of-sales account by a journal entry in the general journal. This account, 6351, is used to record the cost of supplies sold from the council service center. A separate cost-of-sales account should be used for each service center maintained by a council.

If a local council is using point-of-sale software, the cost of sales can be accurately calculated within the software and generate reports to provide the amount needed to make the entry into the general ledger. If a council is not using point-of-sale software, then the council must calculate the cost of goods sold monthly.

The first step in the procedure for determining the amount of this entry is to determine a cost-of-sales percentage. This is the percentage that the cost of supplies sold bears to the retail sales value of the supplies sold. The method for determining this percentage follows:

Example: Determining Cost of Sales Percentage

1. An accurate physical inventory of all supplies for sale is required.
2. Price the individual items at their retail sales price. Add all items priced to obtain a total retail value for the inventory. (Assume this is $10,000.)
3. Price the individual items at their purchase price. All items priced to obtain a total cost value for the inventory. (Assume this is $8,500.)
4. The cost of $8,500 divided by the retail value of $10,000 yields the estimated cost-of-sales percentage, which in this example is 85 percent. Costing percentages should be rounded to the nearest whole percentage point.

Cost-of-sales percentages are used to estimate the cost of items sold at the end of each month. The actual cost of the supplies sold will be determined when the balance in account 1401, inventory—supplies for sale—council service center, is adjusted to the total cost value of the annual physical inventory and the difference is journalized to account 6351. The balance in this account will then be the actual cost of the supplies sold.

Example: Calculating the Monthly Estimated Cost of Sales

Assume that a council uses 85 percent as its cost percentage for the current year, and during January sales of $400 were credited to account 6301, sale of supplies—council service center. The cost of sales for January would be equal to 85 percent of $400, or $340. At month-end, a journal entry would be made in the general journal to debit account 6351, cost of sales—supplies—council service center, and credit account 1401, inventory—supplies for sale—council service center, for $340. The journal entry explanation would be: “To relieve the inventory of the estimated cost of supplies sold in January. Sales value $400; cost of sales percentage 85 percent.”

The actual cost of sales percentage for the year may be determined after recording the annual physical inventory, by dividing the balance in account 6351 by the balance in account 6301. A critical comparison should be made of the actual cost of sales percentage and the monthly estimated costing percentage, giving consideration to such possible factors as price changes, slow-moving stock, council class, and the “mix” of sales versus the “mix” of inventory.

<u>6400–6499: Sales of Products, Net of Product Costs and Commissions Paid to Units</u>

The income from the sale of a product is shown net of the cost of the product and the commission paid to units on the statement of support, revenues, expenses, and changes in net assets; however, the costs are shown parenthetically as part of the caption.

6401: Sale of Products

This account is used to record fundraising sales of a product to the public, and must not be confused with the sale of supplies (account 6301). The credit to this account will come from the cash receipts journal. Any refunds would be debited to this account from the cash disbursements journal. If more than one product is sold, project codes are available for separate accounting treatment.

6451: Cost Product Sold—Product Sales (debit balance)

When products for a fundraising product sale are purchased, the cost is recorded in account 1404, inventory—product sales. The cost of the goods sold each month must be transferred by a journal entry in the general journal from the inventory account to a cost-of-goods-sold account, such as account 6451. A separate cost-of-goods-sold account would be maintained for each product sold. It will not be necessary to determine a cost-of-sales percentage for product sales, because we are dealing with one product and the cost of each individual package can be readily obtained (see account 1404—inventory—product sales). Refer to the explanation given under account 6351 above. This account is handled in the same manner.

6471: Commissions Paid to Units—Product Sales (debit balance)

The title of this account is self-explanatory. . A separate commission-paid account should be maintained for each product being sold.

<u>6500–6599: Investment Income</u>

Investment income usually consists of interest and dividends, but could include rent from properties, royalties from properties, or patents held as investments to produce such income. (The council could have received such properties or patents as contributions.) Investment income should be recorded as revenue of the fund group that will use it. Investment income from the investments of all fund groups should be included as revenue of the operating fund, unless legal restrictions or board directives dictate otherwise. Legal restrictions might require that the income be included with the revenues of the capital or endowment funds, or be temporarily restricted.

The accounts above are provided so that the council has a record of which investments produced the income. For example, investment income of the operating fund generated by capital fund investments and endowment fund investments would be recorded in accounts 1-6502 and 1-6503, respectively.

Generally, investment income will be credited to these accounts from the cash receipts journal. However, if significant amounts of income have been earned but not received by the council at the end of an accounting period, an accrual entry should be made in the general journal, as explained under account 1271, accounts receivable—accrued income from investments.

Investment income should be reported net of related costs, e.g., an investment management fee. If such costs are significant (the operating costs of a building held for investment purposes), they should be accumulated in a separate account.

6501: Investment Income From Operating Fund Investments

6502: Investment Income From Capital Fund Investments

6503: Investment Income From Endowment Fund Investments

6531: Investment Income—Royalties

<u>6600–6699: Gain (Loss) on Investment Transactions and Sale of Other Assets</u>

The manner in which gains or losses arise on investment transactions is explained in chapter 8 under account 1101, short-term investments. The fund group in which such gains or losses are recorded depends on which fund group holds the investment and whether there are any legal restrictions or board directives concerning the matter.

It is with the investments of the endowment fund that this type of transaction is most likely to occur. With endowment fund investments, unrealized gains or losses should be included in the endowment fund, unless donors have specified otherwise.

Because the bulk of the gains or losses will be recorded in the funds holding the investments, only one account per classification has been provided in the detailed chart of accounts. However, project codes are available, should the council need to record transactions in detail comparable to the investment income accounts above.

If the council does have gains or losses arising from investments of the remaining funds, the following will apply:

1. Gains or losses on investments of the operating fund should be recorded in that fund.

2. 2. Gains on investments of the capital fund should be included in the revenue of this fund. Losses sustained on the investments of the capital fund should be recorded in this fund unless legal restrictions require otherwise. For example, losses sustained on the temporary investments of cash from a grant for a specific purpose may have to be reimbursed by the

operating fund under the requirements of the grant. In such cases, the loss should be recorded in the operating fund.

6601: Gain (Loss) on Investment Transactions and Sale of Other Assets (Not Fixed)

6631: Gain (Loss) on Currency Transactions

6651: Unrealized Gains (Losses)

<u>6700–6799: Camping Revenues</u>

As explained earlier, all camping revenues are deferred until the related camp operation is completed.

The following accounts are provided to record the most common types of camping revenues.

6701: Camp—Fees

This account classifies gross camping fees received from units or campers. Discounts to fees are recorded in account 6749, explained below. For example, the maximum fee for camp is $300. If paid early, there is a $50 discount which is recorded in account 6749.

6702: Camp—Rental Revenues

This account classifies rentals received for use of all or a portion of the facilities at the camp or reservation, or for use of camp equipment.

6703: Camp—Sale of Meals to Visitors

This account classifies cash receipts from visitors, volunteers, and other non-campers for meals furnished to them.,

6704: Camp—Program Fees

This account classifies cash receipts from the units for optional portions of the camp operation, such as the rifle range.

6705: Camp—Food and Other Commissary Supplies Sold

This account classifies cash receipts from the sale of commissary food, usually in case lots, to employees or volunteers, either during or at the end of the summer camp. The total cost of the food and supplies sold would be included in the entry, relieving account 1451, inventory—food and other commissary supplies—camp, for food and supplies used during the month.

Supplies other than food generally include items directly related to the actual food and its serving, e.g., paper, plastic cups, and dishes.

6706: Camp—Vending Machine Commissions

This account classifies commissions received as a result of vending machine sales at the camp or reservation. Ordinarily, these commissions are paid to the council by a check from the local distributor.

6707: Camp—Transportation Fees

This account classifies cash receipts from campers for transportation fees, regardless of whether the transportation was furnished by council-owned vehicles or otherwise, e.g., a chartered bus.

6708: Camp—Recycling Revenues

This account classifies cash receipts for payments received for recycling operations at the camp or reservation. Ordinarily, these commissions are paid to the council by check from the local recycling station.

6709: Camp—Government Subsidies

This account classifies the value of surplus government food received for camping use. The basis of valuation should be the estimated value of the commodities if the council has purchased the food from private wholesalers.

6710: Camp—Trading Post Sales—Taxable

This account records camp trading post sales in the same manner that account 6301 records the sale of supplies from the council service center.

6711: Camp—Trading Post Sales—Non-Taxable

This account records camp trading post sales in the same manner that account 6301 records the sale of supplies from the council service center.

6712: Camp—Trading Post Cost of Sales (debit balance)

This account records the cost of sales for the camp trading post in the same manner that account 6351 records the cost of sales for supplies sold from the council service center, except that the cost-of-sales percentage should be calculated based on the camp trading post inventory, not on the council office inventory, and the debit offsetting the credit to inventory.

6713: Camp—Vending Machine Sales

6714: Camp—Vending Machine Cost of Sales (debit balance)

Refer to the explanations given under accounts 6711 and 6712 above. These two accounts are handled in the same manner, except that the account treatment is limited to vending machine merchandise.

6722: Camp—Participant Insurance Fees

This account records cash receipts/revenue from individual participants.

6731: Camp—Other Revenue

This account is provided to record any camping revenue not appropriately classified in another account that is not significant enough to create a separate account.

6736: Camp—Cash Over/Under

When balancing out the cash drawer at the end of the day, if more cash is on hand than the total of receipts, then this account is credited. If less cash is on hand than the total of receipts, then this situation is treated as a reduction of revenue, and this account is debited.

6748: Camp—Refunds (debit balance)

Use this account to record fees refunded to participants.

6749: Camp—Discounted Fees (debit balance)

This account records discounts for fees paid a month or more prior to camp opening because of a promotional effort by the council.

<u>6800–6899: Activity Revenues</u>

There is a difference between special events and activities, which is determined by the IRS.

Camporees, Scouting shows, jamborees, canoe trips, etc., are activities. The primary purpose of activities is to have youth members participate in the Scouting program, although a surplus of revenues over expenses may be generated by such an activity.

Commissions paid to units are a reduction to sales revenue; all expenses related to activities are shown as expenses and not netted against revenue.

All activity revenues are deferred until the related activity is completed. The following accounts are provided to record the most common types of activity revenues.

6801: Activity—Fees

. This account classifies gross activity fees received from units or campers. Discounts to fees are recorded in account 6849, explained below. For example, the maximum fee for an activity is $300. If paid early, there is a $50 discount which is recorded in account 6849.

6803: Activity—Sale of Meals

Cash receipts from the sale of meals are classified in this account.

6806: Activity—Concession Revenues

Amounts paid to the council by outside vendors who sell food or other items at activities are classified in this account.

6807: Activity—Transportation Fees

This account is used to record fees charged by the council for transportation to an activity when it is provided on an optional basis, i.e., such transportation is not mandatory for all participants.

6808: Activity—Recycling Revenues

This account classifies cash receipts for payments received for recycling operations at an activity. Ordinarily, these commissions are paid to the council by check from the local recycling station.

6809: Activity—Government Subsidies

6810: Activity—Trading Post Sales—Taxable

6811: Activity—Trading Post Sales—Non-Taxable

6812: Activities—Trading Post Cost of Goods Sold (debit balance)

6813: Activity—Vending Machine Sales

6814: Activity—Vending Machine Cost of Sales (debit balance)

Refer to the explanations given under accounts 6811 and 6812 above. These two accounts are handled in the same manner, except that the account treatment is limited to vending machine merchandise.

These accounts are handled in the same manner, except that the transactions are related to activities instead of camping.

6815: Activity—Sale of Tickets

6816: Activity—Commissions Paid to Units for Sale of Tickets (debit balance)

This account also is used to record prizes awarded for selling tickets to Scouting shows.

6817: Activity—Sale of Programs

6818: Activity—Advertising Revenues

6822: Activity—Participant Insurance Fees

This account records cash receipts/revenue from individual participants

6831: Activity—Other Revenue

This account is provided to record any activities revenue not appropriately classified in another account that is not significant enough to create a separate account.

6836: Activity—Cash Over/Under

6849: Activity—Discounted Fees (debit balance)

Refer to the explanation given under account 6749 earlier in this chapter. This account is handled in the same manner.

<u>6900–6999: Other Revenues</u>

6901: Revenue from Sale of Council Services

This account records revenue received from the sale of council services—for example, services performed by council employees and/or temporary office help.

6902: Advertising Revenue

This account records the revenue from advertising in council monthly newsletters, bulletins, or other sources other than from activities which would be recorded in account 6818.

6903: Revenue From Rent Net of Related Costs

This account records rental income or related costs of an incidental nature received from council property other than camp facilities. For example, if the council moved into a new service center and temporarily rented its former facilities to others, or rented part of present facilities or parking facilities for a specific event, the income would be recorded in this account. Rental income from properties held for investment should be reported in accounts 6500–6599.

6906: Gain on the Sale of Fixed Assets

This account records the difference in the amount an asset was sold for and the net amount of the current value in the fixed assets register.

6915: Comprehensive General Liability Insurance Refund

From time to time, councils receive refunds from overpayment of premiums due to lower ratings from reduced claims.

6922: Participant Insurance Coverage

Refer to the explanation given under account 6722 earlier in this chapter. Some councils may elect to use this account in certain situations instead of accounts 6722 and 6822.

6930: Inter-Company Revenue

This account may be used to transfer revenue to specific projects for budgeting purposes. A credit entry would be made to 6930 attached to the project receiving the revenue and a debit to 6930 attached to the project giving the revenue. This is an elimination account where the total across a statement line will be eliminated.

6931: Other Revenue

This account is provided to record any revenue not appropriately classified in another account that is not significant enough to create a separate account.

6936: Cash Over/Under—Service Center

This account records the amount in which the cash drawer of the council does not match the amount deposited to the bank.

6939: Commissions—Learning For Life

6940: Commissions—Online Sales

This account is used to record commissions paid to the council for online sales (for example, when popcorn is purchased by individuals online directly from the vendor and their order is shipped directly to them).

6941: Revenue Sharing—National Supply Sales

Use this account to record revenue received by the council for sales related to online purchases directly from BSA Supply Group by individuals.

8.7 Expense Accounts—Usage Guidelines

The books of original entry, the subsidiary records, and the general ledger have all been designed to facilitate the dual recording of expenses. The activities subsidiary records, camping subsidiary records, and special events subsidiary records all have separate class codes 20, 21, and 70, respectively.

This section describes the basic account code expense classifications. Expense accounts may be posted from the accounts payable journal, payroll journal (salaries), or the general journal. Examples of general journal entries include accruals for expenses for which the related invoices have not been received and/or paid (see accounts 2000–2199), and entries transferring other deferred or prepaid expenses to the appropriate expense accounts. Entries could also come from the cash receipts journal in the case of refunds of amounts previously expensed.

<u>7000–7099: Salaries Expense</u>

7002: Professional Staff Salaries

The gross amount of salaries paid to the professional and professional-technical staff will be charged to this account.

7003: Clerical Staff Salaries

The gross amount of salaries paid to nonprofessional full-time and part-time office employees will be charged to this account. Fees paid to agencies for temporary clerical help should be charged to account 7006, temporary clerical help.

7005: Maintenance Employees' Wages

Wages paid to office maintenance and janitorial employees are charged to this account. If maintenance and janitorial services are obtained from an independent contractor, amounts paid should be debited to account 8409, janitorial and other maintenance contract services (occupancy expense).

7006: Temporary Clerical Help

This account is used to record the charges for temporary office workers who are engaged on a contractual basis directly and are paid through the council's payroll provider. Independent contractors are not employees of the local council. Therefore, payments for their services are recorded directly in the accounts payable journal and not in the payroll journal, expensing to 8007.

7009: Camping Salaries

7010: Temporary Program Help

<u>7100–7199: Employee Benefits Expense</u>

7101: BSA Group Accident Insurance—Employer's Share

7102: BSA Group Life Insurance—Employer's Share

7103: BSA Major Medical Insurance—Employer's Share

7104: BSA Retirement Plan—Employer's Share

7105: BSA Thrift Plan - Employer's Share

7106: BSA Group AFLAC Plan - Employer's Share

7107: BSA HSA Plan - Employer's Share

7108: Long-Term Disability Insurance—Employer's Share

7109: Dental Assistance Plan—Employer's Share

7110: Vision Care Plan—Employer's Share

7111: Council Supplemental Retire – Employer's Share

7116: Council Other Benefit – Employer's Share

7120: BSA Dependent Life – Employer's Share7131: Other Employee Benefits

This account is provided for recording the expenses of other benefits appropriately charged to the council and for which accounts are not otherwise provided.

<u>7200–7299: Payroll Taxes Expense</u>

7201: Social Security Taxes—Employer's Share

7202: Unemployment Taxes—Employer's Share

7203: Workers' Compensation Insurance

7204: Temporary Disability Taxes—Employer's Share

7205: Other Payroll Taxes

<u>7300–7399: Employee-Related Expenses</u>

7301: Employment Expenses—Interviewing

7302: Employment Expenses—Moving and Relocation

7303: Employment Expenses—Other

Interviewing expenses, such as an applicant's travel expenses and meals, are recorded in account 7301. Moving costs and other relocation expenses of newly hired employees are recorded in account 7302. Account 7303 would be used for other employment expenses, such as advertising costs or employment agency fees for office or camp employees.

<u>8000–8099: Professional and Other Contract Service Fees Expense</u>

8003: Legal Services

8005: Fundraising and Public Relations Services

8006: Brokerage, Commissions, and Collection Services

8007: Employment Services

8008: Audit and Accounting Services

8009: Computer Services

8010: Other Professional Services

8011: Learning for Life License Fee

<u>8100–8199: Supplies Expense</u>

8101: Medical, Health, and Safety Supplies Expense

Medical, health, and safety supplies for the camp health lodge, rifle range, archery range, ax yard, waterfront, etc., as well as for activities and the council office, are classified in this account.

8103: Program Supplies Expense

This account should be used to record the expense of supplies directly related to the program other than the supplies expenses shown below. Examples would include supplies and literature distributed free of charge to aid in advancing the Scouting program in the field.

8104: Food—Commissary Supplies Expense

See account 1451, inventory—supplies—camp.

8105: Sanitation and Janitorial Supplies Expense

Bathroom and latrine supplies, sterilization and dishwashing supplies (such as detergents, soaps, paper towels, etc.), and related commissary, kitchen, and dining hall supplies are classified in this account.

8106: Office Supplies Expense

This account is used to record (1) the cost of accounting and other office records and forms generally used, stationery and office supplies such as envelopes, letterheads, file folders, etc.; and (2) the cost of paper, ink, and other materials used in preparing the local council bulletin, forms, procedures, and other informational material, as well as for use in the duplication of other materials. See accounts 8601–8609 for printing and artwork. See also account 1711, inventory—office supplies (nonsalable).

8107: Audiovisual—Supplies and Maintenance Expense

The title of this account is self-explanatory. Also see account 1712, inventory—expendable audiovisual and training equipment.

8108: Catering Expense

This account is used to record the catering expenses for council activities or camps. Do not include expenses applicable to conferences or special events that are recorded in accounts 8800–8899 and accounts 4251–4289, respectively.

8111: Expendable Camp Equipment Expense

8112: Expendable Kitchen Equipment Expense

This account should be used to record the purchases of expendable unit (axes, Dutch ovens, etc.), dining hall, and kitchen equipment (utensils, dishes, etc.).

8131: Other Supplies Expense

This account is to be used for any supplies not appropriately classified above.

<u>8200–8299: Telephone Expense</u>

8201: Telephone Expense

This account should be charged with telephone expense incurred on council phones. Telephone expenses reported on employee's travel expense reports should be recorded in account 8709, hotels and incidental expenses.

8202: Mobile Device Expense

8203: Facsimile Expense

<u>8300–8399: Postage and Shipping Expense</u>

8301: Postage and Parcel Post Expense

8302: Freight (Outbound Only)

8303: Freight (Inbound Only)

8304: Messenger and Delivery Service

<u>8400–8499: Occupancy Expense</u>

8401: Office Rent

8402: Program Facilities Rent

8405: Electricity

8406: Natural/Propane Gas Used for Occupancy

8407: Heating Oil

8408: Water and Sewer

The titles of the above accounts are self-explanatory. The costs of electricity, fuel, and water are charged to these accounts.

8409: Janitorial and Other Maintenance Contract Services

The costs of day-to-day maintenance and janitorial services supplied on a contract basis by independent contractors, such as cleaning offices, waste and snow removal, gardening, window washing, etc., are charged to this account. The cost of plumbers, electricians, roofers, masons, etc., involved in repairs and maintenance are also charged to this account.

8410: Real Estate Taxes

8412: Occupancy Permits

8413: Building and Grounds Maintenance Supplies Expense

The costs of materials and labor used in the repair and maintenance of buildings and grounds should be charged to this account.

8414: Other Occupancy

8500–8599: Rental and Maintenance of Equipment

8501: Equipment Rentals

8502: Equipment Service Contracts—Office Equipment

8503: Equipment Service Contracts—Computers

8504: Equipment Service Contracts—Printing Equipment

8505: Equipment Service Contracts—Audio, Copier, Photo

8507: Equipment Service Contracts—Camp Equipment

8509: Equipment Service Contracts—Security System

8510: Equipment Service Contracts—Fire Detection

8511: Equipment Service - Other

8521: New Equipment Purchases—Non-Depreciable Assets

This account is used to record the cost of small equipment items that do not meet the criteria for depreciation as stated in accounts 1800–1899.

8536: Equipment Lease

8600–8699: Printing and Publications Expense

8601: Printing In-House

8602: Artwork

8603: Photography

8604: Recording

8605: Films

8606: Subscriptions to Periodicals and Other Publications

This account is used to record subscriptions to periodicals and purchases of publications that are not for distribution. Distributed program materials are recorded in account 8103, program supplies expense.

8607: Purchase of Publications for Council Staff Use

This account is used to record purchases of publications for staff use in carrying out the Scouting program and not those purchased for distribution.

8609: Outside Printing and Artwork

This account is used to record printing, photography, and art done by outside contractors.

8700–8799: Travel and Transportation Expenses

8702: Gas and Oil—Vehicles

8703: Repairs—Vehicles

8705: Licenses and Permits—Vehicles

These accounts are used to record the cost of gas, oil, and other consumable products—repairs, insurance, licenses, and permits—for both council-owned and -leased vehicles.

8706: Leasing Costs—Vehicles

This account is used to record the lease payments for vehicles leased by the council. Account 8710 is used for short-term rentals of vehicles.

8707: Mileage and Auto Allowances

This account is used to record payments to employees for the use of their privately owned automobiles on council business. It includes both fixed monthly allowances as well as additional allowances paid on a per-mile rate. Automobile mileage reimbursements for travel to conferences should be debited to the appropriate conference expense accounts (see below).

8708: Tires—Vehicles

This account is used to record the costs of tires purchased for council-owned or -leased vehicles.

8709: Hotels and Incidental Expenses

The costs of lodging and incidental expenses connected with travel other than to conferences should be charged to this account. Travel expenses connected with conferences should be debited to the appropriate conference expense accounts.

8710: Short-Term Vehicle Rental

Rental payments for vehicles not leased on a long-term basis should be charged to this account. An example would be a bus chartered to transport campers or participants for activities.

8711: Transportation Fares

This account is used to record the cost of bus, rail, or airfare for youth members traveling to camps or activities. An example would be the airfare to transport participants to the national jamboree.

8712: Meals

This account should be used to record costs of meal expenses connected with travel, meetings, etc. not connected with conferences. Meals connected with conferences should be recorded in the appropriate conference expense accounts.

8714: Membership Dues

This account is used to record the dues for memberships in community service clubs, civic associations, etc.

<u>8800–8899: Conferences and Meeting Expenses</u>

These accounts classify the expenses of conducting meetings, dinners, and local conferences, and the registration fees for participants in Philmont contingents and the national jamboree.

8801: Meeting Space and Equipment Rental

8802: Meeting Supplies—Notices, Badges, and Related Printing Costs

8803: Food and Beverage Costs for Meeting Participants

8804: Speaker Honorariums and Expenses

8805: Registration Fees

8830: National BSA Event Fees

8831: Conference Expenses—National

8832: Conference Expenses—Regional

8833: Conference Expenses—Local

8834: Conference Expenses—Other

These accounts classify expenses of sending staff members, youth or volunteers to national, regional, or local conferences. Registration and/or tuition costs, other conference costs, payments to participants for the use of their cars, and all other travel and living expenses of participants paid by the council will be charged to these accounts.

<u>8900–8999: Specific Assistance to Individuals Expense</u>

8901: Assistance to Individuals—Registration Fees

This account is to be used record the cost of registrations paid for by the local council.

8902: Assistance to Individuals—Boys' Life Subscriptions

8903: Assistance to Individuals—Literature and Supplies Expense

8904: Assistance to Individuals—Scholarships

8906: Assistance to Individuals—Food Expense

8908: Assistance to Individuals—Uniforms

8909: Assistance to Individuals—Transportation Fares

These accounts classify expenses of the local council in nontraditional programs, such as Learning for Life.

8910: Assistance to Individuals—Camperships

In addition to nontraditional programs, such as Learning for Life, this account may be used to classify expenses in the regular operation of the council's summer camping program.

9100–9199: Recognition Awards Expense

The cost of recognition plaques, statuettes, and other items conferred as awards by the council are charged to these accounts. (Account 9153 would also include patches given to youth members to recognize participation in an activity, e.g., a camporee.)

9151: Recognition Awards—Staff

9152: Recognition Awards—Adult Volunteers

9153: Recognition Awards—Youth Members

9154: Recognition Awards—Fundraising

9155: Recognition Awards—Units

9156: Recognition Awards—Other

9200–9299: Interest Expense

9201: Interest on Mortgage Notes

9202: Interest on Capitalized Equipment Leases

9203: Interest on Other Short-Term or Long-Term Debt

9300–9399: Insurance Expense

These accounts are used to record all costs of insurance except employee benefits or other payroll-related insurance (workers' compensation, disability, unemployment). The method for recording insurance expense is explained under account 1701. Fidelity bond insurance protects the council against losses caused by fraudulent or dishonest acts of officers or employees. General liability insurance protects the council, its employees, and volunteers from any lawsuits arising against them from council operations.

9301: Professional Liability (Malpractice)

9305: Property Insurance—Buildings and Contents

This account includes the cost of fire and extended coverage insurance on buildings and their contents and other occupancy insurance costs, such as boiler, plate glass, and extra expense insurance.

9306: Property Floater (Equipment)

9309: Automobile and Other Vehicles

9310: Meeting Cancellation

9313: Fidelity Bonds

9314: Business Interruption

9315: Comprehensive General Liability

9316: Directors' and Officers' Liability

9322: Campers or Activity Participants

This account is used to record insurance expenses for accident and sickness insurance provided to campers or activity participants.

9331: Other Insurance

9400–9499: Other Expenses

9402: Advertising Expenses

This account is used to record the cost of advertising and publicity materials other than those that would be considered program supplies and recorded in account 8103.

9404: Bank Service Charges

This account is used to record charges from banks for checks deposited by the council that are returned for nonpayment, and for checking accounts, safe deposit box rentals, lockboxes, etc.

9412: Licenses and Permits—Non-Occupancy

This account is used to record the cost of various licenses and permits not directly related to occupancy.

9417: Provision for Uncollectible Accounts

This account records amounts of accounts and notes receivable that are no longer considered to be collectible.

9430: Gift In-Kind – Unallocated

This account is used to record contribution payments in lieu of cash through the fundraising system. A journal entry is required to bring the balance in this account to zero at the end of each month and the offset is to the appropriate expense account.

9431: Other Expenses

9432: Uncollectible Pledges Written Off

9435: Program Grants Awarded

9438: Purchase Discounts

Discounts allowed on invoices are expensed in this account.

9451: Income Tax Paid

Use this account for income taxes paid for Form 990T filings.

<u>9500–9599: Depreciation Expenses</u>

9501: Depreciation—Land Improvements

9502: Depreciation—Buildings

9503: Depreciation—Leasehold Improvements

9504: Depreciation—Furniture, Fixtures, and Equipment

9505: Depreciation—Motor Vehicles

9506: Depreciation—Aquatic Equipment

9536: Amortization of Capital Leases

9589: Loss on Disposal of Fixed Assets

<u>9691–9692: National Service and Charter Fees</u>

9691: National Service Fee

9692: Charter Fee

8.8 Time Study Statistical Accounts—Usage Guidelines

These accounts are used to record the percentages derived from the council's most current time study. Values should be entered each year on January 1 in the format of 80.0 = 80.0%. These are recorded without reference to any fund, as the percentages apply to expenses in all funds.

PROG: Program Percentage of Time Study

MNGMT: Management Percentage of Time Study

FUNDR: Fundraising Percentage of Time Study

Chapter 9
Standard Financial Reports

9.1 Financial Reporting

The primary financial statements that provide full disclosure of the activities within the council are as follows.

9.1.1 Statement of Financial Position FASB ASC 958-210-45-1

The Statement of Financial Position, one of four required statements for the audit, is a snapshot in time that tells the reader the financial condition of the council as of the date specified. It is a statement that covers the entire corporation, not just one aspect of it.

The statement also is the aggregate history of the council from its beginning to the current date of measurement.

Assets and liabilities are stated by fund and total of all funds. Individual assets and liabilities are listed in order of their liquidity, the most liquid listed at the top and the least liquid at the bottom.

9.1.2 Statement of Activities and Changes in Net Assets FASB ASC 958-225-45

The Statement of Activities and Changes in Net Assets lists revenue resources, including donor-restricted contributions, expenses, and net assets released from donor restrictions (reclassified net assets) for all funds plus the total of all funds, and is one of four required statement for the audit. It is an accurate representation of what the total corporation has accomplished for the specific period.

The statement is separated into four sections detailing the following:

1. The revenue, reclassifications, and expenses that changed the unrestricted net assets in each fund.

2. The revenue and reclassifications that changed the temporarily restricted net assets in each fund.

3. The revenue that changed the permanently restricted net assets in the endowment fund.

4. The beginning net assets, transfers, and ending net assets by classification as a result of those changes.

The report shows comparative data by year and by fund. The comparison is with the same month, one year earlier from the specified date of the statement.

The second purpose of the report is to show what changes in net assets have occurred and the source of that change since the beginning of the year being measured. The report shows the net assets as of the beginning of the year and any changes to net assets, as well as transfers, that have occurred during the period being measured. Ending net assets on this report are the same net assets reported on the Statement of Financial Position. The increase or decrease of net assets for all funds is the beginning point for the Statement of Cash Flows prepared using the indirect method (see next section). This report can be printed in natural expense order or functional expense order.

9.1.3 Statement of Cash Flows FASB ASC 958-230

The Statement of Cash Flows provides relevant information about an organization's cash receipts and cash payments during a period. The statement classifies these receipts and payments as resulting from investing, financing, or operating activities. Two methods can be used to prepare the Statement of Cash Flows: the direct method and the indirect (or reconciliation) method (FASB ASC 230-10-45-25). Current BSA policy requires a Statement of Cash Flows to be prepared using the indirect method.

The Statement of Cash Flows should be in a comparative format and should show all funds. Per ASC 230-10-45-14, **receipts from contributions and investment income that by donor stipulation are restricted for the purposes of acquiring, constructing, or improving property, plant, equipment, or other long-lived assets or establishing or increasing a permanent endowment or term endowment are cash inflows from financing activities**. An adjustment to reconcile the change in net assets to net cash provided (or used) by operating activities would be required for these items. Per ASC 230-10-50, noncash investing and financing activities and interest and taxes paid are required to be disclosed.

9.1.4 Statement of Functional Expenses FASB ASC 958-720-05-4

This report is one of four required reports for audits. It shows the reader the amount of the council's resources that are devoted to program, management, and fundraising. This report shows the results of expenses from the operating, capital, and endowment funds. It represents the total effort during the period being measured by functional classification.

The report may be printed with unallocated expenses in a separate column or as a functional report that splits unallocated expenses into program, management, and fundraising expenses using specified percentages.

These percentages should derive from a properly conducted time study of the professional staff's time. The study should be representative of all four quarters of the year and should be repeated at least every three years.

The report does the math for the functional presentation showing the percentages of expense spent on program, management, and fundraising.

9.2 National Service Fee

The Boy Scouts of America has not included payments to affiliated organizations as an expense to be allocated within the Statement of Functional Expenses.

The AICPA Audit and Accounting Guide, Not-for-Profit Entities paragraph 13.93 (and ASC 958-720-45-26) states: Payments to affiliated* not-for-profit entities should be reported by the functional classification to the extent that is practicable and reasonable to do so and the necessary information is available, even if it is impossible to allocate the entire amount of such payments to functions. Payments to affiliates that cannot be allocated to functions should be treated as a separate supporting service, reported on a statement of activities as a separate line item, and labeled "unallocated payments to affiliated organizations."

*Note: In IRS Form 990, payments to affiliates are included in Part IX, Statement of Functional Expenses, and are required to be allocated to the functional expense categories. This will create a difference between the Boy Scouts of America software-generated financial statement and the tax return.

BSA Policy: The Boy Scouts of America shall continue its policy of not including the national service fee and charter fee expenses as allocated expenses in the Statement of Functional Expenses.

9.3 Total of All Funds and Multi-Fund Activity

The council's external financial statements must reflect the "entity as a whole." The financial statements should report each of the three funds and include the total of all funds by asset, liability, and net asset categories. FASB ASC 958-205 states the following:

A Statement of Financial Position should report the aggregated totals for an organization's assets, liabilities, and net assets. These totals are helpful in assessing the interrelationship of an organization's assets and liabilities, and together with information about the components of assets, liabilities, and net assets are necessary to an understanding of an organization's financial position.

Although the total of all funds is required, paragraph 16.01 of the AICPA Audit and Accounting Guide, Not-For-Profit Entities, and FASB ASC 958-205-05-7 states the following:

"…permit the continued disclosure, for external financial reporting purposes, of disaggregated data classified by the fund groups, provided that the information required by Generally Accepted Accounting Principles (GAAP) is presented."

BSA Policy: Total of All Funds

It is the policy of the Boy Scouts of America that local council financial statements and audits be presented in a format with the operating, capital, and endowment funds, plus the total of all funds, for external financial reporting purposes.

9.3.1 Consolidated Statements

BSA Policy: Consolidated financial statements are required if the council has control of a second entity (e.g., foundation, camp corporations, etc.) through the replacement of board members of financial ownership of the entity. Therefore, councils with separate foundations must report on a consolidated basis (ASC 910-10-45-1) with all intercompany balances and transactions eliminated. ***The use of an eliminations column is not acceptable when presenting consolidated financial statements for a local council.***

9.4 Inter-Fund Loans

From time to time it may become necessary to either have one fund temporarily borrow assets from another fund or temporarily have assets of one fund residing in another fund. Use inter-fund loans to record this temporary transaction between funds. The act of borrowing/loaning between funds requires the involvement of at least two and sometimes all three funds.

Transactions in all involved funds are required such that entries in one fund must be matched by a parallel entry in a receiving or loaning fund(s). This will always yield a zero balance in the total of all funds.

While not required, it is recommended that all inter-fund loans be approved by the executive board for large amounts or amounts to be repaid over an extended period of time.

FASB ASC 958-205, "This statement does not preclude display of inter-fund items in a Statement of Financial Position; rather, its requirement to display total assets and liabilities results in certain practical limits on how inter-fund items are displayed in a financial statement."
Do not display inter-fund loans as an asset in one fund and a liability in the other. This practice misstates the organization's assets and liabilities, and is contrary to generally accepted accounting practices.

BSA Policy: Inter-fund loans appear on a single line in the assets section of the Statement of Financial Position with equal positive and negative amounts, such that the total-of-all-funds column is zero (no value).

9.5 Transfers Between Funds

A transfer involves an asset (such as cash, receivables, inventory, fixed assets, etc.) of one fund being eliminated in that fund and then being received as an asset in the second fund. The total of all transfers appear by fund in the Statement of Activities and Changes in Net Assets between net assets beginning of year and net assets end of year. The total-of-all-funds column will be zero (no value) on the transfer line if inter-fund transfers have been kept in balance. Transfers have no effect on the change in net assets (surplus or deficit) position in any fund.

BSA Policy: The executive board has discretionary control of unrestricted net assets in all three funds and may, upon executive board resolution, permanently transfer assets residing in one fund to another fund. The intent of a permanent transfer is that it is not short-term or casual in nature, even though future executive board action may alter the permanency of the transfer.

9.6 Management Reports

9.6.1 Statement of Budgeted Operations—Unrestricted

This is a limited-view statement for internal use only. It lists the revenue, expense, and budget for unrestricted operations in either a standard or comparative format. This report may be produced for each of the three funds.

9.6.2 Learning for Life, Statement of Operations—Unrestricted Report

Using one or more project codes to track contributions, revenues, and expenses associated with the delivery of the Learning for Life program, the council is able to create a report that is formatted exactly like the Statement of Operations—Unrestricted for the council's total operations, but is limited to only LFL program delivery.

9.6.3 Temporarily Restricted Funds Report

This is a useful listing of temporarily restricted contribution, net assets, and releases from restriction that also displays unrestricted revenue and expenses to help guide the possible release of temporarily restricted revenues or net assets.

9.6.4 Project Management Report

This report is based on one or more project codes and provides management with details on camping, activity, special event functions, and other project groupings. The report includes revenue, expense with a net gain/loss and also includes assets, liabilities, and net assets connected with the selected project(s).

9.7 Research Listings and Reports

Other reports and queries are available to support management information and provide raw data for manipulation.

Subsidiary Ledgers

10.1 Detailed Accounting Information

The general ledger is supported by several subsidiary ledgers, used by the council to track detailed financial information for the council. The subsidiary ledgers pass summary information to the general ledger in the form of journals.

> *Definition: Journal - The set of information that is transmitted from the subsidiary ledger to the general ledger.*

The subsidiary ledgers are the following:

- Accounts payable
- Cash receipts
- Point-of-sale (trading post)
- Contributions
- Membership
- Payroll
- Asset management

When posted to the general ledger, the values will update the Statement of Financial Position, Statement of Activities and Changes in Net Assets, and Statement of Budgeted Operations, as well as all other reports that are available in the general ledger.

> Councils should gather and post journals daily so the most current information is available for on dashboards and in reports so that management, committees, and the executive board can make critical decisions.

10.1.1 Accounts Payable Journal

The accounts payable subsidiary ledger is used to record and pay invoices from vendors who have extended credit to the council.

The ledger tracks the following:

- The amount, by fund, that is owed by the council to its vendors.
- The conditions under which credit is granted, tracked by vendor.
- The date of the invoice and the date it is due.

Payments that qualify for Form 1099s are recorded in this module for non-incorporated vendors and as recognition that they exceed the statutory limit (currently $600).

Accounts payable also produces reports that help the council keep up with the amounts that are owed and the age of amounts owed.

When you enter an invoice from a vendor in accounts payable software, the posting will debit an expense and credit account 2006 with that amount. The bundle of data containing the records of this transaction is the accounts payable journal.

When an accounts payable check is issued, the cash disbursements journal debits the accounts payable account (2006) and credits the cash account (account 1001, most likely). The bundle of data containing this transaction is the accounts payable journal.

10.1.2 Asset Management Journal

This subsidiary ledger allows the council to record a description of the fixed asset owned by the council, the source of the asset, and the original cost of the item. Each item is further identified as to which asset and depreciation accounts apply to the particular item. In addition, there is a field for recording the replacement value of the item listed. Each item is then depreciated appropriately based on its life and original cost. This software module generates a general journal entry each month for each item that is being depreciated. Reports can be generated that show listings of fixed assets by asset number, location, or asset type.

10.1.3 Cash Receipts Journal

This ledger is used to record revenue that is received by the council. The receipt may be generated by entering the revenue through the general ledger software, SellWise, or the fundraising module.

The general ledger provides an account number, amount, and a descriptive field to further indicate the source of the receipt.

10.1.4 Contributions Journal

A contributions journal transaction is generated when a pledge is entered into the ledger. This results in a debit to pledges receivable and a credit to a contribution account. The allowance for uncollectible pledges and the provision for uncollectible pledges accounts are credited and debited, respectively. The amount calculated as uncollectible can be automatically totaled based on collectible history within the fundraising software.

When a pledge is paid, it results in a debit to cash or gift-in-kind expense and a credit to pledges receivable. The fundraising ledger records the name of the contributor and classifies it to the appropriate campaign organization set up by each council. All contributions must be entered as pledges before any payment information can be applied to the giving record. The fundraising software can record many different types of payments. Cash, checks, gifts-in-kind, electronic funds, credit cards, fixed assets, or stock are some of the ways that pledges can be paid. At the time a distribution is created for pledges, the system will automatically calculate the amount of allowance and provision for uncollectible pledges that is then distributed to the general ledger as a contributions journal.

At the end of the year, it is management’s responsibility to examine the unpaid pledges and identify those pledges that are collectible.

10.1.5 General Journal

Transactions entered through the general journal module allow for individual changes to accounts, as well as audit adjustments, for the two prior years. The following are three additional sources of general journal transactions.

10.1.6 Membership Journal

The membership journal creates changes in registration and Boys' Life subscriptions as these transactions are processed in the membership module of the software. The system will debit the registration account (2301), charter fee account, and Boys' Life subscription account (2302) with a corresponding credit to cash when each registration or charter is processed. This distributes to the general ledger as a general journal entry.

When unit charters are processed, they become transactions in the current period or a future period, depending on the date of the charter. The way the system handles this is to produce current transactions with current dates on the general journal entry. Future transactions are given future dates, and they will be sent as general journal entries with a future date. This will coincide with the electronic draws from the national office. The charges are then recorded as MJ—membership journal entries.

10.1.7 Payroll Journal

The payroll ledger allows the council to upload from the National Council's preferred payroll provider all of the payroll, tax, and voluntary deductions information for individuals considered to be employees. This information is then posted to the general ledger, where it debits the relevant payroll expenses and credits the liability accounts for salaries, taxes, and benefits that have been deducted from individual employees' pay.

10.1.8 Point-of-Sale Journal (Trading Post)

SellWise is a point-of-sale system that interfaces with the general ledger. The daily general ledger file is created during end-of-day processing in SellWise. When the file is created, it can be uploaded as a Trading Post journal in the general ledger.

SellWise transactions are uploaded, regardless of out-of-balance conditions. A message indicates when a batch is out of balance on the journal entry in general ledger.

The transactions can be reviewed and edited from the general ledger under "trading post journal." If the journal entry is correct, it can be posted to the general ledger.

Payroll

11.1 Payroll Production

The National Council, Boy Scouts of America, has established a relationship with an outside vendor to provide payroll software and support on a contracted basis for local councils. Interlogic Outsourcing Incorporated (IOIPay) supplies services in human resource administration, payroll processing, tax payment, tax filings, and related vendor payments. While much of the detailed work related to payroll obligations is accomplished by IOIPay, the local council retains ultimate responsibility to ensure that all federal, state, and local requirements are met in a timely manner. Deductions from employee pay are to be dispensed as determined by the employee in accordance with individual submission requirements.

11.2 Payroll Management and Controls

The payroll process normally involves two categories of data: constant data and current period variables. Constant data is a human resources function, and current period variables may impact each pay period's calculations.

> **Constant data:** The data contained in the employee's record, such as rate of pay and eligibility for benefits.
> **Current period variables**: Data in an employee's file that changes from period to period, such as hours worked, vacation taken, and overtime hours worked.

11.2.1 Time Reporting

Inaccuracies in time reporting are a common source of payroll errors and losses. These losses occur through improper supervisory enforcement of council policy as it relates to overtime calculations and paid time off (e.g., vacations, sick leave, etc.), or from mathematical errors in calculation of hours worked. Great care should be taken to ensure that accurate information is available.

11.2.2 Payroll Personnel

Changing personnel between jobs within payroll will keep the council's internal controls in check. It can also identify shortcuts that can be reviewed and corrected if not part of the council's internal control.

In small councils, requiring the payroll specialist to take vacation during the payroll cycle can work as an internal control, as well as job rotation, where someone has been cross-trained and does the payroll while the payroll specialist is gone.

Cross-training can be critical in keeping costs down. If only one person is trained for the job, only one person knows how to file timely federal and state tax deposits. If timely filing is not done, the council can be charged late payment penalties and interest.

11.3 Reconciling Payroll

The best way to detect misappropriation of payroll funds is to perform regular bank reconciliation. Someone other than those who process payroll should perform such reconciliations on a monthly basis.

11.4 IRS Tax Return

The council IRS tax return must be filed before the due date. See the Local Council Guide to the 20XX Form 990 and 990-EZ.

Chapter 10

Learning For Life

12.1 Corporate Authority

A local council is legally incorporated by their state. They have articles of incorporation, bylaws, boards of directors, etc. to meet both BSA and state requirements.

This corporation is chartered annually by the Boy Scouts of America to deliver the programs of the BSA within its geographic area. It is licensed annually with the "authority to administer" the Learning for Life programs of the national affiliate corporation within its geographic area.

12.2 Accounting Authority

The Financial Accounting Standards Board (FASB) and the AICPA set the standards of accounting, to which all not-for-profit corporations must adhere, including the BSA. FASB and the AICPA require full disclosure of corporate activities on their financial statements.

BSA Policy:

To prevent misrepresentation to the public and to provide full disclosure of corporate activities, it is the policy of the Boy Scouts of America to not establish separate accounting records for Learning for Life activities. This includes the establishment of separate Learning for Life general ledger, accounts payable, and/or payroll applications.

12.3 Approved Accounting Approach for Learning for Life

The current accounting software has the ability to successfully segregate the asset, liability, net asset, revenue, release from restriction, and expense accounts using project code(s) and/or group codes.

By utilizing this feature, a council can accomplish the following:

- Maintain a complete accounting record for the entire corporation
- Satisfy the full disclosure requirements
- Report activity of the project code on a variety of reports

12.4 Additional Reporting Capabilities

To aid in presentation of information, councils are encouraged to use the report Learning for Life Statement of Operations—Unrestricted. This report is formatted similar to the council's Statement of Operations—unrestricted but without the mention of the Boy Scouts of America, as follows:

Nation's Best Council
Learning for Life

References for contributions are reported as Learning for Life contributions. This report will end with the increase/decrease in unrestricted net assets, without the reconciliation of beginning and ending net assets.

12.5 Accounting for Learning for Life License Fee

Each council will complete and sign an annual Learning for Life license agreement. The license fee is based on the estimated number of participants the council will serve in the Learning for Life program.

According to the license agreement, the council must account for Learning for Life separately. This is accomplished by assigning a series of project codes and naming them Learning for Life. All revenue and expenses relating to Learning for Life must be recorded to the appropriate base account number and include the Learning for Life project code, and should only be accounted for in the operating fund.

1-4604-xxx-90 Contributions—LFL Foundation—Trust

This account is used to record all contributions received through the Learning for Life Foundation/Trust. All contributions received from the Learning for Life Foundation/Trust are to be considered for the current year, and therefore should be unrestricted contributions. This accounting number will be included on the indirect revenue—associated organizations group of account numbers on all financial reports.

1-8011-xxx-25 Learning for Life License Fee

Use this account to expense the nonrefundable, annual licensing fee. Payments can be made through December each year. This account number will be included on the professional fees group of account numbers on all financial reports. If a council has historically paid Learning for Life registration fees as an expense of their operating budget, they should be consistent in the approach they use in handling the expense.

1-6901-xxx-90 Revenue from Council Services

This account is used to record all funds received from schools or organizations using the Learning for Life program. This account number will be included on the Other Revenue group of account numbers on all financial reports.

Chapter 11
Glossary

1099–Misc

It is required that this form be filed with the IRS by January 31 of each year. It must be filed for any services received from non-incorporated service providers (for example, a plumber), except law firms organized as corporations, or cash prizes received by individuals that are in excess of the stated minimum (currently $600).

ASC

Abbreviation for the FASB Accounting Standards Codification, now the single source of authoritative generally accepted accounting principles (GAAP) in the United States of America**.**

ASU

Accounting Standards Updates. The FASB does not consider the updates authoritative on a standalone basis; they become authoritative when incorporated into the ASC.

Account Numbers

Account numbers indicate the system to which the transaction belongs and the nature of the transaction from a functional perspective. The Boy Scouts of America uses a chart of account numbers consisting of the following:

X	The first number is the fund number
XXXX	The second set of numbers is the base account, which is the type of transaction.
XXXXXXXXX	The third set of numbers is the project code or owner of the transaction.
XXXX	The fourth set of numbers is the class code or functional description of the transaction.

Accreting

The process of adding value back to previously discounted pledges of more than one year in duration.

Accrual Accounting

Liabilities and expenses are recorded when incurred, not when paid, and revenue is recorded when earned, not when received.

AICPA Audit and Accounting Guide: Not-for-Profit Entities

The basic desk reference guide for auditors and accountants working with not-for-profit organizations.

Allowance for Uncollectible Pledges

The account used by councils to reduce unconditional promises to give expected to be collected within a year to net realizable value. Councils conduct a number of fund-raising efforts, which ask for a commitment to give, and these commitments are often satisfied in the future. When such campaigns are conducted, the use of allowance and provision accounts is important to the council in avoiding overstating or understating the council's revenue. Most campaigns are one-year campaigns, and the use of an allowance account is present during the length of the pledges receivable for these types of campaigns.

Assets

These are things the council owns. Assets are usually divided into current and noncurrent assets. Current assets consist of such things as cash or cash equivalents, receivables, inventory, and prepaid expenses. Noncurrent assets are such things as fixed assets (land, buildings, and equipment) and long-term investments. Assets are listed on the Statement of Financial Position in the order of most liquid to least liquid. The FASB defines assets as Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

Associated Organizations

Organizations affiliated with the Boy Scouts of America.

Audit

An opinion issued by an independent accounting professional (certified public accountant) as to the validity of the financial information maintained by management and presented to the public.

Audit Adjustments

Transactions entered into the accounting records after the council has closed the previous accounting year.

Audit Committee Guidebook

Publication issued by the Boy Scouts of America to give guidance to the auditors and Scout executives about the process and contents of the annual audit.

Audit Financial Statements

Each council is required to have four statements to comply with audit guidelines:

(1) Statement of Financial Position, in the three-fund format with prior year comparisons.

(2) Statement of Activities and Changes in Net Assets, in the three-fund format with prior year comparisons.

(3) Statement of Cash Flows, in the three-fund format with prior year comparisons.

(4) Statement of Functional Expenses, with prior year comparisons.

Audit Notes to Financial Statements

The section of the audit report that appears after the required statements. Audit notes are required and must be read with the financial statements to clarify various issues for the reader. These are an integral part of the audit issued by an independent accountant.

Audit Timing

Each council's annual audit is due to the National Council by June 1 of each year.

Authorization to Spend

An annual budget resolution giving permission to council management to expend funds as outlined in the budget, or a specific resolution authorizing management to make a specific expenditure of council funds.

Bank Accounts

Bank accounts are opened with specific authorization of the Scout executive to receive and dispense council funds.

Borrowing

Receiving a loan of funds from an established financial institution or from other council funds.

Budget

A plan for the coordination of resources and expenditures. Budgets not only assist the council in limiting its planned expenditures to what it realistically can expect to raise in revenues, but the budget also provides a means of continually monitoring the council's financial positions so that corrective action may be taken on a timely basis should the need arise.

Capital Fund

This fund contains all physical assets of the council and also records all funds devoted to their upkeep, maintenance, and improvement.

Charitable Gift Annuity

Funds, contributed by a donor, where there is a specified recipient(s) of the earnings of the fund for a specified period of time and at a specified rate. After the conditions of the annuity have been met, the net value of the contribution is the council's to keep.

Charitable Lead Trust

A contribution with a trust document that specifies a contribution and a specific period. The donation may be for a fixed amount or a fixed percentage of the trust's fair market value.

Charitable Remainder Trust

Charitable remainder trusts (CRTs) are arrangements in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. When the beneficiary dies, the trust is terminated. Upon termination of the trust, the council may receive immediate use of the assets, or the donor may place a temporary or permanent restriction on their use. The distribution to the beneficiary may be for a fixed amount (charitable remainder annuity trust) or it may be for a specified percentage (charitable remainder unitrust).

Chart of Accounts

A master list of accounts used in the general ledger accounting system of the Boy Scouts of America. The master list specifies the account description, applicable fund, and acceptable functional expense codes for each account number.

Class Codes

Last digits in the account structure. It tells the system the functional purpose of the expense or restriction of revenue.

Collection of Valuable Assets

The local council is responsible for the safeguarding and proper utilization of all assets entrusted into its care by the general public and specific donors.

Consolidated Audit

Councils that closely control another entity must include the financial transactions of the related entity in its annual audit. (FASB ASC 958-810)

Construction-in-Progress

An account number used to keep track of projects that are being built by the council. It is recommended that each project receive its own project code for keeping track of costs. When the project is completed, the project is moved from the construction-in-progress account to the applicable fixed-asset account.

Contract Employee

A person who is performing a service and is not under the direct supervision of the council or its staff. Contract employees must receive an IRS Form 1099 at the end of the year if their services exceeded $600 (current IRS minimum standard) and they are not part of an incorporated business (except for law firms that operate as corporations—they are subject to the reporting rules).

Contributed Services

Councils are obligated to record all donated services that (a) enhance a non-financial asset and b) the service is donated by a person with professional qualifications, the amount of the service is measurable and performed by the person with professional qualifications, and the council would have paid for it anyway.

Contribution Campaigns

Campaigns in which the primary feature is asking individuals or organizations for a contribution.

Contribution Principles

Contributions are recorded when they are received. They must be recorded for the period intended by the donor, and any restrictions put on the contribution must be followed.

Each contribution must be examined to see if it contains a donor restriction of any kind and what obligations the council will have in receiving the gift. Not all contributions have to be accepted. Councils are free to reject any contribution that does not fit with the principles of the Boy Scouts of America. Contributions with conditions attached that are unlikely to be met are not booked until such time as the conditions have been substantially satisfied.

Contribution Statement

Contemporaneous written acknowledgment provided to a donor for a charitable contribution A donor claiming a deduction of $250 or more is required to obtain and keep a contemporaneous written acknowledgment for a charitable contribution. To be contemporaneous the written acknowledgment must generally be obtained by the donor no later than the date the donor files the return for the year the contribution is made. The written acknowledgment must state whether the donee provides any goods or services in consideration for the contribution. If the donee provides goods or services to the donor in exchange for the contribution (a quid pro quo contribution), the written acknowledgment must include a good faith estimate of the value of the goods or services. The donee is not required to record or report this information to the IRS on behalf of a donor. The donor is responsible for requesting and obtaining the written acknowledgement from the donee. Although there is no prescribed format for the written acknowledgment, it must provide sufficient information to substantiate the amount of the contribution.

Contributions Receivable

Amount of commitments that are unpaid as of the point of measurement.

Cost of Goods Sold

The cost of items sold in a local council store operation or product sale. The cost should be free of freight charges or interest payments. These two items should be accounted for in separate accounts and are never part of the cost of goods sold.

Council Administrative Review

A document, revised annually, that enables councils to evaluate themselves and their internal processes to identify areas that can be improved. National staff also uses this tool between administrations to identify areas of concentration for the incoming Scout executive.

Council Budget

The software used by the local council allows the budgeting of the current year and the next three years. This enables the council to record the results of its long-term financial plan in the general ledger.

Council Charter and Bylaws

The primary organizing document that each council uses to establish the rules and regulations by which it will govern itself.

Council Rules and Regulations

National policies that come with securing a charter to run the program of the Boy Scouts of America.

Credit

A record constituting an addition to a liability, revenue, or net asset account, or a deduction of an expense or asset.

Custodial Accounts

These funds are not the property of the local council, but the local council has agreed to account for their transactions. These accounts should never have district accounts, activities, camps, or events of any kind. They should only contain the funds described in the master chart of accounts.

Debit

A record constituting an addition of an expense or asset account, or a deduction from a revenue, net asset, or liability account.

Debt

The amount borrowed from financial institutions or from the council internally. All debt must be incurred with the express knowledge and approval of the executive board of the council.

Deferred Expenses

Councils conduct a number of “self-sustaining activities” during the year. Since these activities are in the future, their expenses are deferred until such time as the event actually occurs.

Deferred Revenues

Councils conduct a number of “self-sustaining activities” during the year. Since these activities are in the future, their revenue is deferred until such time as the event actually occurs.

Depreciation

The amount of expense that is calculated on fixed assets each month. The offset to expense is accumulated depreciation, which carries the total amount depreciated to-date for all fixed assets.

Direct Support

Contributions that are received by asking the donor directly for their support. These typically are Friends of Scouting campaigns, project sales, capital campaigns, legacies and bequests, foundations, and other contributions given directly to the council.

Discounting for Future Value

A process of identifying pledges that exceed one year in length and are discounted for the present cash value that they represent. Since money in-hand is more valuable than a promise of money in the future, a “discount” is applied to those pledges that exceed one year in length.

Donor Groups

Elements to assist the council in organizing and managing its fundraising campaigns.

Donor Restrictions

Councils are obligated to follow any donor restrictions that are received and accepted. Restrictions can relate to time and/or purpose. Restrictions are classified as to whether they are temporary or permanent. If the council can meet the restriction, the restriction is temporary. If the council can never meet the restriction, the restriction is permanent.

Employee

Someone who is hired to do a job at a certain rate of pay. They may be temporary or permanent, hourly or salaried. Employees always work under the direction of the management of the council.

Employee Fraud

This describes the action of someone who obtains assets of the council that are unauthorized or unjustified. Often this is a criminal offense.

Endowment Fund

This fund records all funds—unrestricted, temporarily restricted, or permanently restricted—that are managed and invested by a trustee for the betterment of the council as a whole. The trustee has an obligation to know the types of restrictions that come with funds entrusted to their care.

Endowment Gains or Losses

When invested funds in the endowment fund sustain a gain or loss, they are to be recorded as unrestricted transactions, except where donor instructions or state law indicate otherwise.

Endowment Investment Income

Monies that are earned by investments and are generated through interest income, dividends, and royalties.

Endowment Original Gifts

In the National Council software, there are three accounts for recording the original gifts received—unrestricted, temporarily restricted, and permanently restricted. These amounts do not change, except when a new contribution is added.

Exchange Transaction

A transaction between entities in which something of value is given for something else of value.

Expenses

Transactions that record the purchase of goods or services. The FASB defines expenses as outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

Fees and Grants from Government Agencies

Government agencies will from time to time award grants for a service performed or to be performed, or a contract for services at a given fee.

Fiscal Year

The fiscal year for all councils is the calendar year as defined in the Local Council Charter and Bylaws.

Fixed Assets

Assets such as land, land improvements, buildings, vehicles, boats, or other aquatic equipment that meet or exceed the capitalization policy set by the local council.

Fixed Assets Useful Life

The amount of time that a given asset is expected to last. In the asset management journal, it is expressed in months.

Foundation Gifts

Contributions from a foundation that either support the general program of the Boy Scouts of America or support a specific program or event.

Functional Allocation of Expenses

Each account in the master chart of accounts has a functional class code to express the nature of the expenditure. In addition, where the council has mixed uses for these expenses, they are allocated by percentage based on a time study conducted by council professionals at least every three years.

Fund Accounting

A system of self-contained accounts (assets, liabilities, net assets, revenue, and expense accounts) that identify specific parts of the council's functions in order to better explain the activities of the council.

Future Value

Pledges received by the council for unconditional promises to give that have a payment schedule lasting longer than one year. Such pledges must be discounted to account for the fact that cash promised in the future is worth less as an asset than cash currently received.

GAAP—Generally Accepted Accounting Principles

Pronouncements issued by the Financial Accounting Standards Board (FASB).

General Ledger Literature

General ledger reference manuals including the Local Council Accounting Manual, General Ledger User's Guide, and Local Council Administrative Review and Stewardship Responsibilities for Local Councils.

Gifts-in-Kind

Forms of payment that may be used to satisfy payment for any contribution in lieu of cash.

Giving Categories

Elements to assist the council in organizing and managing its fundraising campaigns.

Gross Accounting

Gross accounting is the concept of recording all funds generated in the revenue section and all expenses in the expense section without "netting" either section. There are a few exceptions, including cost of goods sold, commissions paid, provisions for uncollectible pledges, and cost of direct benefits.

Implied Contribution Restrictions

Restrictions that are assumed by the contributor looking at literature developed by the council for a specific campaign that outlines any restrictions that will be observed by contributing to a particular campaign.

Income

An expression of revenues that are recorded net of certain related expenses when they are not a part of the core business purpose of the council.

Income Taxes

Councils are 501(c)(3) organizations and are exempt from federal income taxes, except for any unrelated business income.

Exemption Documents—Copies of letters between the National Council and the IRS granting the Boy Scouts of America and its affiliated councils an exemption from federal taxes. The list of affiliated councils is updated annually by the National Council and the IRS.

Indirect Support

Contributions that come from the donor through another organization.

Example—United Ways

Insurance Amortization

Insurance policies are expensed over their policy lifetime. This results in insurance expense matching the fiscal year of the council rather than the policy year. All insurance policies, except Workers' compensation, are handled on a time basis. Workers' compensation insurance is payroll-based and not related to time.

Insurance Policies

Individual contracts between the council and the insurance company granting protection against losses.

Inter-Fund Loans

Transactions showing the placement of funds to be repaid to another fund.

Internal Controls

A set of policies indicating procedures to handle all financial and non-financial transactions.

Investment Income

Investment account earnings, including interest, dividends, and royalties. (Does not include gains or losses, earned or unearned).

Investment Pools

Funds given to a third party by the council to manage. Typically they deal with specific types of investments.

Investment Valuations

Amount of value placed by the market on specific financial instruments.

Investments

Purchases of financial instruments or stocks to earn income for the council.

Investments—Gains or Losses

Gains or losses in the value of invested funds. There are two types:

(a) Realized—the gain or loss on the sale of financial instruments belonging to the council.

(b) Unrealized—the recording of the market values of the investments at the moment of measurement. Both types have specific account numbers in the BSA accounting system.

IRS Form 990

Government report that must be filed with the IRS by May 15 (but no later than November 15) of each year showing the financial results of the council, as well as other information.

Lease Obligations

Multi-year contracts for goods or services that obligate the council for a future period and a specific amount of money.

Legacies and Bequests

Most commonly the settlement of estates that have named the council as one of their beneficiaries.

Liabilities

Specific obligations that are owed to other parties by the council.

Management Fraud

The deliberate over- or understating of financial facts to create artificial financial results.

Management Letters

Letters issued by the auditing firm pointing out to the council ways they can improve their internal controls and processes.

Mandatory Deductions

Taxes from taxing entities and orders from courts to send earnings of employees to the appropriate government agencies.

Materiality

An dollar amount small enough that errors and misstatements in financial statements less than that amount would not influence economic decisions made by financial statement users.

Mergers

The combination of two or more councils to create one new council.

Net Asset Accounts

Accounts that measure the difference between assets and total liabilities. Net assets may be unrestricted, temporarily restricted, or permanently restricted.

Net Asset Classifications

Unrestricted is when the donor has imposed no restrictions on the use of the donated assets. Temporarily restricted is when the donor has imposed a time or purpose restriction. Once the restriction has been satisfied, the council releases the revenue or net assets to unrestricted. Permanently restricted gifts are those in which the donor has indicated that the corpus (original gift) may not be spent, but the proceeds from this gift may be used for the general support of the council or for a specific purpose.

Net Assets

The difference between assets and liabilities.

Notes Payable—Long-Term

Amounts owed to outside institutions that are due in more than one year.

Notes Payable—Short-Term

Amounts owed to outside institutions that are due within a year.

Operating Fund

One of the three funds used by the Boy Scouts of America to keep track of the operations of the council.

Other Direct

Contributions directly from organizations that do not come through Friends of Scouting campaigns, project sales, capital campaigns, legacies and bequests, or foundations.

Payment Policies

Procedures developed by the council to disburse cash.

Payroll Reports—IRS Form 941

Report due quarterly to the IRS to report the earnings and withheld taxes of council employees. The council's tax liability is also reported.

Payroll Taxes

Amounts levied by the federal, state, and local governments to anyone receiving wages.

Pledges

Amount of commitments given to the council. This creates a contribution amount in the general ledger.

Product Sales

Campaign that uses a product to sell to the public and whose purpose is to support the council and unit's programs.

Project Codes

These numbers enable management to examine costs within the council. Project codes should be established for major events, special fundraising events, and major segments of the budget to be managed by the Scout executive or the designated management team member.

Project Sales

Contributions to support a specific portion of the council budget, paid with cash or gifts-in-kind.

Provision for Uncollectible

Amount shown on the Statement of Operations that reduces the amount of contributions shown on the statement to net realizable value.

Realized Gains or Losses

The gain or loss from the sale or other disposition of financial or non-financial assets belonging to the council. The FASB defines gains and losses as follows: Gains are increases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from revenues or investments by owners. Losses are decreases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from expenses or distributions to owners.

Reclassification of Net Assets—Release from Restrictions

Occurs when contributions are restricted and the restriction was not fully met by the time the year-end close occurred. In order to use these assets in the following fiscal year, it is necessary to reclassify or release from restriction the temporarily restricted net assets to unrestricted.

Reclassification of Revenues

The movement of temporarily restricted contributions to unrestricted contributions when their restrictions are satisfied in the same year as the receipt of the contributions.

Retention Schedule

A guide for councils to follow in maintaining financial records.

Retirement Plans

The Boy Scouts of America maintains a defined benefit, multi-employer plan in which all full-time council employees can participate.

Revenue

Monies earned by the sale of merchandise, products, camping, activities, or other sources of funds. The FASB defines revenue as inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

Risk-Based Audit

Previous auditing standards allowed auditors, at their discretion, to simply designate the client's internal control as a high risk, which allowed them to greatly reduce the effort required to understand and document internal control.

The risk assessment standards prohibit the auditor from "defaulting to the maximum" control risk. On *all* audits the auditor should evaluate the design and implementation of internal control to properly identify and assess risk.

SOP 98-2 (superseded – currently FASB ASC 958-720)

Standards of practice relating to accounting for joint costs of fundraising events.

Special Events

Events specifically held to raise money. A portion of the revenue from the event is a benefited contribution and therefore may not be deducted by the donor.

Split-Interest Accounting

Instructions on how to account for split-interest agreements from donors.

Statements on Auditing Standards

Statements on Auditing Standards (SASs) are issued by the Auditing Standards Board (ASB), the senior technical body of the AICPA designated to issue pronouncements on auditing matters applicable to the preparation and issuance of audit reports for nonpublic entities.

Statement of Activities and Changes in Net Assets

This statement displays the totals in the operating, capital, and endowment funds as compared to the same time last year. The statement of activities and changes in net assets also includes the changes in net assets and the reasons for the changes. This statement is also known as the statement of activities.

Statement of Budgeted Operations

This statement displays unrestricted revenue and expenses in a particular fund. It is important because it shows the budget approved by the board and shows how the corporation is doing compared to the budget plan. It also shows the totals for the month and year to-date for each line item.

Statement of Cash Flows

This statement measures the three following characteristics of the cash flows: (1) the amount of cash provided or used in normal operations, (2) the amount that has been borrowed (and repaid) by the operating fund to pay for normal operations, and (3) the amount invested (or divested/sold) from the operating fund. The information is arranged by fund with comparisons to the prior year. All information is from the beginning of fiscal year to the current date.

Statement of Financial Position

This statement displays the current status of the corporation by measuring its total assets, liabilities, and net assets and comparing them to the same time last year. The net assets are identified by the following classifications: unrestricted, temporarily restricted, and permanently restricted. This statement is the cumulative record of transactions from the beginning of the corporation through the date of the report.

Statement of Functional Expenses

A financial statement required under GAAP for voluntary health and welfare organizations that reports expenses based on their functional categories, e.g., program service, management and general, and fundraising. Practice of assigning expenses a class code that indicates the purpose for which the expense was incurred.

Stewardship Policies

Policies and procedures designed to safeguard the assets of the council.

Tax Penalties

Amounts levied by taxing authorities for not withholding or timely forwarding taxes withheld from payrolls or late payment or underpayment of .income tax on Unrelated Business Income.

Time Study

An analysis of professional staff members' time spent performing their duties for local councils, the objective of which is to establish percentages of time spent in each functional category (program service, management and general, and fundraising) to be used to allocate unallocated council expenses to the three functional categories for purposes of preparing the Statement of Functional Expenses. It is accomplished by gathering data during a two-week period each quarter for an entire year and calculating the total amount of time spent on program, management, and fundraising activities. The results are then added together and the average time spent calculated. This information is used to split the unallocated expenses to their functional expense for the year.

Transfers

The permanent movement of unrestricted assets between funds. You may not transfer revenues, expenses, or liabilities. Transfers show at the bottom of the Statement of Operations and between the beginning net assets and net assets end–of-period on the Statement of Activities and Changes in Net Assets.

Unassociated Organizations

Organizations that do not have a governance relationship between the council and themselves.

Unrelated Business Income (UBI)

Monies earned by the council that are not related to their purpose as stated in their application of tax exemption. The IRS defines UBI as income from a trade or business that is regularly carried on and not substantially related to furthering the exempt purpose of the organization.

Valuation of Auction Gifts

All items collected to be sold at a council auction must have a “fair market value” placed upon them before being sold. This is the amount that the item would command if sold on the open commercial market.

Valuation of Stock Gifts

Contributed stock is valued by finding the high and low price of the stock on the day it was transferred to council control. The average between the high and low is multiplied by the number of shares. This is the total contribution of the donor. This is true regardless of when the stock is sold or how much the council received from the sale of stock.

Voluntary Deductions

Amounts withheld from the payroll check that are totally controlled by the employee.

Year-End Close Instructions

Procedures to assist the accounting staff in completing all the necessary items prior to closing the accounting year.

Year-End Close Transactions

Internal transactions that are done automatically by the general ledger software. The non-deferred revenue, reclassification of net assets, non-deferred expense, transfer, and net asset adjustment accounts are closed to the appropriate net asset account and the beginning balances are set to zero.

Boy Scouts of America

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