

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis-of-Matter

As discussed in Note 4 to the consolidated financial statements, we draw attention to significant contingencies, risks, and uncertainties, specifically the declaration of bankruptcy by the National Council of the Boy Scouts of America, litigation matters involving 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

October 26, 2021

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

	<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	\$ 437,823	\$ 1,381,785	\$ 38,847	\$ 1,858,455
Short-term investments (Note 5)	559,552	262,240	375,509	1,197,301
Pledges receivable, net (Note 2)	736,547	311,197	48,750	1,096,494
Other receivables	1,075	--	--	1,075
Inventories	235,234	--	--	235,234
Prepaid expenses and other assets	64,873	--	--	64,873
Total current assets	2,035,104	1,955,222	463,106	4,453,432
Non-current assets				
Pledges receivable, net (Note 2)	152,500	--	652,500	805,000
Land, buildings and equipment, net (Note 7)	--	11,738,755	--	11,738,755
Long-term investments (Notes 5 and 6)	86,015	4,540,166	18,849,953	23,476,134
Total non-current assets	238,515	16,278,921	19,502,453	36,019,889
Total assets	\$ 2,273,619	\$ 18,234,143	\$ 19,965,559	\$ 40,473,321
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities				
Accounts payable	\$ 13,923	\$ 1,454	\$ --	\$ 15,377
Accrued expenses	29,406	10,185	--	39,591
Custodian accounts (Note 8)	622,951	--	2,355,725	2,978,676
Deferred income	211,987	--	--	211,987
Other current liabilities	46,623	--	--	46,623
Total current liabilities	924,890	11,639	2,355,725	3,292,254
Non-current liabilities				
Other non-current liabilities (Note 4)	--	--	5,972,147	5,972,147
Total liabilities	924,890	11,639	8,327,872	9,264,401
Net assets				
Without donor restrictions				
Board designated (Notes 3, 15 and 16)	--	--	2,300,335	2,300,335
Undesignated	907,193	15,745,474	(2,194,960)	14,457,707
	907,193	15,745,474	105,375	16,758,042
With donor restrictions (Notes 13 and 16)	441,536	2,477,030	11,532,312	14,450,878
Total net assets	1,348,729	18,222,504	11,637,687	31,208,920
Total liabilities and net assets	\$ 2,273,619	\$ 18,234,143	\$ 19,965,559	\$ 40,473,321

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, 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
	839,819	14,180,327	5,566,954	20,587,100
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 ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2020

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
Changes in net assets without donor restrictions				
Support and revenue				
Direct support				
Friends of Scouting	\$ 266,033	\$ --	\$ --	\$ 266,033
Special events, gross	273,811	--	--	273,811
Less: cost of direct benefit	(74,608)	--	--	(74,608)
Net special events	199,203	--	--	199,203
Legacies and bequests	170,033	--	39,719	209,752
Foundations and trusts	102,018	100,000	--	202,018
Other direct support	3,415	15,211	--	18,626
Total direct support	740,702	115,211	39,719	895,632
Indirect support				
United Way	188,532	--	--	188,532
Total indirect support	188,532	--	--	188,532
Revenue				
Sale of supplies, gross	67,976	--	--	67,976
Less: cost of goods sold	(30,798)	--	--	(30,798)
Net sale of supplies	37,178	--	--	37,178
Product sales, gross	176,465	--	--	176,465
Less: cost of goods sold	(41,692)	--	--	(41,692)
Less: commissions paid to units	(32,828)	--	--	(32,828)
Net product sales	101,945	--	--	101,945
Investment return, net (Note 5)	935,352	1,196,808	785,849	2,918,009
Camping revenue	692,417	--	--	692,417
Activity revenue	64,451	--	--	64,451
Other revenue (Notes 2 and 19)	874,815	152,344	--	1,027,159
Total revenue	2,706,158	1,349,152	785,849	4,841,159

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, 2020

	<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	\$ 200,000	\$ --	\$ --	\$ 200,000
Expiration of time restrictions	<u>406,629</u>	<u>--</u>	<u>--</u>	<u>406,629</u>
Total net assets released from restrictions	<u>606,629</u>	<u>--</u>	<u>--</u>	<u>606,629</u>
Total support and revenue	<u>4,242,021</u>	<u>1,464,363</u>	<u>825,568</u>	<u>6,531,952</u>
Expenses				
Program services	<u>3,917,505</u>	<u>535,611</u>	<u>--</u>	<u>4,453,116</u>
Support services				
Management and general	95,076	4,488	5,972,147	6,071,711
Fundraising	<u>382,716</u>	<u>16,456</u>	<u>--</u>	<u>399,172</u>
Total support services	<u>477,792</u>	<u>20,944</u>	<u>5,972,147</u>	<u>6,470,883</u>
Total functional expenses	<u>4,395,297</u>	<u>556,555</u>	<u>5,972,147</u>	<u>10,923,999</u>
Charter and national service fee (Note 11)	<u>94,350</u>	<u>--</u>	<u>--</u>	<u>94,350</u>
Total expenses	<u>4,489,647</u>	<u>556,555</u>	<u>5,972,147</u>	<u>11,018,349</u>
Other income (expense)				
Forgiveness of interfund loan (Note 2)	315,000	--	(315,000)	--
Gain on the sale of fixed assets (Note 7)	<u>--</u>	<u>657,339</u>	<u>--</u>	<u>657,339</u>
Total other income (expense)	<u>315,000</u>	<u>657,339</u>	<u>(315,000)</u>	<u>657,339</u>
Increase (decrease) in net assets without donor restrictions	<u>67,374</u>	<u>1,565,147</u>	<u>(5,461,579)</u>	<u>(3,829,058)</u>
Changes in net assets with donor restrictions				
Support and revenue				
Direct support				
Friends of Scouting	18,740	--	--	18,740
Special events	5,750	--	--	5,750
Foundations and trusts	100,000	--	283,559	383,559
Other direct support	<u>--</u>	<u>--</u>	<u>53</u>	<u>53</u>
Total direct support	<u>124,490</u>	<u>--</u>	<u>283,612</u>	<u>408,102</u>
Indirect support				
United Way	<u>67,500</u>	<u>--</u>	<u>--</u>	<u>67,500</u>
Total indirect support	<u>67,500</u>	<u>--</u>	<u>--</u>	<u>67,500</u>
Revenue				
Investment return, net (Note 5)	<u>--</u>	<u>(180,411)</u>	<u>607,791</u>	<u>427,380</u>
Total revenue	<u>--</u>	<u>(180,411)</u>	<u>607,791</u>	<u>427,380</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, 2020

	<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	\$ (200,000)	\$ --	\$ --	\$ (200,000)
Expiration of time restrictions	<u>(406,629)</u>	<u>--</u>	<u>--</u>	<u>(406,629)</u>
Total net assets released from restrictions	<u>(606,629)</u>	<u>--</u>	<u>--</u>	<u>(606,629)</u>
Total support and revenue	<u>(414,639)</u>	<u>(180,411)</u>	<u>891,403</u>	<u>296,353</u>
Increase (decrease) in net assets with donor restrictions	<u>(414,639)</u>	<u>(180,411)</u>	<u>891,403</u>	<u>296,353</u>
Increase (decrease) in total net assets	<u>(347,265)</u>	<u>1,384,736</u>	<u>(4,570,176)</u>	<u>(3,532,705)</u>
Net assets, beginning of year				
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, beginning of year	<u>1,695,994</u>	<u>16,837,768</u>	<u>16,207,863</u>	<u>34,741,625</u>
Net assets, end of year				
Without donor restrictions	907,193	15,745,474	105,375	16,758,042
With donor restrictions	<u>441,536</u>	<u>2,477,030</u>	<u>11,532,312</u>	<u>14,450,878</u>
Total net assets, end of year	<u>\$ 1,348,729</u>	<u>\$ 18,222,504</u>	<u>\$ 11,637,687</u>	<u>\$ 31,208,920</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

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
Changes in net assets without donor restrictions				
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	1,494,538	213,624	18,569	1,726,731
Indirect support				
United Way	151,899	--	--	151,899
Total indirect support	151,899	--	--	151,899
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	3,891,323	2,217,897	1,172,654	7,281,874

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
Changes in net assets with donor restrictions				
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>
Net assets, beginning of year				
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>
Net assets, end of year				
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 FUNCTIONAL EXPENSES

Year ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Product Sales Cost of Sales</u>	<u>Cost of Direct Benefits to Donors</u>	<u>Total Expenses</u>
Employee compensation						
Salaries	\$ 2,044,757	\$ 52,183	\$ 191,336	\$ --	\$ --	\$ 2,288,276
Employee benefits	395,072	13,365	49,005	--	--	457,442
Payroll taxes	140,853	3,552	13,025	--	--	157,430
Employee related expenses	86	3	11	--	--	100
Total employee compensation	<u>2,580,768</u>	<u>69,103</u>	<u>253,377</u>	<u>--</u>	<u>--</u>	<u>2,903,248</u>
Other expenses						
Cost of products sold and unit commissions	--	--	--	74,520	--	74,520
Supplies	268,304	608	2,230	--	--	271,142
Depreciation of buildings of equipment	470,083	2,202	8,074	--	--	480,359
Occupancy	330,867	5,530	20,275	--	--	356,672
Professional fees	257,591	8,402	62,717	--	--	328,710
Insurance	193,168	6,738	24,708	--	--	224,614
Travel	89,706	1,809	6,632	--	--	98,147
Cost of direct benefit to donors	--	--	--	--	74,608	74,608
Recognition awards	31,585	237	2,973	--	--	34,795
Other expenses	27,929	729	2,761	--	--	31,419
Litigation contribution expense (Note 4)	--	5,972,147	--	--	--	5,972,147
Specific assistance to individuals (Note 11)	51,672	--	--	--	--	51,672
Cost of goods sold - Scout Shop and Trading Posts	30,798	--	--	--	--	30,798
Telephone	66,806	1,383	5,073	--	--	73,262
Printing and publications	53,436	1,853	6,793	--	--	62,082
Conferences and meetings	11,171	340	1,248	--	--	12,759
Rent and maintenance of equipment	8,685	291	1,067	--	--	10,043
Postage and shipping	11,345	339	1,244	--	--	12,928
Total other expenses	<u>1,903,146</u>	<u>6,002,608</u>	<u>145,795</u>	<u>74,520</u>	<u>74,608</u>	<u>8,200,677</u>
Total functional expenses	4,483,914	6,071,711	399,172	74,520	74,608	11,103,925
Expenses included with revenue on the statement of activities:						
Cost of products sold and unit commissions	--	--	--	(74,520)	--	(74,520)
Cost of direct benefit of donors	--	--	--	--	(74,608)	(74,608)
Cost of goods sold - Scout Shop and Trading Posts	(30,798)	--	--	--	--	(30,798)
Total expenses included in the expense section on that statement of activities	<u>\$ 4,453,116</u>	<u>\$ 6,071,711</u>	<u>\$ 399,172</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 10,923,999</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 and 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 to 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 the 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 CASH FLOWS

Year ended December 31, 2020

	<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 (decrease) in total net assets	\$ (347,265)	\$ 1,384,736	\$ (4,570,176)	\$ (3,532,705)
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities				
Depreciation of buildings and equipment	--	480,359	--	480,359
Gain from the sale of land, buildings and equipment	--	(657,339)	--	(657,339)
Gain on investments	--	(496,028)	(1,669,311)	(2,165,339)
Forgiveness of interfund loan	(315,000)	--	315,000	--
Contributions restricted for long-term purposes	--	--	(283,612)	(283,612)
Increase (decrease) in cash from changes in				
Pledges receivable	(210,422)	(311,197)	58,750	(462,869)
Other receivables	16,916	--	--	16,916
Inventories	(12)	--	--	(12)
Prepaid expenses and other assets	(22,779)	--	--	(22,779)
Accounts payable	(73,920)	(19,871)	--	(93,791)
Accrued expenses	(39,308)	10,185	--	(29,123)
Custodian accounts	(126,029)	--	229,930	103,901
Deferred income	(1,766)	--	--	(1,766)
Other current liabilities	(27,326)	--	--	(27,326)
Other non-current liabilities	--	--	5,972,147	5,972,147
Net cash provided by (used in) operating activities	<u>(1,146,911)</u>	<u>390,845</u>	<u>52,728</u>	<u>(703,338)</u>
Cash flows from investing activities				
Purchase of land, buildings and equipment	--	(1,573,280)	--	(1,573,280)
Proceeds from sale of land, buildings and equipment	--	1,363,272	--	1,363,272
Net increase in short-term investments	(652)	(1,494)	(89,601)	(91,747)
Sales of investments	--	6,555,754	20,096,676	26,652,430
Purchases of investments	(6,188)	(6,564,945)	(20,323,614)	(26,894,747)
Net cash used in investing activities	<u>(6,840)</u>	<u>(220,693)</u>	<u>(316,539)</u>	<u>(544,072)</u>
Cash flows from financing activities				
Contributions restricted for long-term purposes	--	--	283,612	283,612
Net cash provided by financing activities	<u>--</u>	<u>--</u>	<u>283,612</u>	<u>283,612</u>
Net increase (decrease) in cash	(1,153,751)	170,152	19,801	(963,798)
Cash, beginning of year	<u>1,591,574</u>	<u>1,211,633</u>	<u>19,046</u>	<u>2,822,253</u>
Cash, end of year	<u>\$ 437,823</u>	<u>\$ 1,381,785</u>	<u>\$ 38,847</u>	<u>\$ 1,858,455</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>\$ 1,454</u>	<u>\$ --</u>	<u>\$ 1,454</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

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
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 (decrease) 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	94,867	1,865,274	(207,409)	1,752,732
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	(14,627)	(1,122,090)	(804,929)	(1,941,646)
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	--	1,000	1,017,338	1,018,338
Net increase in cash	80,240	744,184	5,000	829,424
Cash, beginning of year	1,511,334	467,449	14,046	1,992,829
Cash, end of year	\$ 1,591,574	\$ 1,211,633	\$ 19,046	\$ 2,822,253
Supplemental disclosure of non-cash investing and financing activities				
Increase in accounts payable for the purchase of land, buildings and equipment	\$ --	\$ 19,871	\$ --	\$ 19,871

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, 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 six 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.

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)

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

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

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

Families can choose to sign up their sons and daughters who are ages 5-10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens or remain an all-boy pack. Cub Scout dens will be single gender - all boys or all girls. Using the same curriculum as the now former Boy Scouting program, Scouts BSA was launched in February 2019, enabling all eligible youth ages 11-17, to earn the Eagle Scout rank. Scouts BSA is single gender all-girl troops or all-boy troops. This unique approach allows the Council 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), unless designated to this fund by the Board of Directors, 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:

	2020	2019
Within one year	\$ 1,145,443	\$ 556,101
One to five years	266,000	307,765
More than five years	545,000	610,000
	1,956,443	1,473,866
Less: allowance for uncollectible pledges	54,949	35,241
	\$ 1,901,494	\$ 1,438,625

As of December 31, 2020 and 2019, one donor accounts for 46% and 65% of pledges receivable, respectively. 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 2020 and 2019. During 2020 and 2019, the Council received donated materials with an estimated fair value of \$31,700 and \$61,560, 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, 2020 and 2019, the approved spending policy of the Council was 7% and 4%, respectively, 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 state that income withdrawals shall be not greater than 4%, and shall remain as such, unless an adjustment is determined and approved by the Board of Directors. During 2019, the Executive Committee did not elect to withdraw an additional amount greater than 4%. During 2020, the Board of Directors approved an additional 3% spend for the year, with 1% to the Operating Fund and 2% to the Capital Fund.

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 2020 and 2019, 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.

Advertising costs

Advertising costs are expensed when incurred.

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. The outstanding loan amount was recorded as long-term on the December 31, 2019 consolidated statement of financial position. In 2020, the outstanding loan amount was fully forgiven by the Council. The \$315,000 loan forgiveness in 2020 and 2019 are included in other income (expense) in the December 31, 2020 and 2019 consolidated statements of activities and changes in net assets.

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,
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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 2020 or 2019 consolidated financial statements. Tax years 2017 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, 2020 and 2019.

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, 2020 and 2019:

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 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, 2020 and 2019.

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, 2020. As of December 31, 2020 and 2019, 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)

Paycheck Protection Program

During the year ended December 31, 2020, the Council received proceeds under the Paycheck Protection Program “PPP” administered by a Small Business Administration (“SBA”) approved partner. Established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the PPP provides for forgivable loans to qualifying organizations as long as the organization maintains its payroll levels and uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities, over a “covered period” (eight to 24 weeks, not to extend beyond December 31, 2020). Up to 100% of the loan is forgivable. The forgiveness amount will be reduced if the organization terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. On August 11, 2021, the Council received full forgiveness of this loan from the SBA, under the provisions of the CARES Act (see Note 19).

As of December 31, 2020, the Council anticipated meeting the PPP’s eligibility criteria, and concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven. Accordingly, the Council initially recorded the loan as a refundable advance and recorded the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. The Council has interpreted the condition(s) of the grant to be the incurrence of eligible expenditures, adjusted for any decrease in full time equivalents and or salary/wage limitations, during a covered period of either 8 or 24 weeks, over which time the Council recognized grant revenue in stages. Proceeds were recognized in full during 2020 and are recorded as other revenue within the Operating Fund on the consolidated statement of activities and changes in net assets for the year ended December 31, 2020.

Adoption of Accounting Standards Update (“ASU”) 2018-13

As of January 1, 2020, the Council adopted the provisions of Financial Accounting Standards Board (“FASB”) ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* on a retrospective basis. The amendments in this update modify the disclosure requirements on fair value measurements in *Topic 820, Fair Value Measurement*. Adoption of this pronouncement had no effect on the Council’s current or previously issued financial statements.

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 October 26, 2021, the date on which the consolidated financial statements were available to be issued.

Reclassifications

Certain amounts previously reported in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation, generally as it relates to the presentation of Note 3.

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:

	2020	2019
Cash – Operating Fund	\$ 337,823	\$ 1,391,574
Short-term investments – Operating Fund	559,552	558,900
Pledges receivable – Operating Fund	578,047	467,110
Other receivables – Operating Fund	1,075	17,991
Total financial assets as of end of year	1,476,497	2,435,575
Appropriation from investments per spending policy for general expenditures in subsequent year	744,237	535,061
Less: Custodian accounts – Operating Fund	(622,950)	(748,980)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 1,597,784	\$ 2,221,656

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FUNDS (continued)

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, as of December 31, 2020 and 2019, the endowment has a spending rate of 7% and 4%, respectively, of the prior-three year's fair value of certain investments held by the Council. Appropriations from those investments of \$744,237 and \$535,061 will be available within the next twelve months as of December 31, 2020 and 2019, 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 \$2,300,335 and \$2,035,762 as of December 31, 2020 and 2019, 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.

Subsequent to December 31, 2020, the Board of Directors designated and approved a portion of its Capital and Endowment Funds towards the payment of a voluntary contribution to the National Council's litigation settlement (see Note 4).

NOTE 4 - CONTINGENCIES, RISKS, AND UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on the Council's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Council's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Council's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 4 - CONTINGENCIES, RISKS, AND UNCERTAINTIES (continued)

The National Council has been named as a defendant in lawsuits alleging sexual abuse, including claims for compensatory and punitive damages. No claims have been made against the Council and the Council has not been named as a co-defendant with the National Council. The National Council has disclosed that in the event that its general liability insurance program (“GLIP”) or its reserves are insufficient to resolve such claims, it is their opinion that the total amount of payments to resolve current and future claims could have a significant impact on the financial position or results of operations of the National Council.

The National Council provides the Council with a charter, program materials, and support for administration as well as sponsoring certain benefit plans for Council employees. Since 1978, the National Council has operated a GLIP in which the Council participates. On February 18, 2020, the National Council filed for protection under chapter 11 of the United States Bankruptcy Code. The National Council continues to operate its business in the ordinary course and has received bankruptcy court approval to continue its relationship with the councils including the benefit and insurance programs noted above. Neither the Council nor any other local council are currently parties to the bankruptcy proceeding. The National Council has sought to stay litigation against both the National Council and local councils, through a channeling injunction, and has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020. Such plan requires a contribution from local councils. The National Council believes that it is probable that a contribution from local councils is necessary and, in June 2021, it was estimated that a \$500 million cash and property contribution from local councils would be required to achieve settlement.

In June 2021, the Council’s Board of Directors approved the voluntary litigation contribution and signed a non-binding letter of intent to pay the voluntary litigation contribution in connection with the National Council’s bankruptcy and legal proceedings. Accordingly, the Council accrued a voluntary litigation contribution in the amount of \$5,972,147, as determined by the National Council, given the probable and estimable nature of the event. Payment of the voluntary contribution is not anticipated to occur until 2022. As such, this accrued amount is included in other non-current liabilities within the Endowment Fund in the statement of financial position as of December 31, 2020 and in management and general expense within the Endowment Fund in the consolidated statement of activities and changed in net assets for the year ended December 31, 2020. As a result of the approved voluntary contribution, management and the Board of Directors identified amounts that are Board designated within the Capital and Endowment Funds to designate towards payment of this voluntary contribution.

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 4 - CONTINGENCIES, RISKS, AND UNCERTAINTIES (continued)

The Council recognized a decrease in total net assets of \$3,532,705 and reported net cash used in operating activities in the Operating Fund of \$1,146,911 for the year ended December 31, 2020. Management believes that these negative operating results are due in part to the various contingency and related matters disclosed above. Management's plans with respect to improving these operating results include controlling expenses, increasing membership, and soliciting donations from current and new donors. Increasing revenue is critical to improving the financial operating results of the 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 I"), and the lowest priority to unobservable inputs ("Level III"). 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).

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

	2020		
	Level I	Level III	Total
Short-term investments	\$ 1,197,301	\$ --	\$ 1,197,301
Equity mutual funds	14,174,801	--	14,174,801
Fixed income mutual funds	6,402,900	--	6,402,900
Money market mutual funds	1,435,838	--	1,435,838
Beneficial interests (Note 6)	--	1,462,595	1,462,595
	<u>\$ 23,210,840</u>	<u>\$ 1,462,595</u>	<u>\$ 24,673,435</u>
	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
	<u>\$ 20,767,457</u>	<u>\$ 1,406,575</u>	<u>\$ 22,174,032</u>

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 5 - INVESTMENTS (continued)

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

	2020		2019	
	Cost	Fair value	Cost	Fair value
Equity mutual funds	\$ 11,759,083	\$ 14,174,801	\$ 8,771,220	\$ 11,487,285
Fixed income mutual funds	6,369,744	6,402,900	5,905,239	6,001,392
Equity stocks	--	--	1,237,013	1,674,403
Money market mutual funds	1,435,838	1,435,838	498,823	498,823
	\$ 19,564,665	\$ 22,013,539	\$ 16,412,295	\$ 19,661,903

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:

	2020	2019
Interest and dividends	\$ 1,543,272	\$ 773,921
Net realized gains	2,879,958	830,272
Net unrealized gains (losses)	(981,098)	1,877,231
Investment expenses	(96,743)	(97,227)
Total investment return, net	\$ 3,345,389	\$ 3,384,197

The above investment return, net is classified in the 2020 and 2019 consolidated statements of activities and changes in net assets as follows:

	2020	2019
Within net assets with donor restrictions	\$ 427,380	\$ 1,132,711
Within net assets without donor restrictions	2,918,009	2,251,486
Total investment return, net	\$ 3,345,389	\$ 3,384,197

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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 III 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 I investments. See Note 5 for classification within the fair value hierarchy. Income received from the trusts was \$86,059 and \$51,875 in 2020 and 2019, respectively.

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:

	2020	2019
Charles Brooks for Charities Trust	\$ 1,118,212	\$ 1,089,478
Trust of W.H. Davis	236,220	216,512
Trust of Louis Moses	35,671	32,414
Trust of James H. Lockhart & Florence D. Lockhart	27,203	26,282
Trust of R. Grier Muller	29,142	26,757
Trust of Frederick Hartman	16,147	15,132
	\$ 1,462,595	\$ 1,406,575

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

Balance as of January 1, 2019	\$ 1,232,722
Unrealized gain on investments included in investment return, net	173,853
Balance as of December 31, 2019	1,406,575
Unrealized gain on investments included in investment return, net	56,020
Balance as of December 31, 2020	\$ 1,462,595

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 6 - BENEFICIAL INTEREST (continued)

There were no purchases or transfers in or out of Level 3 investments as of December 31, 2020 and 2019.

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 \$48,000 and \$50,000 in 2020 and 2019, respectively, and is without donor restrictions as to use.

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 \$13,100,000 and \$10,500,000 as of December 31, 2020 and 2019, 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 \$284,000 and \$267,000 in 2020 and 2019, 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:

	2020	2019
Land	\$ 1,576,843	\$ 1,576,843
Buildings	18,392,423	18,099,117
Land improvements	3,631,006	3,476,576
Equipment	5,016,794	4,898,334
Construction in progress	1,273,173	251,936
	29,890,239	28,302,806
Less: accumulated depreciation	18,151,484	17,671,125
	\$ 11,738,755	\$ 10,631,681

LAUREL HIGHLANDS COUNCIL,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT (continued)

The fixed assets at Camp Twin Echo had a total net book value of \$718,632 and were reported as property held for sale on the December 31, 2019 consolidated statement of financial position. Depreciation on the assets ceased once the 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 were no assets associated with Camp Joseph. Realized gains on the sale of these properties are included in gain on the sale of fixed assets and included in the Capital Fund in the December 31, 2020 consolidated statement of activities and changes in net assets.

As part of the sale of Camp Twin Echo, the purchaser and the Council agreed to transfer the entire oil and gas estate associated with the property to a newly established limited liability company ("LLC"). The purchaser and the Council each holds a 50% membership interest in the LLC with the Council as a non-voting member. As of December 31, 2020, management has determined that there is no discernible value associated with this interest in the LLC.

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 \$86,015 and \$77,086 as of December 31, 2020 and 2019, 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 \$536,936 and \$671,894 as of December 31, 2020 and 2019, 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.

Prior to January 1, 2019, the William K. Fitch Boy Scouts Development Fund ("Fund") provided matching funds to all of the Council's full-time personnel who participated in the Council sponsored William K. Fitch Boy Scouts Savings and Incentive Plan ("Plan").

Effective January 1, 2019, the National Council implemented the *BSA Match Savings Plan* for all active employees, which was adopted by the Council (see Note 9). Participation in the Plan by employees was ceased effective December 31, 2018, and all employees were enrolled in the *BSA Match Savings Plan*. 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. The fair value of the Fund was \$2,010,668 and \$1,800,517 as of December 31, 2020 and 2019, respectively, and is included in long-term investments on the consolidated statements of financial position. Investment income for the Fund was \$115,360 and \$60,000 for 2020 and 2019, respectively.

LAUREL HIGHLANDS COUNCIL,
BOY SCOUTS OF AMERICA

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 \$345,057 and \$325,278 as of December 31, 2020 and 2019, respectively, and included in long-term investments on the consolidated statements of financial position.

NOTE 9 - PENSION PLAN AND BSA MATCH SAVINGS PLAN

The National Council has a qualified defined benefit pension plan ("pension plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Council. The plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees*. Effective December 31, 2018, the pension plan was frozen to employees with less than 15 years of vesting service, and whose age plus vesting service equaled less than 60 as of December 31, 2018 (non-grandfathered employees). From January 1, 2020 through July 31, 2020, employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 (grandfathered employees) contributed 4.25% of compensation to the pension plan. Effective August 1, 2020, the pension plan was frozen to grandfathered employees, thereby freezing the pension plan for all employees. The Council contributes 7.75% of eligible employees' compensation to the BSA retirement program, which includes both the pension plan and the BSA Match Savings Plan. The actuarial information for the pension plan as of February 1, 2020 indicates that it is in compliance with ERISA regulations regarding funding.

The Council participates in a defined contribution plan established by the National Council. The plan name is the *BSA Match Savings Plan*, which covers substantially all of the employees of the Council. Participants in the *BSA Match Savings Plan* may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. Under the *BSA Match Savings 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 2020 and 2019, the Council cost for the plan was 7.75% of all eligible employees, regardless of participation levels.

The Council's expense relative to the pension plan and the *BSA Match Savings Plan* was \$113,007 and \$163,267 for 2020 and 2019, respectively.

LAUREL HIGHLANDS COUNCIL,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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.

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 2020 and 2019 was \$74,929 and \$122,340, respectively.

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

	<u>2020</u>	<u>2019</u>
Employee benefits	\$ 421,911	\$ 583,468
Charter and national service fee	94,350	83,223
Specific assistance to individuals	51,672	90,279
Purchases from the Scout Shop	38,623	206,828
Computer service fees and support	16,659	24,309
General liability insurance	11,253	71,616
Conference fees	4,340	11,274

As discussed in Note 8, the Council has recorded a liability of \$358,302 and \$453,953 as of December 31, 2020 and 2019, respectively, for membership registration fees and other funds due to the National Council. Accounts payable and accrued expenses of \$-0- and \$98,778 as of December 31, 2020 and 2019, 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 \$178,634 and \$217,941 as of December 31, 2020 and 2019, respectively, for funds held on behalf of local affiliated entities.

LAUREL HIGHLANDS COUNCIL,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 \$3,318,785 and \$3,619,108 of joint costs for 2020 and 2019, respectively, which are not specifically attributable to particular components of the operations (joint costs), as follows:

	2020	2019
Program services	\$ 2,854,155	\$ 3,112,433
Fundraising	365,066	398,102
Management and general	99,564	108,573
	\$ 3,318,785	\$ 3,619,108

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2020			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Foundations and trusts	\$ 100,000	\$ --	\$ --	\$ 100,000
Future capital expenditures	--	2,144,282	--	2,144,279
Camping and related expenditures	--	--	2,899,987	2,899,987
Maintenance of certain equipment	--	--	135,000	135,000
Total purpose restrictions	100,000	2,144,282	3,034,987	5,279,269
Subject to the passage of time:				
Friends of Scouting	83,286	--	--	215,723
Special events	5,750	--	--	59,950
Foundations and trusts	185,000	--	--	250,000
United Way	67,500	--	--	130,502
Total time restrictions	341,536	--	--	656,175
Perpetual in duration	--	332,748	8,497,325	8,490,442
Total net assets with donor restrictions	\$ 441,536	\$ 2,477,030	\$ 11,532,312	\$ 14,450,878

LAUREL HIGHLANDS COUNCIL,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

	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>

NOTE 14 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2020 and 2019 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of program restrictions:		
Foundations and trusts	\$ <u>200,000</u>	\$ <u>120,000</u>
Total satisfaction of program restrictions	<u>200,000</u>	<u>120,000</u>
Expiration of time restrictions:		
Friends of Scouting	151,177	141,717
Special events	59,950	7,970
Foundations and trusts	65,000	2,431
Other direct support	--	23,074
United Way	130,502	214,169
Scouting for Food	<u>--</u>	<u>6,002</u>
Total expiration of time restrictions	<u>406,629</u>	<u>395,363</u>
Total net assets released from restrictions	<u>\$ 606,629</u>	<u>\$ 515,363</u>

LAUREL HIGHLANDS COUNCIL,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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:

	2020	2019
Endowment Fund		
Assist with employee match to the <i>BSA Match Savings Plan</i>	\$ 404,362	\$ 361,010
General operations of the Council	1,895,973	1,674,752
	\$ 2,300,335	\$ 2,035,762

NOTE 16 - CAPITAL AND ENDOWMENT FUNDS

The Council has adopted the disclosure provisions of FASB ASC 958-205 and subsections. The Capital Fund includes \$2,477,030 and \$2,657,441 of donor-restricted funds as of December 31, 2020 and 2019, respectively. The Endowment Fund includes \$11,532,312 and \$10,640,909 of donor-restricted funds and \$2,300,335 and \$2,035,762 of endowment funds without donor restrictions established by the Board of Directors for a variety of purposes as of December 31, 2020 and 2019, respectively.

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

	2020		
	Without donor restrictions	With donor restrictions	Total
Capital Fund net assets - beginning of year	\$ 14,180,327	\$ 2,657,441	\$ 16,837,768
Investment return, net:			
Investment income	511,177	--	511,177
Net realized and unrealized gains (losses)	685,631	(180,411)	505,220
Total investment return, net	1,196,808	(180,411)	1,016,397
Contributions	115,211	--	115,211
Other revenue	152,344	--	152,344
Gain on the sale of fixed assets	657,339	--	657,339
Expenses	(556,555)	--	(556,555)
Capital Fund net assets - end of year	\$ 15,745,474	\$ 2,477,030	\$ 18,222,504

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

	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

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

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment Fund net assets - beginning of year	\$ 5,566,954	\$ 10,640,909	\$ 16,207,863
Investment return, net:			
Net realized and unrealized gains	521,276	607,791	1,129,067
Net realized and unrealized gains on Board designated funds	264,573	--	264,573
Total investment return, net	785,849	607,791	1,393,640
Contributions	39,719	53	39,772
Donor-restricted endowment funds, perpetual in duration	--	283,559	283,559
Forgiveness of interfund loan	(315,000)	--	(315,000)
Other expenses	(5,972,147)	--	(5,972,147)
Endowment Fund net assets - end of year	\$ 105,375	\$ 11,532,312	\$ 11,637,687

LAUREL HIGHLANDS COUNCIL,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

NOTE 16 - CAPITAL AND ENDOWMENT FUNDS (continued)

	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

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, 2020 and 2019, donor-restricted endowment funds with a shortfall had an aggregated original gift amount of \$136,685 and \$761,236, respectively, and current fair values totaling \$128,910 and \$727,849, respectively, and deficiencies of \$7,775 and \$33,387. These deficiencies resulted from unfavorable market fluctuations. These investments were included in the spending policy calculation for both 2020 and 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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 2030. Total rent expense on operating leases amounted to \$52,829 and \$49,774 for the years ended December 31, 2020 and 2019, 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, 2020 are as follows:

Year ending December 31,

2021	\$ 70,618
2022	42,932
2023	5,000
2024	5,000
2025	5,000
Thereafter	<u>25,000</u>
	\$ <u>153,550</u>

NOTE 18 - COMMITMENTS

The Council has entered into various construction agreements. Total remaining commitments under these agreements were approximately \$137,000 and \$562,000 as of December 31, 2020 and 2019, respectively.

NOTE 19 - PAYCHECK PROTECTION PROGRAM

In 2020, the Council was granted and received a \$663,900 loan under the PPP administered by a SBA approval partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Council initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measureable performance or other barrier and right of return of the PPP loan no longer existed. The Council has recognized 100% of the loan proceeds as other revenue for the year ended December 31, 2020. On August 11, 2021, the Council received full forgiveness of this loan from the SBA, under the provisions of the CARES Act.