

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

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LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Laurel Highlands Council,  
Boy Scouts of America

We have audited the accompanying consolidated financial statements of Laurel Highlands Council, Boy Scouts of America, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

INDEPENDENT AUDITOR'S REPORT

(continued)

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Laurel Highlands Council, Boy Scouts of America as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Subsequent Events*

As discussed in Note 4 to the consolidated financial statements, we draw attention to significant subsequent events, specifically the declaration of bankruptcy by the National Council of the Boy Scouts of America and the COVID-19 pandemic, which could have a significant future financial effect on the Laurel Highlands Council, Boy Scouts of America. Our opinion is not modified with respect to these matters.

*Sisterson & Co. LLP*

September 18, 2020

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
<u>ASSETS</u>				
Current assets				
Cash	\$ 1,591,574	\$ 1,211,633	\$ 19,046	\$ 2,822,253
Short-term investments (Note 5)	558,900	260,746	285,908	1,105,554
Pledges receivable, net (Note 2)	467,110	--	53,750	520,860
Other receivables	17,991	--	--	17,991
Inventories	235,222	--	--	235,222
Prepaid expenses and other assets	42,094	--	--	42,094
Total current assets	<u>2,912,891</u>	<u>1,472,379</u>	<u>358,704</u>	<u>4,743,974</u>
Non-current assets				
Pledges receivable, net (Note 2)	211,515	--	706,250	917,765
Interfund interest-free loan (Note 2)	(315,000)	--	315,000	--
Land, buildings and equipment, net (Note 7)	--	10,631,681	--	10,631,681
Property held for sale, net (Note 7)	--	718,632	--	718,632
Long-term investments (Notes 5 and 6)	79,827	4,034,947	16,953,704	21,068,478
Total non-current assets	<u>(23,658)</u>	<u>15,385,260</u>	<u>17,974,954</u>	<u>33,336,556</u>
Total assets	<u>\$ 2,889,233</u>	<u>\$ 16,857,639</u>	<u>\$ 18,333,658</u>	<u>\$ 38,080,530</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities				
Accounts payable	\$ 87,843	\$ 19,871	\$ --	\$ 107,714
Accrued expenses	68,714	--	--	68,714
Custodian accounts (Note 8)	748,980	--	2,125,795	2,874,775
Deferred income	213,753	--	--	213,753
Other current liabilities	73,949	--	--	73,949
Total current liabilities	<u>1,193,239</u>	<u>19,871</u>	<u>2,125,795</u>	<u>3,338,905</u>
Net assets				
Without donor restrictions				
Board designated (Notes 3, 15 and 16)	--	--	2,035,762	2,035,762
Undesignated	839,819	14,180,327	3,531,192	18,551,338
	<u>839,819</u>	<u>14,180,327</u>	<u>5,566,954</u>	<u>20,587,100</u>
With donor restrictions (Notes 13 and 16)	856,175	2,657,441	10,640,909	14,154,525
Total net assets	<u>1,695,994</u>	<u>16,837,768</u>	<u>16,207,863</u>	<u>34,741,625</u>
Total liabilities and net assets	<u>\$ 2,889,233</u>	<u>\$ 16,857,639</u>	<u>\$ 18,333,658</u>	<u>\$ 38,080,530</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
<u>ASSETS</u>				
Current assets				
Cash	\$ 1,511,334	\$ 467,449	\$ 14,046	\$ 1,992,829
Short-term investments (Note 5)	555,567	256,783	--	812,350
Pledges receivable, net (Note 2)	439,996	--	5,000	444,996
Other receivables	94,568	--	--	94,568
Inventories	245,597	--	--	245,597
Prepaid expenses and other assets	49,040	--	--	49,040
	<u>2,896,102</u>	<u>724,232</u>	<u>19,046</u>	<u>3,639,380</u>
Total current assets				
Non-current assets				
Pledges receivable, net (Note 2)	45,560	--	10,000	55,560
Interfund interest-free loan (Note 2)	(630,000)	--	630,000	--
Land, buildings and equipment, net (Note 7)	--	10,754,649	--	10,754,649
Long-term investments (Notes 5 and 6)	68,533	3,420,890	14,515,200	18,004,623
	<u>(515,907)</u>	<u>14,175,539</u>	<u>15,155,200</u>	<u>28,814,832</u>
Total non-current assets				
Total assets	<u>\$ 2,380,195</u>	<u>\$ 14,899,771</u>	<u>\$ 15,174,246</u>	<u>\$ 32,454,212</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities				
Accounts payable	\$ 48,998	\$ 88,673	\$ --	\$ 137,671
Accrued expenses	182,806	--	--	182,806
Custodian accounts (Note 8)	605,055	--	1,775,076	2,380,131
Deferred income	183,882	--	--	183,882
Other current liabilities	71,492	--	--	71,492
	<u>1,092,233</u>	<u>88,673</u>	<u>1,775,076</u>	<u>2,955,982</u>
Total current liabilities				
Net assets				
Without donor restrictions				
Board designated (Notes 3, 15 and 16)	--	--	1,737,146	1,737,146
Undesignated	727,039	12,372,236	2,953,585	16,052,860
	<u>727,039</u>	<u>12,372,236</u>	<u>4,690,731</u>	<u>17,790,006</u>
With donor restrictions (Notes 13 and 16)	560,923	2,438,862	8,708,439	11,708,224
Total net assets	<u>1,287,962</u>	<u>14,811,098</u>	<u>13,399,170</u>	<u>29,498,230</u>
Total liabilities and net assets	<u>\$ 2,380,195</u>	<u>\$ 14,899,771</u>	<u>\$ 15,174,246</u>	<u>\$ 32,454,212</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2019

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
<b>Changes in net assets without donor restrictions</b>				
Support and revenue				
Direct support				
Friends of Scouting	\$ 444,533	\$ --	\$ --	\$ 444,533
Project sales	26,060	4,000	--	30,060
Special events, gross	636,676	--	--	636,676
Less: cost of direct benefit	(182,947)	--	--	(182,947)
Net special events	453,729	--	--	453,729
Legacies and bequests	5,000	--	18,569	23,569
Foundations and trusts	545,164	--	--	545,164
Other direct support	20,052	209,624	--	229,676
Total direct support	<u>1,494,538</u>	<u>213,624</u>	<u>18,569</u>	<u>1,726,731</u>
Indirect support				
United Way	151,899	--	--	151,899
Total indirect support	<u>151,899</u>	<u>--</u>	<u>--</u>	<u>151,899</u>
Revenue				
Sale of supplies, gross	130,452	--	--	130,452
Less: cost of goods sold	(84,154)	--	--	(84,154)
Net sale of supplies	46,298	--	--	46,298
Product sales, gross	1,287,118	--	--	1,287,118
Less: cost of goods sold	(436,006)	--	--	(436,006)
Less: commissions paid to units	(416,017)	--	--	(416,017)
Net product sales	435,095	--	--	435,095
Investment return, net (Note 5)	664,629	414,203	1,172,654	2,251,486
Camping revenue	2,278,078	--	--	2,278,078
Activity revenue	234,241	--	--	234,241
Other revenue	232,982	1,803,694	--	2,036,676
Total revenue	<u>3,891,323</u>	<u>2,217,897</u>	<u>1,172,654</u>	<u>7,281,874</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(continued)

Year ended December 31, 2019

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
Net assets released from restrictions (Note 14)				
Satisfaction of program restrictions	\$ 120,000	\$ --	\$ --	\$ 120,000
Expiration of time restrictions	395,363	--	--	395,363
Total net assets released from restrictions	515,363	--	--	515,363
Total support and revenue	6,053,123	2,431,521	1,191,223	9,675,867
Expenses				
Program services	5,559,213	599,619	--	6,158,832
Support services				
Management and general	103,576	5,102	--	108,678
Fundraising	509,331	18,709	--	528,040
Total support services	612,907	23,811	--	636,718
Total functional expenses	6,172,120	623,430	--	6,795,550
Charter and national service fee (Note 11)	83,223	--	--	83,223
Total expenses	6,255,343	623,430	--	6,878,773
Other income (expense)				
Forgiveness of interfund loan (Note 2)	315,000	--	(315,000)	--
Total other income (expense)	315,000	--	(315,000)	--
Increase in net assets without donor restrictions	112,780	1,808,091	876,223	2,797,094
<b>Changes in net assets with donor restrictions</b>				
Support and revenue				
Direct support				
Friends of Scouting	170,163	--	--	170,163
Special events	59,950	--	--	59,950
Foundations and trusts	450,000	--	1,017,338	1,467,338
Other direct support	--	1,000	--	1,000
Total direct support	680,113	1,000	1,017,338	1,698,451
Indirect support				
United Way	130,502	--	--	130,502
Total indirect support	130,502	--	--	130,502
Revenue				
Investment return, net (Note 5)	--	217,579	915,132	1,132,711
Total revenue	--	217,579	915,132	1,132,711

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(continued)

Year ended December 31, 2019

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
Net assets released from restrictions (Note 14)				
Satisfaction of program restrictions	\$ (120,000)	\$ --	\$ --	\$ (120,000)
Expiration of time restrictions	<u>(395,363)</u>	<u>--</u>	<u>--</u>	<u>(395,363)</u>
Total net assets released from restrictions	<u>(515,363)</u>	<u>--</u>	<u>--</u>	<u>(515,363)</u>
Total support and revenue	<u>295,252</u>	<u>218,579</u>	<u>1,932,470</u>	<u>2,446,301</u>
Increase in net assets with donor restrictions	<u>295,252</u>	<u>218,579</u>	<u>1,932,470</u>	<u>2,446,301</u>
Increase in total net assets	<u>408,032</u>	<u>2,026,670</u>	<u>2,808,693</u>	<u>5,243,395</u>
<b>Net assets, beginning of year</b>				
Without donor restrictions	727,039	12,372,236	4,690,731	17,790,006
With donor restrictions	<u>560,923</u>	<u>2,438,862</u>	<u>8,708,439</u>	<u>11,708,224</u>
Total net assets, beginning of year	<u>1,287,962</u>	<u>14,811,098</u>	<u>13,399,170</u>	<u>29,498,230</u>
<b>Net assets, end of year</b>				
Without donor restrictions	839,819	14,180,327	5,566,954	20,587,100
With donor restrictions	<u>856,175</u>	<u>2,657,441</u>	<u>10,640,909</u>	<u>14,154,525</u>
Total net assets, end of year	<u>\$ 1,695,994</u>	<u>\$ 16,837,768</u>	<u>\$ 16,207,863</u>	<u>\$ 34,741,625</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2018

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
<b>Changes in net assets without donor restrictions</b>				
Support and revenue				
Direct support				
Friends of Scouting	\$ 435,483	\$ --	\$ --	\$ 435,483
Project sales	179,938	--	--	179,938
Special events, gross	612,288	--	--	612,288
Less: cost of direct benefit	(205,038)	--	--	(205,038)
Net special events	407,250	--	--	407,250
Legacies and bequests	--	--	24,032	24,032
Foundations and trusts	299,818	--	--	299,818
Other direct support	17,287	293,398	7,222	317,907
Total direct support	1,339,776	293,398	31,254	1,664,428
Indirect support				
United Way	176,903	--	--	176,903
Total indirect support	176,903	--	--	176,903
Revenue				
Sale of supplies, gross	149,006	--	--	149,006
Less: cost of goods sold	(82,810)	--	--	(82,810)
Net sale of supplies	66,196	--	--	66,196
Product sales, gross	1,598,596	--	--	1,598,596
Less: cost of goods sold	(434,410)	--	--	(434,410)
Less: commissions paid to units	(577,714)	--	--	(577,714)
Net product sales	586,472	--	--	586,472
Investment return, net (Note 5)	588,186	53,788	(660,117)	(18,143)
Camping revenue	2,376,230	--	--	2,376,230
Activity revenue	232,852	--	--	232,852
Other revenue	104,426	321,703	--	426,129
Total revenue	3,954,362	375,491	(660,117)	3,669,736

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(continued)

Year ended December 31, 2018

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
Net assets released from restrictions (Note 14)				
Satisfaction of program restrictions	\$ 225,000	\$ 661	\$ --	\$ 225,661
Expiration of time restrictions	<u>448,832</u>	<u>--</u>	<u>--</u>	<u>448,832</u>
Total net assets released from restrictions	<u>673,832</u>	<u>661</u>	<u>--</u>	<u>674,493</u>
Total support and revenue	<u>6,144,873</u>	<u>669,550</u>	<u>(628,863)</u>	<u>6,185,560</u>
Expenses				
Program services	<u>5,532,778</u>	<u>586,028</u>	<u>--</u>	<u>6,118,806</u>
Support services				
Management and general	104,914	5,675	--	110,589
Fundraising	<u>482,540</u>	<u>20,809</u>	<u>--</u>	<u>503,349</u>
Total support services	<u>587,454</u>	<u>26,484</u>	<u>--</u>	<u>613,938</u>
Total functional expenses	<u>6,120,232</u>	<u>612,512</u>	<u>--</u>	<u>6,732,744</u>
Charter and national service fee (Note 11)	<u>88,437</u>	<u>--</u>	<u>--</u>	<u>88,437</u>
Total expenses	<u>6,208,669</u>	<u>612,512</u>	<u>--</u>	<u>6,821,181</u>
Other income (expense)				
Forgiveness of interfund loan (Note 2)	<u>250,000</u>	<u>--</u>	<u>(250,000)</u>	<u>--</u>
Total other income (expense)	<u>250,000</u>	<u>--</u>	<u>(250,000)</u>	<u>--</u>
Increase (decrease) in net assets without donor restrictions	<u>186,204</u>	<u>57,038</u>	<u>(878,863)</u>	<u>(635,621)</u>
<b>Changes in net assets with donor restrictions</b>				
Support and revenue				
Direct support				
Friends of Scouting	186,257	--	--	186,257
Special events	7,970	--	--	7,970
Foundations and trusts	102,431	--	238,666	341,097
Other direct support	<u>23,074</u>	<u>211,405</u>	<u>2,028</u>	<u>236,507</u>
Total direct support	<u>319,732</u>	<u>211,405</u>	<u>240,694</u>	<u>771,831</u>
Indirect support				
United Way	<u>214,169</u>	<u>--</u>	<u>--</u>	<u>214,169</u>
Total indirect support	<u>214,169</u>	<u>--</u>	<u>--</u>	<u>214,169</u>
Revenue				
Investment return, net (Note 5)	<u>--</u>	<u>(344,958)</u>	<u>(552,150)</u>	<u>(897,108)</u>
Total revenue	<u>--</u>	<u>(344,958)</u>	<u>(552,150)</u>	<u>(897,108)</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(continued)

Year ended December 31, 2018

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
Net assets released from restrictions (Note 14)				
Satisfaction of program restrictions	\$ (225,000)	\$ (661)	\$ --	\$ (225,661)
Expiration of time restrictions	<u>(448,832)</u>	<u>--</u>	<u>--</u>	<u>(448,832)</u>
Total net assets released from restrictions	<u>(673,832)</u>	<u>(661)</u>	<u>--</u>	<u>(674,493)</u>
Total support and revenue	<u>(139,931)</u>	<u>(134,214)</u>	<u>(311,456)</u>	<u>(585,601)</u>
Decrease in net assets with donor restrictions	<u>(139,931)</u>	<u>(134,214)</u>	<u>(311,456)</u>	<u>(585,601)</u>
Increase (decrease) in total net assets	<u>46,273</u>	<u>(77,176)</u>	<u>(1,190,319)</u>	<u>(1,221,222)</u>
<b>Net assets, beginning of year</b>				
Without donor restrictions	540,835	12,315,198	5,569,594	18,425,627
With donor restrictions	<u>700,854</u>	<u>2,573,076</u>	<u>9,019,895</u>	<u>12,293,825</u>
Total net assets, beginning of year	<u>1,241,689</u>	<u>14,888,274</u>	<u>14,589,489</u>	<u>30,719,452</u>
<b>Net assets, end of year</b>				
Without donor restrictions	727,039	12,372,236	4,690,731	17,790,006
With donor restrictions	<u>560,923</u>	<u>2,438,862</u>	<u>8,708,439</u>	<u>11,708,224</u>
Total net assets, end of year	<u>\$ 1,287,962</u>	<u>\$ 14,811,098</u>	<u>\$ 13,399,170</u>	<u>\$ 29,498,230</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	Program Services	Management and General	Fundraising	Product Sales Cost of Sales	Cost of Direct Benefits to Donors	Total Expenses
Employee compensation						
Salaries	\$ 2,509,075	\$ 56,404	\$ 206,814	\$ --	\$ --	\$ 2,772,293
Employee benefits	406,266	11,789	43,227	--	--	461,282
Payroll taxes	177,475	3,853	14,127	--	--	195,455
Employee related expenses	342	12	44	--	--	398
Total employee compensation	<u>3,093,158</u>	<u>72,058</u>	<u>264,212</u>	<u>--</u>	<u>--</u>	<u>3,429,428</u>
Other expenses						
Cost of products sold and unit commissions	--	--	--	852,023	--	852,023
Supplies	810,764	1,032	3,824	--	--	815,620
Depreciation of buildings of equipment	529,876	2,670	9,788	--	--	542,334
Occupancy	473,321	5,071	18,595	--	--	496,987
Professional fees	361,125	7,315	32,249	--	--	400,689
Insurance	219,445	7,655	28,069	--	--	255,169
Travel	194,378	3,798	13,925	--	--	212,101
Cost of direct benefit to donors	--	--	--	--	182,947	182,947
Recognition awards	88,737	978	9,157	--	--	98,872
Other expenses	73,066	2,515	127,734	--	--	203,315
Specific assistance to individuals (Note 11)	90,279	--	--	--	--	90,279
Cost of goods sold - Scout Shop and Trading Posts	84,154	--	--	--	--	84,154
Telephone	73,238	1,460	5,355	--	--	80,053
Printing and publications	64,643	2,115	7,756	--	--	74,514
Conferences and meetings	46,610	1,155	4,236	--	--	52,001
Rent and maintenance of equipment	28,557	505	1,853	--	--	30,915
Postage and shipping	11,635	351	1,287	--	--	13,273
Total other expenses	<u>3,149,828</u>	<u>36,620</u>	<u>263,828</u>	<u>852,023</u>	<u>182,947</u>	<u>4,485,246</u>
Total functional expenses	6,242,986	108,678	528,040	852,023	182,947	7,914,674
Expenses included with revenue on the statement of activities:						
Cost of products sold and unit commissions	--	--	--	(852,023)	--	(852,023)
Cost of direct benefit of donors	--	--	--	--	(182,947)	(182,947)
Cost of goods sold - Scout Shop and Trading Posts	(84,154)	--	--	--	--	(84,154)
Total expenses included in the expense section on that statement of activities	<u>\$ 6,158,832</u>	<u>\$ 108,678</u>	<u>\$ 528,040</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,795,550</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	Program Services	Management and General	Fundraising	Product Sales Cost of Sales	Cost of Direct Benefits to Donors	Total Expenses
Employee compensation						
Salaries	\$ 2,465,906	\$ 60,384	\$ 221,409	\$ --	\$ --	\$ 2,747,699
Employee benefits	348,449	10,584	38,809	--	--	397,842
Payroll taxes	177,094	4,240	15,545	--	--	196,879
Employee related expenses	1,797	63	230	--	--	2,090
Total employee compensation	<u>2,993,246</u>	<u>75,271</u>	<u>275,993</u>	<u>--</u>	<u>--</u>	<u>3,344,510</u>
Other expenses						
Cost of products sold and unit commissions	--	--	--	1,012,124	--	1,012,124
Supplies	878,027	838	3,260	--	--	882,125
Depreciation of buildings and equipment	503,992	2,993	10,976	--	--	517,961
Occupancy	472,480	4,636	16,997	--	--	494,113
Professional fees	381,204	7,811	28,641	--	--	417,656
Insurance	188,562	6,578	24,118	--	--	219,258
Travel	199,235	3,956	14,505	--	--	217,696
Cost of direct benefit to donors	--	--	--	--	205,038	205,038
Recognition awards	64,566	220	78,487	--	--	143,273
Other expenses	97,604	2,456	27,563	--	--	127,623
Specific assistance to individuals (Note 11)	114,073	--	--	--	--	114,073
Cost of goods sold - Scout Shop and Trading Posts	82,810	--	--	--	--	82,810
Telephone	73,533	1,458	5,344	--	--	80,335
Printing and publications	60,660	1,948	8,580	--	--	71,188
Conferences and meetings	51,051	1,483	5,436	--	--	57,970
Rent and maintenance of equipment	21,255	332	1,216	--	--	22,803
Postage and shipping	19,318	609	2,233	--	--	22,160
Total other expenses	<u>3,208,370</u>	<u>35,318</u>	<u>227,356</u>	<u>1,012,124</u>	<u>205,038</u>	<u>4,688,206</u>
Total functional expenses	6,201,616	110,589	503,349	1,012,124	205,038	8,032,716
Expenses included with revenue on the statement of activities:						
Cost of products sold and unit commissions	--	--	--	(1,012,124)	--	(1,012,124)
Cost of direct benefit to donors	--	--	--	--	(205,038)	(205,038)
Cost of goods sold - Scout Shop and Trading Posts	(82,810)	--	--	--	--	(82,810)
Total expenses included in the expense section on the statement of activities	<u>\$ 6,118,806</u>	<u>\$ 110,589</u>	<u>\$ 503,349</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,732,744</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2019

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
Cash flows from operating activities				
Increase in total net assets	\$ 408,032	\$ 2,026,670	\$ 2,808,693	\$ 5,243,395
Adjustments to reconcile increase in total net assets to net cash provided by (used in) operating activities				
Depreciation of buildings and equipment	--	542,334	--	542,334
Gain on investments	--	(614,057)	(1,919,483)	(2,533,540)
Forgiveness of interfund loan	(315,000)	--	315,000	--
Contributions restricted for long-term purposes	--	(1,000)	(1,017,338)	(1,018,338)
Increase in cash from changes in				
Pledges receivable	(193,069)	--	(745,000)	(938,069)
Other receivables	76,577	--	--	76,577
Inventories	10,375	--	--	10,375
Prepaid expenses and other assets	6,946	--	--	6,946
Accounts payable	38,845	(88,673)	--	(49,828)
Accrued expenses	(114,092)	--	--	(114,092)
Custodian accounts	143,925	--	350,719	494,644
Deferred income	29,871	--	--	29,871
Other current liabilities	2,457	--	--	2,457
Net cash provided by (used in) operating activities	<u>94,867</u>	<u>1,865,274</u>	<u>(207,409)</u>	<u>1,752,732</u>
Cash flows from investing activities				
Purchase of land, buildings and equipment	--	(1,118,127)	--	(1,118,127)
Net increase in short-term investments	(3,333)	(3,963)	(285,908)	(293,204)
Sales of investments	--	668,982	7,386,170	8,055,152
Purchases of investments	(11,294)	(668,982)	(7,905,191)	(8,585,467)
Net cash used in investing activities	<u>(14,627)</u>	<u>(1,122,090)</u>	<u>(804,929)</u>	<u>(1,941,646)</u>
Cash flows from financing activities				
Contributions restricted for long-term purposes	--	1,000	1,017,338	1,018,338
Net cash provided by financing activities	<u>--</u>	<u>1,000</u>	<u>1,017,338</u>	<u>1,018,338</u>
Net increase in cash	80,240	744,184	5,000	829,424
Cash, beginning of year	<u>1,511,334</u>	<u>467,449</u>	<u>14,046</u>	<u>1,992,829</u>
Cash, end of year	<u>\$ 1,591,574</u>	<u>\$ 1,211,633</u>	<u>\$ 19,046</u>	<u>\$ 2,822,253</u>
Supplemental disclosure of non-cash investing and financing activities:				
Increase in accounts payable for the purchase of land, buildings and equipment	<u>\$ --</u>	<u>\$ 19,871</u>	<u>\$ --</u>	<u>\$ 19,871</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2018

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
Cash flows from operating activities				
Increase (decrease) in total net assets	\$ 46,273	\$ (77,176)	\$ (1,190,319)	\$ (1,221,222)
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities				
Depreciation of buildings and equipment	--	517,961	--	517,961
Gain from sale of land, buildings and equipment	--	(4,900)	--	(4,900)
Contribution of securities sold nearly immediately upon receipt	(66,666)	--	--	(66,666)
Proceeds from securities sold nearly immediately upon receipt	66,666	--	--	66,666
Loss on investments	--	319,295	1,212,267	1,531,562
Forgiveness of interfund loan	(250,000)	--	250,000	--
Contributions restricted for long-term purposes	--	(211,405)	(240,694)	(452,099)
Increase (decrease) in cash from changes in				
Pledges receivable	(127,193)	--	9,758	(117,435)
Other receivables	(32,405)	64,590	--	32,185
Inventories	(22,835)	--	--	(22,835)
Prepaid expenses and other assets	8,408	--	--	8,408
Accounts payable	(241,873)	(19,586)	--	(261,459)
Accrued expenses	(49,811)	(7,639)	--	(57,450)
Custodian accounts	(91,041)	--	(165,591)	(256,632)
Deferred income	14,657	--	--	14,657
Other current liabilities	(406)	--	--	(406)
Net cash provided by (used in) operating activities	<u>(746,226)</u>	<u>581,140</u>	<u>(124,579)</u>	<u>(289,665)</u>
Cash flows from investing activities				
Purchase of land, buildings and equipment	--	(498,470)	--	(498,470)
Proceeds from sale of land, buildings and equipment	--	10,000	--	10,000
Net increase in short-term investments	(933)	(3,680)	--	(4,613)
Sales of investments	6,201	803,508	5,834,670	6,644,379
Purchases of investments	--	(803,508)	(6,112,680)	(6,916,188)
Net cash provided by (used in) investing activities	<u>5,268</u>	<u>(492,150)</u>	<u>(278,010)</u>	<u>(764,892)</u>
Cash flows from financing activities				
Contributions restricted for long-term purposes	--	211,405	240,694	452,099
Payments on interfund loan	(50,000)	--	50,000	--
Net cash provided by (used in) financing activities	<u>(50,000)</u>	<u>211,405</u>	<u>290,694</u>	<u>452,099</u>
Net increase (decrease) in cash	<u>(790,958)</u>	<u>300,395</u>	<u>(111,895)</u>	<u>(602,458)</u>
Cash, beginning of year	<u>2,302,292</u>	<u>167,054</u>	<u>125,941</u>	<u>2,595,287</u>
Cash, end of year	<u>\$ 1,511,334</u>	<u>\$ 467,449</u>	<u>\$ 14,046</u>	<u>\$ 1,992,829</u>
Supplemental disclosure of non-cash investing and financing activities				
Increase in accounts payable for the purchase of land, buildings and equipment	<u>\$ --</u>	<u>\$ 85,479</u>	<u>\$ --</u>	<u>\$ 85,479</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF LAUREL HIGHLANDS COUNCIL, BOY SCOUTS OF AMERICA

Laurel Highlands Council, Boy Scouts of America (the "Council") is one of the largest Boy Scouts Councils in Pennsylvania. The Council operates in Pittsburgh, Pennsylvania, serving various counties in Pennsylvania (Allegheny, Beaver, Bedford, Blair, Cambria, Greene, Indiana, Somerset, Washington, portions of Armstrong, Clearfield, Fayette, Huntingdon and Westmoreland), Maryland (Alleghany and Garrett), and West Virginia (Hardy, Hampshire, Grant and Mineral). The Council also has service centers in Johnstown, Pennsylvania and Cumberland, Maryland, and has seven camp facilities. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the National Council of the Boy Scouts of America (the "National Council") and in accordance with the Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys and young men and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts of America.

The mission of the Council is to "Prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Law". The mission is principally achieved through Scouting activities, the objectives of which are character development, citizenship training, and physical and mental fitness throughout these counties in Pennsylvania, West Virginia and Maryland. The Council's website address is [www.lhscouting.org](http://www.lhscouting.org).

The Council's programs are classified as follows:

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

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

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

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 1 - DESCRIPTION OF LAUREL HIGHLANDS COUNCIL, BOY SCOUTS OF AMERICA  
(continued)

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

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

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

Starting in 2018, families can choose to sign up their sons and daughters who are ages 5-10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens or remain an all-boy pack. Cub Scout dens will be single gender - all boys or all girls. Using the same curriculum as the Boy Scouting program, Scouts BSA was launched in February 2019, enabling all eligible youth ages 11-17, to earn the Eagle Scout rank. Scouts BSA will be single gender all-girl troops or all-boy troops. This unique approach allows the organization to maintain the integrity of the single-gender model while also meeting the needs of today's families.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The Council had voting control over and an economic interest in a trust fund, which resulted in the accounts of the trust fund being consolidated with those of the Council in the accompanying consolidated financial statements. The trust was liquidated during 2017, however, the entity has not yet been formally dissolved. All intercompany balances and transactions have been eliminated in consolidation. The Council and trust fund are collectively referred to as the "Council".

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America (“GAAP”), the consolidated financial statements of the Council have been prepared on the accrual basis of accounting, which is also in accordance with the National Council Accounting Manual. The Council is required to present consolidated statements of cash flows.

The Council also prepares financial statements in accordance with the Financial Accounting Standards Board (“FASB”) standards for not-for-profit organizations (Accounting Standards Codification (“ASC”) 958-205 and subsections). Under these standards, the Council is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In accordance with GAAP, the Council is required to report information regarding its consolidated financial position and activities as follows:

Without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed stipulations and are available for general use.

With donor restrictions

Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

In addition, net assets with donor restrictions may be subject to donor-imposed stipulations that they be maintained permanently with the use of all or part of the income earned on any related investments for general or specific purposes. Also, under current Pennsylvania nonprofit law, additional income up to specified limits may be allocated for general or designated purposes at the discretion of the Board of Directors. The Council's beneficial interest in various irrevocable trusts is included in net assets with donor restrictions.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

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

Separate accounts are maintained for each fund; however, in the accompanying consolidated financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Operating Fund (Fund #1): Day-to-day operations of the Council flow through this fund, primarily camping, unit and institutional services, and contributions without donor restrictions, including United Way.

Capital Fund (Fund #2): Reflects all activity associated with capital expenditures, depreciation, and repairs and maintenance. Recognizes contributions whereby the donors have restricted the use of the funds for capital expenditures. This fund also includes contributions from donors whereby the principal amount is nonexpendable (with donor restrictions) and only the interest and dividends earned are expendable for capital purposes, as well as contributions from donors whereby the principal, interest and dividends earned are all expendable for capital purposes (with donor restrictions).

Endowment Fund (Fund #3): Recognizes contributions whereby the principal amount is nonexpendable (with donor restrictions), unless designated to this fund by the Board of Directors. Income and realized and unrealized gains and losses on certain funds in the endowment are either without donor restrictions or with donor restrictions as defined by the terms of the gift.

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

Contributions and pledges

Contributions receivable are recognized upon notification of a donor's unconditional promise to give to the Council. All contributions received are considered to be available for use without restriction unless specifically restricted by the donor. Pledges receivable, less an allowance for uncollectible amounts, are recorded as public support revenue in the year pledged. An allowance for uncollectible contributions is maintained for any pledge past due 90 days or more.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and pledges (continued)

Anticipated collections of pledges receivable are as follows as of December 31:

	2019	2018
Within one year	\$ 556,101	\$ 477,661
One to five years	307,765	55,560
More than five years	610,000	--
	1,473,866	533,221
Less: allowance for uncollectible pledges	35,241	32,665
	\$ 1,438,625	\$ 500,556

As of December 31, 2019, one donor accounts for 65% of pledges receivable. Pledges receivable are not recorded at their present values using a discount rate commensurate with the risks involved because the present value is not materially less than the amounts expected to be received.

The Council relies upon the participation and contributions of the communities it serves to support the majority of operations. These include numerous individuals, foundations, area businesses, and the United Way. Donated property, marketable securities and other noncash donations are recorded as contributions at their fair value at the date of donation.

Contributions with restrictions met in the same year

Although contributions with donor restrictions typically are reported as support that increases net assets with donor restrictions, they may be reported as support without donor restrictions if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed.

Donated materials and services

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

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated materials and services (continued)

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying consolidated financial statements because no objective basis is available to measure the fair value of such services. A substantial number of volunteers have donated significant amounts of their time to the Council's program services and its fundraising campaigns, the value of which is not recorded in the accompanying consolidated financial statements as it is impracticable to determine the fair value of all donated services by the volunteers of the Boy Scouts of America beyond those required to be recognized as income.

No donated services were provided in 2019. During 2018, the Council received donated services with an estimated fair value of \$5,000 from an organization that provided printing services throughout the year. During 2019 and 2018, the Council received donated materials with an estimated fair value of \$61,560 and \$24,586, respectively, from organizations that provided supplies to the camps and apparel.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, and money market mutual funds. The Council accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations (ASC 958-320 and subsections). This standard requires that investments in equity securities and money market mutual funds with readily determinable fair values and all investments in debt securities be measured at fair value on the consolidated statements of financial position. Fair value of marketable equity and debt securities and money market mutual funds are based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the consolidated statements of activities and changes in net assets. Realized gains and losses on disposals of investments are determined by the specific identification method, except for mutual funds for which the cost of shares sold is determined by the average cost method. Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported on the consolidated statements of financial position.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial interests

Beneficial interests in irrevocable trusts for which the trustee does not maintain “variance power” are recorded at the fair values of the Council’s interest in investments held within the trusts on the consolidated statements of financial position. Changes in fair values are reported as increases (decreases) to net assets with donor restrictions in the consolidated statements of activities and changes in net assets. Investment income received from the trusts is recorded as increases to net assets without donor restrictions in the consolidated statements of activities and changes in net assets.

Beneficial interests in irrevocable trusts for which the trustee does maintain “variance power” are not recorded on the Council’s consolidated statements of financial position. Income received from the trusts is recorded as foundation and other contributions and is reported as an increase in net assets without donor restrictions in the consolidated statements of activities and changes in net assets, unless such amounts are restricted by the donor.

Investment policy

The Council's investment policy, including the Endowment Fund, intends for the Council to invest in assets that would provide sufficient proceeds in the form of a total return from all dividends, income, earnings and appreciation to meet the Council's current budgetary requirements and maintain the endowment for future operational needs of the Council. The objective is to preserve the principal over time in real dollar purchasing power, after annual income distributions and costs of management are satisfied.

To meet the stated objectives, a portion of the portfolio is to be dedicated to an equity position in order to produce the long-term appreciation of principal. Another portion is committed to fixed income investments in order to provide a consistent level of income. The diversity of holdings reasonably attempt to reduce overall portfolio volatility while maintaining a total return investment concept for budgetary requirements. This policy is to maintain an overall asset allocation of 55% to 75% in equities, 25% to 45% in fixed income with limitations to small cap, mid cap, large cap and international funds, 0% to 20% in cash equivalents, and 0% to 10% in alternatives.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Spending policy

The Commonwealth of Pennsylvania has not adopted the *Uniform Management of Institutional Funds Act* (UMIFA) or the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). Rather, the *Pennsylvania Uniform Principal and Income Act* (“Pennsylvania Act”) governs the investment, use, and management of the Council’s endowment funds. The Pennsylvania Act does not require the preservation of the fair value of a donor’s original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, the Council considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Pennsylvania Act allows a nonprofit to elect to appropriate for expenditure between 2 and 7 percent of the endowment’s fair value, determined at least annually and averaged over a period of three or more preceding years.

The Council has interpreted that under current Pennsylvania nonprofit law, additional income up to specified limits may be allocated for general or designated purposes at the discretion of the Board of Directors. As of December 31, 2019 and 2018, the approved spending policy of the Council was 4% of the prior three years’ fair value, as of the end of the year, for certain investments held by the Council. The Council’s spending policy permits spending from those donor-restricted endowment funds where the fair value of assets associated with individual donor-restricted endowment funds have fallen below the level that the donor required the Council to retain as a fund of perpetual duration (see Note 16). During 2017, the spending policy was amended to allow for an additional 1% to be withdrawn at the discretion of the Executive Committee for a total maximum withdraw of 5%. During 2019 and 2018, the Executive Committee did not elect to withdraw an additional 1%. The Board of Directors may amend this spending policy.

Inventories

Inventories consist of Scouting and other items available for resale and are stated at the lower of cost or net realizable value. Cost is determined using the average cost method through the Sellwise cash receipting system at the Johnstown and Cumberland stores. The camps using point of sale registers state inventories at cost, determined on the first-in, first out method.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land, buildings and equipment

Land, buildings and equipment are carried at cost. Donated land, buildings and equipment are recorded at the approximate fair value of the asset on the date of donation. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently. Land improvements, buildings and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and land improvements	10 - 25 years
Equipment	3 - 10 years

Construction in progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year. Depreciation will commence upon the asset being placed in service.

Cash

The Council maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Council does not believe it is exposed to any significant credit risk on cash.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of year-end and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized in the consolidated statements of activities and changes in net assets on a functional basis. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, including the Scout executive's, accounting, information technology personnel, and payroll taxes. The basis of allocation of these expenses is the result of a time study of staff every two years. For both 2019 and 2018, the time study percentages were: 86% program services, 3% management and general, and 11% fundraising. The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of three separate studies and is applied to the expenses that are allocated. In accordance with the policy of the National Council, the payment of the charter fee to the National Council is not allocated as a functional expense. The consolidated financial statements report expenses by function in the consolidated statements of functional expenses.

Interfund interest-free loan

During 2015, \$930,000 of cash was loaned, interest-free, from the Endowment Fund to the Operating Fund in order to cover an operating cash shortfall. In 2018, the Council approved a cash repayment of \$50,000 from the Operating Fund to the Endowment Fund, and a partial loan forgiveness of \$250,000. In 2019, an additional \$315,000 partial loan forgiveness was approved by the Council to reduce the outstanding loan amount to \$315,000 as of December 31, 2019. There are no formalized repayment terms as of December 31, 2019 and 2018. As such, this loan is recorded as long-term on the December 31, 2019 and 2018 consolidated statements of financial position. The \$315,000 and \$250,000 partial loan forgiveness is included in other income (expense) in the December 31, 2019 and 2018 consolidated statements of activities and changes in net assets, respectively.

Income taxes

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

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

FASB ASC 740 and subsections, clarifies the recognition, measurement, presentation and disclosure relating to uncertain tax positions. The Council does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. There was no interest or penalties recorded or included in the 2019 or 2018 consolidated financial statements. Tax years 2016 and later remain subject to examination by the Internal Revenue Service.

Long-lived assets

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

Revenue recognition

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

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Scout Shop and Trading Post sales

The Council operates Scout Shops in its service centers in Pittsburgh, Pennsylvania, Johnstown, Pennsylvania, and Cumberland, Maryland and various Trading Posts at its summer camps, which sell Scouting-related merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Council based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Council recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of the accounting period, the Council establishes and records in its consolidated financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2019 and 2018.

Product sales

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

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Product sales (continued)

Scout units have the right to return to the Council any unsold product, subject to a return-by date of November 30, 2019. As of December 31, 2019 and 2018, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Camping and activity revenue

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

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Special fundraising event revenue

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

Other revenue

Other revenue consists primarily of rent revenue and royalties and is recognized on a monthly or one-time basis as earned.

Reserve for unemployment claims

The Council records an accrual for the estimated amount of unemployment claims based on historical experience.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of Accounting Standards Updates (“ASU”) 2014-09 and 2018-08

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

As of January 1, 2019, the Council also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standards is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting for the years ended December 31, 2019 and 2018 are presented under FASB ASU 2018-08. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued consolidated financial statements.

Reclassifications

Certain amounts previously reported in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation, generally as it relates to the presentation of the consolidated statements of functional expenses.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FUNDS

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

	2019	2018
Cash – Operating Fund	\$ 642,594	\$ 786,279
Short-term investments – Operating Fund	558,900	555,567
Pledges receivable – Operating Fund	467,110	439,996
Other receivables – Operating Fund	17,991	94,568
Total financial assets as of end of year	1,686,595	1,876,410
Appropriation from investments per spending policy for general expenditures in subsequent year	535,061	475,432
Total financial assets available to meet cash needs for general expenditures within one year	\$ 2,221,656	\$ 2,351,842

The Council's endowment funds consist of donor-restricted endowments and a Board designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 2, the endowment has a spending rate of 4% of the prior-three year's fair value of certain investments held by the Council. Appropriations from those investments of \$535,061 and \$475,432 will be available within the next twelve months as of December 31, 2019 and 2018, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has a Board designated endowment of \$2,035,762 and \$1,737,146 as of December 31, 2019 and 2018, respectively. Although the Council does not intend to spend from its Board designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its Board designated endowment could be made available if necessary.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 4 - SUBSEQUENT EVENTS

The Council evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through September, 18, 2020, the date on which the consolidated financial statements were available to be issued.

In February 2020, the National Council filed for Chapter 11 bankruptcy. The Council is a separate legal entity and financially independent from the National Council, therefore, the impact of the National Council filing for bankruptcy is not yet known. One of the results of the bankruptcy filing is that the National Council has frozen the pension plan.

In March 2020, there was a global outbreak of COVID-19 that has resulted in many changes across all industries. These changes, including a potential extended economic downturn and any potential resulting direct and indirect negative impact to the Council cannot be determined, but they could have a prospective material impact to the Council's investment portfolio, revenue streams, cash flows, and liquidity. Also, in May 2020, the Council the majority of cancelled their summer resident camp programs for the Summer 2020 season. In May 2020, the Council secured an approximate \$664,000 loan through the Paycheck Protection Program ("Program"), administered by the U.S. Small Business Administration, to cover payroll and certain occupancy costs. Management believes the loan funds will be fully utilized for allowable costs and ultimately forgiven under the Program.

In April 2020, the Chief Logan District, within Blair County, moved from the Council to the Juniata Valley Council. This action was approved by the Board of Directors of both councils and the National Council.

NOTE 5 - INVESTMENTS

The fair values of short-term investments approximate cost. The fair values of money market mutual funds, fixed income mutual funds, equity stocks and equity mutual funds are based on quoted market prices. Using the provisions within FASB ASC 820 and subsections, the Council has characterized its investments, based on the priority of the inputs used to value the investments, according to a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities ("Level 1"), and the lowest priority to unobservable inputs ("Level 3"). All Council investments, including those held as custodian but with the exception of beneficial interests, fall in Level 1 as these investments are valued based on unadjusted quoted prices for identical assets in an active market. Beneficial interests fall in Level III as there is no market in which the beneficial interests trade and the fact that these assets are to remain in trust in perpetuity and not revert to the Council (see Note 6).

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 5 - INVESTMENTS (continued)

The valuation of the Council's investments by the above fair value hierarchy levels are as follows as of December 31:

	2019		
	Level I	Level III	Total
Short-term investments	\$ 1,105,554	\$ --	\$ 1,105,554
Equity mutual funds	11,487,285	--	11,487,285
Fixed income mutual funds	6,001,392	--	6,001,392
Equity stocks	1,674,403	--	1,674,403
Money market mutual funds	498,823	--	498,823
Beneficial interests (Note 6)	--	1,406,575	1,406,575
	\$ 20,767,457	\$ 1,406,575	\$ 22,174,032

	2018		
	Level I	Level III	Total
Short-term investments	\$ 812,350	\$ --	\$ 812,350
Equity mutual funds	9,360,238	--	9,360,238
Fixed income mutual funds	5,351,295	--	5,351,295
Equity stocks	1,294,559	--	1,294,559
Money market mutual funds	765,809	--	765,809
Beneficial interests (Note 6)	--	1,232,722	1,232,722
	\$ 17,584,251	\$ 1,232,722	\$ 18,816,973

The long-term investment portfolio's historical cost and quoted fair values (carrying values) are as follows as of December 31:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Equity mutual funds	\$ 8,771,220	\$ 11,487,285	\$ 8,175,711	\$ 9,360,238
Fixed income mutual funds	5,905,239	6,001,392	5,472,326	5,351,295
Equity stocks	1,237,013	1,674,403	1,132,000	1,294,559
Money market mutual funds	498,823	498,823	765,809	765,809
	\$ 16,412,295	\$ 19,661,903	\$ 15,545,846	\$ 16,771,901

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 5 - INVESTMENTS (continued)

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

	2019	2018
Interest and dividends	\$ 773,921	\$ 715,832
Net realized gains	830,272	769,023
Net unrealized gains (losses)	1,877,231	(2,300,585)
Investment expenses	(97,227)	(99,521)
Total investment return, net	\$ 3,384,197	\$ (915,251)

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

	2019	2018
Within net assets with donor restrictions	1,132,711	(897,108)
Within net assets without donor restrictions	2,251,486	(18,143)
Total investment return, net	\$ 3,384,197	\$ (915,251)

NOTE 6 - BENEFICIAL INTEREST

The Council is the beneficiary of the income from certain irrevocable trust funds held by bank trustees who do not maintain “variance power.” Using the provisions within FASB ASC Topic 820 and subsections, the Council has characterized its beneficial interest in irrevocable trusts for which the trustee does not maintain variance power, as Level 3 investments as defined above, as there is no market in which the beneficial interests trade and the fact that these assets are to remain in trust in perpetuity and not revert to the Council. The Council has used the fair value of the underlying trust assets to determine the fair value of the beneficial interest, in addition to the Council's percentage interest in the trust. The Council has not adjusted any of the fair values provided by the trustees. All trust assets are Level 1 investments. See Note 5 for classification within the fair value hierarchy. Income received from the trusts was \$51,875 and \$54,334 in 2019 and 2018, respectively.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 6 - BENEFICIAL INTEREST (continued)

Following is a summary of the estimated fair value of the Council's beneficial interest in the trusts, which are reported on the consolidated statements of financial position as long-term investments as of December 31:

	2019	2018
Charles Brooks for Charities Trust	\$ 1,089,478	\$ 952,438
Trust of W.H. Davis	216,512	189,856
Trust of Louis Moses	32,414	30,482
Trust of James H. Lockhart & Florence D. Lockhart	26,282	22,857
Trust of R. Grier Muller	26,757	23,591
Trust of Frederick Hartman	15,132	13,498
	\$ 1,406,575	\$ 1,232,722

The following table sets forth the reconciliation of changes in the fair value of the beneficial interest investments classified as Level 3 in the fair value hierarchy noted above:

Balance as of January 1, 2018	\$ 1,367,369
Unrealized loss on investments included in investment return, net	(134,647)
Balance as of December 31, 2018	1,232,722
Unrealized gain on investments included in investment return, net	173,853
Balance as of December 31, 2019	\$ 1,406,575

The Council is also the beneficiary of an investment that was donated to and is held by The Pittsburgh Foundation on behalf of the Council. The Pittsburgh Foundation maintains variance power (as defined by GAAP) over these assets. Income from this investment approximated \$50,000 and \$47,000 in 2019 and 2018, respectively, and is without donor restrictions as to use.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 6 - BENEFICIAL INTEREST (continued)

The Council is named a beneficiary of Dietrich Foundation. The Council has a 1% interest in the investments held by Dietrich Foundation on behalf of the Council and other beneficiaries. Dietrich Foundation maintains "variance power" over these assets. The fair value of the Council's 1% interest in the trust as estimated by Dietrich Foundation was approximately \$10,500,000 and \$9,400,000 as of December 31, 2019 and 2018, respectively. Distributions from the Dietrich Foundation are with donor restrictions as to use. Income earned from these distributions will also be restricted as to use as determined by Dietrich Foundation. Distributions approximated \$267,000 and \$239,000 in 2019 and 2018, respectively.

In accordance with GAAP, the Council did not record the assets and related contributions from the beneficial interests held by The Pittsburgh Foundation and Dietrich Foundation due to these organizations maintaining variance power over the ultimate disposition of the funds. As such, distributions from these beneficial interests will be recognized as contributed support as they are received in the future.

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,576,843	\$ 1,576,843
Buildings	18,099,117	18,476,061
Land improvements	3,476,576	3,444,983
Equipment	4,898,334	4,790,929
Construction in progress	<u>251,936</u>	<u>538,424</u>
	28,302,806	28,827,240
Less: accumulated depreciation	<u>17,671,125</u>	<u>18,072,591</u>
	<u>\$ 10,631,681</u>	<u>\$ 10,754,649</u>

The Council has reported \$718,632 as property held for sale. The fixed assets at the Camp Twin Echo property had a total net book value of \$718,632 as of December 31, 2019. Depreciation on the assets ceased once assets were deemed to be held for sale. During 2020, the Council sold Camp Twin Echo and Camp Joseph for approximately \$1,375,000 and \$4,000, respectively. There are no assets associated with Camp Joseph. The sales will be recognized in other revenue and included in the Capital Fund in the 2020 consolidated financial statements.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 8 - CUSTODIAN FUNDS

The Council maintains various assets it does not own, and therefore records an offsetting liability. The custodian funds in the Operating Fund consists of the C.T. Koval Trust (fair value was \$77,086 and \$71,310 as of December 31, 2019 and 2018, respectively, included in long-term investments on the consolidated statements of financial position), membership registration fees, other funds due to the National Council, and funds held by the Council on behalf of local affiliated entities (total of \$671,894 and \$533,745 as of December 31, 2019 and 2018, respectively, and included in cash on the consolidated statements of financial position). The custodian funds in the Endowment Fund represent the William K. Fitch Boy Scouts Development Fund and amounts due to the Westmoreland-Fayette Council, Boy Scouts of America.

The William K. Fitch Boy Scouts Development Fund ("Fund") provided matching funds to all of the Council's full-time personnel who participate in the Council sponsored William K. Fitch Boy Scouts Savings and Incentive Plan ("Plan"). Employees who elected to participate in the Plan could contribute 1% to 30% of their compensation, up to annual limits set by the Internal Revenue Service. Employee contributions were matched by contributions from the Fund up to a maximum of 8%, depending upon the percentage determined by the Administrative Committee of the Plan. This Committee determined the percentage of employee contributions to be matched (required to be at least 25%, but in no event greater than 100%). If income from the Fund was insufficient to fund the match, the Council could utilize the general net assets of the Council to achieve the match agreed upon. The match was determined to be 50% during 2018. The Council made no contributions to the Plan during 2018, as income from the Fund was sufficient to fund the match. The fair value of the Fund was \$1,800,517 and \$1,490,719 as of December 31, 2019 and 2018, respectively, and is included in long-term investments on the consolidated statements of financial position. Participation in the Fund by employees was ceased effective December 31, 2018. All employees now participate in the *Boy Scouts of America ("BSA") Match Savings Plan*.

Effective January 1, 2019, the National Council implemented the *BSA Match Savings Plan* for all active employees, which was adopted by the Council. As a result of this new plan adoption, the investment income from the Fund is used to offset the cost of the *BSA Match Savings Plan*, and the investment income follows the Council spending policy. Investment income for the Fund was \$60,000 for 2019. Under the new plan, for grandfathered employees the BSA matches 50% of contributions up to 6% per pay. Grandfathered employees are fully vested in the new plan. For the non-grandfathered employees, the BSA matches 100% of contributions up to 6%, with an additional 1.75% even if they do not contribute. There is a three-year vesting schedule that includes past service. In 2019, the Council cost for the plan was 7.75% of all eligible employees, regardless of participation levels.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 8 - CUSTODIAN FUNDS (continued)

In 2000, the Council received an anonymous gift to be included in the Endowment Fund. In accordance with the donor's stipulations, 5% of the annual value of the endowment is to be withdrawn and used for specific purposes as established by the donor. Since one-third of this annual withdrawal must be remitted to the Westmoreland-Fayette Council, Boy Scouts of America, the fair value of those allocated assets are reported with an offsetting liability to the Westmoreland-Fayette Council, Boy Scouts of America. The fair value was \$325,278 and \$284,357 as of December 31, 2019 and 2018, respectively, and included in long-term investments on the consolidated statements of financial position.

NOTE 9 - PENSION PLAN

In addition to the Plan (see Note 8), the Council's employees were covered by a qualified defined benefit, multiemployer contributory pension plan administered by the National Council. The plan name was the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees*. Participation in the plan was voluntary. If employees elected to participate when they become eligible after one year of service, they contributed 2% of their gross salary to the plan. During 2019 and 2018, the Council made a contribution to this plan in the amount of 7.75% and 7% of the participating grandfathered employees' gross salary, respectively. The Council's pension expense relative to this was \$114,259 for 2018. The actuarial information for the plan indicates that the plan is in compliance with ERISA regulations regarding funding. Effective December 2018, the Plan was frozen for employees not meeting age/service requirements, now referred to as non-grandfathered employees. All other employees that are grandfathered will continue contributing; contributions change from 2% to 4.25% in 2020. The Council's employees will be covered by a qualified 401(k) retirement plan, *BSA Match Savings Plan*, effective January 1, 2019 (see Note 8). The Council's expense relative to this plan and the BSA Match Savings Plan was \$163,267 for 2019.

NOTE 10 - HEALTH CARE PLAN

Eligible Council employees are covered under a health care plan provided by the National Council, where the Council pays a portion of the cost for employees with the employees paying the remaining portion and any additional premiums for their dependents.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 11 - RELATED PARTY TRANSACTIONS

The Council receives rental income based on a percentage of gross sales from the Pittsburgh Scout Shop that is operated within its Flag Plaza premises. The Scout Shop is owned and operated by the National Council. Total rental income from the Scout Shop in 2019 and 2018 was \$122,340 and \$80,436, respectively.

The Council paid the National Council for the following during the years ended December 31:

	2019	2018
Employee benefits	\$ 583,468	\$ 549,726
Purchases from the Scout Shop	206,828	195,951
Specific assistance to individuals	90,279	114,073
Charter and national service fee	83,223	88,437
General liability insurance	71,616	74,429
Computer service fees and support	24,309	25,667
Conference fees	11,274	30,386

As discussed in Note 8, the Council has recorded a liability of \$453,953 and \$339,627 as of December 31, 2019 and 2018, respectively, for membership registration fees and other funds due to the National Council. Accounts payable and accrued expenses of \$98,778 and \$53,711 as of December 31, 2019 and 2018, respectively, was also due to the National Council representing the Council's costs, as well as employees' voluntary deductions, relating to insurance and retirement benefits. In addition, as discussed in Note 8, the Council has recorded a liability of \$217,941 and \$194,118 as of December 31, 2019 and 2018, respectively, for funds held on behalf of local affiliated entities.

NOTE 12 - ALLOCATION OF JOINT COSTS

The Council's operations include requests for contributions, as well as program and management and general components. Those operations include direct mail campaigns and special events. The costs of conducting those operations included a total of \$3,619,108 and \$3,686,278 of joint costs for 2019 and 2018, respectively, which are not specifically attributable to particular components of the operations (joint costs), as follows:

	2019	2018
Program services	\$ 3,112,433	\$ 3,170,199
Fundraising	398,102	405,491
Management and general	108,573	110,588
	\$ 3,619,108	\$ 3,686,278

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31:

	2019			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Foundations and trusts	\$ 200,000	\$ --	\$ --	\$ 200,000
Future capital expenditures	--	2,324,693	--	2,324,693
Camping and related expenditures	--	--	2,348,215	2,348,215
Maintenance of certain equipment	--	--	135,000	135,000
Total purpose restrictions	<u>200,000</u>	<u>2,324,693</u>	<u>2,483,215</u>	<u>5,007,908</u>
Subject to the passage of time:				
Friends of Scouting	215,723	--	--	215,723
Special events	59,950	--	--	59,950
Foundations and trusts	250,000	--	--	250,000
United Way	<u>130,502</u>	<u>--</u>	<u>--</u>	<u>130,502</u>
Total time restrictions	<u>656,175</u>	<u>--</u>	<u>--</u>	<u>656,175</u>
Perpetual in duration	<u>--</u>	<u>332,748</u>	<u>8,157,694</u>	<u>8,490,442</u>
Total net assets with donor restrictions	<u>\$ 856,175</u>	<u>\$ 2,657,441</u>	<u>\$ 10,640,909</u>	<u>\$ 14,154,525</u>
	2018			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Foundations and trusts	\$ 120,000	\$ --	\$ --	\$ 120,000
Other direct support	6,002	--	--	6,002
Future capital expenditures	--	2,184,979	--	2,184,979
Camping and related expenditures	--	--	1,606,936	1,070,419
Maintenance of certain equipment	<u>--</u>	<u>--</u>	<u>135,000</u>	<u>135,000</u>
Total purpose restrictions	<u>126,002</u>	<u>2,184,979</u>	<u>1,741,936</u>	<u>4,052,917</u>
Subject to the passage of time:				
Friends of Scouting	187,277	--	--	187,277
Special events	7,970	--	--	7,970
Foundations and trusts	2,431	--	--	2,431
Other direct support	23,074	--	--	23,074
United Way	<u>214,169</u>	<u>--</u>	<u>--</u>	<u>214,169</u>
Total time restrictions	<u>434,921</u>	<u>--</u>	<u>--</u>	<u>434,921</u>
Perpetual in duration	<u>--</u>	<u>253,883</u>	<u>6,966,503</u>	<u>7,220,386</u>
Total net assets with donor restrictions	<u>\$ 560,923</u>	<u>\$ 2,438,862</u>	<u>\$ 8,708,439</u>	<u>\$ 11,708,224</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	2019	2018
Satisfaction of program restrictions:		
Foundations and trusts	\$ 120,000	\$ 175,000
Other direct support	--	50,661
Total satisfaction of program restrictions	120,000	225,661
Expiration of time restrictions:		
Friends of Scouting	141,717	228,682
Special events	7,970	--
Foundations and trusts	2,431	--
Other direct support	23,074	--
United Way	214,169	220,150
Scouting for Food	6,002	--
Total expiration of time restrictions	395,363	448,832
Total net assets released from restrictions	\$ 515,363	\$ 674,493

NOTE 15 - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated a portion of the net assets with donor restrictions as follows as of December 31:

	2019	2018
Endowment Fund		
Assist with employee match to the Plan	\$ 361,010	\$ 308,799
General operations of the Council	1,674,752	1,428,347
	\$ 2,035,762	\$ 1,737,146

NOTE 16 - CAPITAL AND ENDOWMENT FUNDS

The Council has adopted the disclosure provisions of FASB ASC 958-205 and subsections. The Capital Fund includes \$2,657,441 and \$2,438,862 of donor-restricted funds as of December 31, 2019 and 2018, respectively. The Endowment Fund includes \$10,640,909 and \$8,708,439 of donor-restricted funds and \$2,035,762 and \$1,737,146 of endowment funds without donor restrictions established by the Board of Directors for a variety of purposes as of December 31, 2019 and 2018, respectively.

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NOTE 16 - CAPITAL AND ENDOWMENT FUNDS (continued)

Changes in the Capital Fund net assets are as follows for the years ended December 31:

	2019		
	Without donor restrictions	With donor restrictions	Total
Capital Fund net assets - beginning of year	\$ 12,372,236	\$ 2,438,862	\$ 14,811,098
Investment return, net:			
Investment income	17,615	--	17,615
Net realized and unrealized gains	396,588	217,579	614,167
Total investment return, net	414,203	217,579	631,782
Contributions	213,624	1,000	214,624
Other revenue	1,803,694	--	1,803,694
Expenses	(623,430)	--	(623,430)
Capital Fund net assets - end of year	\$ 14,180,327	\$ 2,657,441	\$ 16,837,768
	2018		
	Without donor restrictions	With donor restrictions	Total
Capital Fund net assets - beginning of year	\$ 12,315,198	\$ 2,573,076	\$ 14,888,274
Investment return, net:			
Investment income	28,125	--	28,125
Net realized and unrealized gains (losses)	25,663	(344,958)	(319,295)
Total investment return, net	53,788	(344,958)	(291,170)
Contributions	293,398	211,405	504,803
Other revenue	321,703	--	321,703
Expenses	(612,512)	--	(612,512)
Net assets released from restrictions	661	(661)	--
Capital Fund net assets - end of year	\$ 12,372,236	\$ 2,438,862	\$ 14,811,098

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 16 - CAPITAL AND ENDOWMENT FUNDS (continued)

Changes in the Endowment Fund net assets are as follows for years ended December 31:

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment Fund net assets - beginning of year	\$ 4,690,731	\$ 8,708,439	\$ 13,399,170
Investment return, net:			
Net realized and unrealized gains	870,601	915,132	1,785,733
Net realized and unrealized gains on Board designated funds	302,053	--	302,053
Total investment return, net	1,172,654	915,132	2,087,786
Contributions	18,569	--	18,569
Donor-restricted endowment funds, perpetual in duration	--	1,017,338	1,017,338
Forgiveness of interfund loan	(315,000)	--	(315,000)
Endowment Fund net assets - end of year	\$ 5,566,954	\$ 10,640,909	\$ 16,207,863
	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment Fund net assets - beginning of year	\$ 5,569,594	\$ 9,019,895	\$ 14,589,489
Investment return, net:			
Net realized and unrealized losses	(483,904)	(552,150)	(1,036,054)
Net realized and unrealized losses on Board designated funds	(176,213)	--	(176,213)
Total investment return, net	(660,117)	(552,150)	(1,212,267)
Contributions	31,254	--	31,254
Donor-restricted endowment funds, perpetual in duration	--	240,694	240,694
Forgiveness of interfund loan	(250,000)	--	(250,000)
Endowment Fund net assets - end of year	\$ 4,690,731	\$ 8,708,439	\$ 13,399,170

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 16 - CAPITAL AND ENDOWMENT FUNDS (continued)

Net assets with donor restrictions are primarily restricted for general support of Council operations. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Council to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2019 and 2018, donor-restricted endowment funds with a shortfall had an aggregated original gift amount of \$761,236 and \$2,544,749, respectively, and current fair values totaling \$727,849 and \$2,363,422, respectively, and deficiencies of \$33,387 and \$181,327. These deficiencies resulted from unfavorable market fluctuations. These investments were included in the spending policy calculation for both 2019 and 2018.

NOTE 17 - LEASES

The Council leases office space, office production printers, office copiers, and a camp under non-cancelable operating leases, which, expire at various times through 2022. Total rent expense on operating leases amounted to \$49,774 and \$49,562 for the years ended December 31, 2019 and 2018, respectively. Future minimum rental payments required under operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2019 are as follows:

Year ending December 31,

2020	\$ 69,709
2021	65,618
2022	<u>37,932</u>
	\$ <u>173,259</u>

NOTE 18 - COMMITMENTS

The Council has entered into various construction agreements. Total remaining commitments under these agreements were approximately \$562,000 and \$440,000 as of December 31, 2019 and 2018, respectively.