

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2018 and 2017



Rives & Associates, LLP
Certified Public Accountants and Consultants

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
 Financial Statements:	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Changes in Net Assets.....	4
Consolidated Statements of Functional Expenses.....	5
Consolidated Statements of Cash Flows.....	7
 Notes to Consolidated Financial Statements	 8
 Supplementary Information:	
Consolidated Statements of Financial Position – Fund Basis.....	27
Consolidated Statements of Changes in Net Assets – Fund Basis.....	28
Consolidated Statements of Cash Flows – Fund Basis.....	30



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Independent Auditors' Report

To the Board of Directors of
Occonechee Council of the Boy Scouts of America, Inc.
Raleigh, North Carolina

We have audited the accompanying consolidated financial statements of the Occonechee Council of the Boy Scouts of America, Inc., (the Council), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of 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.

Auditors' 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 audits 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 auditors' 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 Council'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 Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Occoneechee Council of the Boy Scouts of America, Inc. as of December 31, 2018 and 2017, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated statements of financial position – fund basis, consolidated statements of changes in net assets – fund basis, and consolidated statements of cash flows – fund basis, presented on pages 27-30, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Rives & Associates LLP

Raleigh, North Carolina
August 7, 2019

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	(Restated) 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 839,260	\$ 1,114,798
Accounts receivable	188,746	258,399
Contributions receivable, net of allowance	294,286	337,415
Inventory	27,397	60,426
Prepaid expenses	114,680	89,871
Total current assets	1,464,369	1,860,909
Non-current assets:		
Contributions receivable, net of discount factor and allowance	244,163	346,574
Investments	2,599,673	2,328,147
Investments - restricted for Eagle scholarships	23,841	23,202
Land, available for sale	-	57,750
Land, buildings and equipment, net	7,106,819	7,345,570
Total non-current assets	9,974,496	10,101,243
Total assets	\$ 11,438,865	\$ 11,962,152
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes payable, current portion	\$ 136,351	\$ 127,169
Line of credit	223,871	38,468
Accrued expenses and payroll	239,859	147,563
Scholarships payable, current portion	42,000	56,000
Custodial accounts	319,059	311,379
Deferred income	39,278	55,382
Total current liabilities	1,000,418	735,961
Non-current liabilities:		
Scholarships payable, net of current portion	90,277	100,402
Notes payable, net of current portion	1,052,151	1,269,705
Total non-current liabilities	1,142,428	1,370,107
Total liabilities	2,142,846	2,106,068
Net assets:		
Without donor restrictions		
Undesignated	(1,831,534)	(1,144,701)
Investment in property and equipment	7,106,819	7,403,320
Total net assets without restrictions	5,275,285	6,258,619
With donor restrictions	4,020,734	3,597,465
Total net assets	9,296,019	9,856,084
Total liabilities and net assets	\$ 11,438,865	\$ 11,962,152

The accompanying notes are an integral part of these financial statements

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2018 and 2017

	Totals		Net Assets Without Donor Restrictions		Net Asset with Donor Restrictions	
	Restated		Restated		Restated	
	2018	2017	2018	2017	2018	2017
SUPPORT AND REVENUES:						
Friends of Scouting	\$ 1,359,730	\$ 1,358,742	\$ 1,258,670	\$ 1,184,717	\$ 101,060	\$ 174,025
Capital Campaign	124,500	593,841	24,000	183,841	100,500	410,000
Special events (net of cost of direct benefits to participants of \$79,447 and \$77,198, respectively)	302,503	300,288	249,558	227,228	52,945	73,060
Legacies and bequests	2,760	37,467	2,760	27,467	-	10,000
Foundations and trusts	340,219	350,707	340,219	350,707	-	-
Other direct support	487,242	577,971	139,353	188,947	347,889	389,024
Total direct support	2,616,954	3,219,016	2,014,560	2,162,907	602,394	1,056,109
United Way	73,536	70,251	49,936	42,451	23,600	27,800
Other indirect support	34,460	41,742	34,460	41,742	-	-
Total indirect support	107,996	111,993	84,396	84,193	23,600	27,800
Product sales (net cost of goods of \$433,004 and \$489,751, and commissions to units \$488,994 and \$447,889, respectively)	685,490	610,911	685,490	610,911	-	-
Camping revenue	604,650	642,438	604,650	642,438	-	-
Timber sales	-	36,806	-	36,806	-	-
Activity revenues	226,783	777,232	226,783	777,232	-	-
Investment income (loss), net	(178,852)	249,675	(178,852)	249,675	-	-
Other revenues	205,482	202,890	205,482	202,890	-	-
Total revenues	1,543,553	2,519,952	1,543,553	2,519,952	-	-
Net assets released from restrictions	-	-	202,725	272,116	(202,725)	(272,116)
Total support and revenues and net assets released from restrictions	4,268,503	5,850,961	3,845,234	5,039,168	423,269	811,793
EXPENSES:						
Program services	3,363,024	3,847,422	3,363,024	3,847,422	-	-
Support services:						
Management and general	614,287	481,035	614,287	481,035	-	-
Fundraising	788,450	540,143	788,450	540,143	-	-
Total support services	1,402,737	1,021,178	1,402,737	1,021,178	-	-
Charter and national service fee	62,807	59,134	62,807	59,134	-	-
Total expenses	4,828,568	4,927,734	4,828,568	4,927,734	-	-
Increase (decrease) in net assets	(560,065)	923,227	(983,334)	111,434	423,269	811,793
Net assets at beginning of year, as restated	9,856,084	8,932,857	6,258,619	6,147,185	3,597,465	2,785,672
Net assets at end of year	\$ 9,296,019	\$ 9,856,084	\$ 5,275,285	\$ 6,258,619	\$ 4,020,734	\$ 3,597,465
Reclassification of net assets support amounts included above:						
Friends of Scouting	\$ -	\$ -	\$ 174,025	\$ 90,716	\$ (174,025)	\$ (90,716)
United Way	-	-	25,000	26,400	(25,000)	(26,400)
Other direct support	-	-	3,700	155,000	(3,700)	(155,000)
	\$ -	\$ -	\$ 202,725	\$ 272,116	\$ (202,725)	\$ (272,116)

The accompanying notes are an integral part of these financial statements

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Support Services		Total
		Management and General	Fundraising	
Employee compensation:				
Salaries	\$ 1,370,192	\$ 224,119	\$ 321,237	\$ 1,915,548
Employee benefits	265,476	43,423	62,240	371,139
Payroll taxes	112,215	18,355	26,308	156,878
Employee related expenses	10,427	1,706	2,445	14,578
Total employee compensation	<u>1,758,310</u>	<u>287,603</u>	<u>412,230</u>	<u>2,458,143</u>
Other expenses:				
Professional fees	41,265	6,750	9,674	57,689
Supplies	350,289	57,296	82,124	489,709
Telephone	30,952	5,063	7,257	43,272
Postage and shipping	6,389	1,045	1,498	8,932
Occupancy	228,812	37,426	53,644	319,882
Rent and maintenance of equipment	65,977	10,792	15,468	92,237
Printing and publications	27,867	4,558	6,533	38,958
Travel	114,060	18,656	26,741	159,457
Conference and meetings	47,816	7,821	11,210	66,847
Specific assistance to individuals	20,892	3,417	4,898	29,207
Recognition awards	92,402	15,114	21,663	129,179
Eagle scholarship	-	-	-	-
Interest	42,147	6,894	9,881	58,922
Insurance	91,068	14,896	21,351	127,315
Bad debt expense	-	64,203	-	64,203
Other	155,659	25,462	36,495	217,616
Total other expenses	<u>1,315,595</u>	<u>279,393</u>	<u>308,437</u>	<u>1,903,425</u>
Expenses before depreciation	3,073,905	566,996	720,667	4,361,568
Depreciation of building and equipment	<u>289,119</u>	<u>47,291</u>	<u>67,783</u>	<u>404,193</u>
Total functional expenses	<u>\$ 3,363,024</u>	<u>\$ 614,287</u>	<u>\$ 788,450</u>	<u>\$ 4,765,761</u>

The accompanying notes are an integral part of these financial statements

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017 (As Restated)

	Program Services	Support Services		Total
		Management and General	Fundraising	
Employee compensation:				
Salaries	\$ 1,376,438	\$ 174,960	\$ 196,459	\$ 1,747,857
Employee benefits	269,676	34,279	38,491	342,446
Payroll taxes	116,344	14,789	16,606	147,739
Employee related expenses	4,093	520	584	5,197
Total employee compensation	<u>1,766,551</u>	<u>224,548</u>	<u>252,140</u>	<u>2,243,239</u>
Other expenses:				
Professional fees	59,569	7,572	8,502	75,643
Supplies	439,019	55,804	62,661	557,484
Telephone	34,841	4,429	4,973	44,243
Postage and shipping	9,262	1,177	1,322	11,761
Occupancy	241,026	30,637	34,402	306,065
Rent and maintenance of equipment	109,196	13,880	15,586	138,662
Printing and publications	28,931	3,677	4,129	36,737
Travel	117,935	14,991	16,833	149,759
Conference and meetings	330,593	42,022	47,186	419,801
Specific assistance to individuals	23,831	3,029	3,401	30,261
Recognition awards	62,510	7,946	8,922	79,378
Eagle scholarship	63,049	-	-	63,049
Interest	40,016	5,086	5,711	50,813
Insurance	95,105	12,089	13,574	120,768
Bad debt expense	-	-	-	-
Other	112,345	14,280	16,035	142,660
Total other expenses	<u>1,767,228</u>	<u>216,619</u>	<u>243,237</u>	<u>2,227,084</u>
Expenses before depreciation	3,533,779	441,167	495,377	4,470,323
Depreciation of building and equipment	<u>313,643</u>	<u>39,868</u>	<u>44,766</u>	<u>398,277</u>
Total functional expenses	<u>\$ 3,847,422</u>	<u>\$ 481,035</u>	<u>\$ 540,143</u>	<u>\$ 4,868,600</u>

The accompanying notes are an integral part of these financial statements

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	(Restated) 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (560,065)	\$ 923,227
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation expense	404,193	398,277
Bad debt expense for pledge receivables	64,203	-
Net loss (gain) on investments	278,330	(208,113)
Contributions restricted for long-term purposes	(110,000)	(692,251)
Gain on sale of land	(56,301)	-
Adjustments for changes in assets and liabilities		
Accounts receivable	69,653	(59,418)
Contributions receivable	81,337	(323,052)
Inventory	33,029	(5,093)
Prepaid expenses	(24,809)	174,162
Accrued expenses and payroll	92,296	24,244
Scholarships payable	(24,125)	(4,000)
Custodial accounts	7,680	34,932
Deferred income	(16,104)	(376,012)
	<u>239,317</u>	<u>(113,097)</u>
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,892,438)	(1,178,724)
Proceeds from sale of investments	1,341,943	1,314,606
Purchase of land, building, and equipment	(165,442)	(254,281)
Proceeds from sale of land	114,051	-
	<u>(601,886)</u>	<u>(118,399)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(219,227)	(168,192)
Proceeds from notes payable	10,855	-
Contributions collected, restricted for long-term purposes	110,000	692,251
Draws on line of credit, net of payments	185,403	38,468
	<u>87,031</u>	<u>562,527</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	(275,538)	331,031
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,114,798</u>	<u>783,767</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 839,260</u>	<u>\$ 1,114,798</u>

The accompanying notes are an integral part of these financial statements

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies

Nature of Operation

The Occoneechee Council of the Boy Scouts of America, Inc. (the Council) operates in a twelve county area of central North Carolina. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the bylaws, and rules and regulations of the Boy Scouts of America (National Council), the Scouting program of promoting the ability of boys and young men and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts of America.

The Council'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.

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

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

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

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

The Council's website address is www.ocscouts.org.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies (Continued)

Principles of Consolidation

The Council has voting control over and economic interest in the Occoneechee Council of the Boy Scouts of America, Inc. - Endowment (Endowment), and accordingly consolidates the accounts of that entity with those of the Council. All intercompany balances and transactions have been eliminated in the consolidation. The Council and the Endowment are hereinafter collectively referred to as the "Council."

Fund Accounting

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

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

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

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

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

Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies (Continued)

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Council considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

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

Accounts Receivable

Accounts receivable are recorded primarily for product sales, sales tax refunds and refunds due from vendors at estimated realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was recorded as of December 31, 2018 and 2017.

Inventory

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

Land, Building and Equipment

Land, buildings, and equipment are stated at cost or, if donated, at the estimated fair value on the date of donation. The threshold for qualifying an item for capitalization is \$1,500. Depreciation is calculated over the estimated useful life of the related asset using the straight-line method. The estimated useful lives of assets are as follows:

Land improvements	20 years
Building and improvements	15 - 40 years
Equipment and motor vehicles	3 - 10 years

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 current operations.

Construction in Progress

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

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies (Continued)

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded during the years ended December 31, 2018 and 2017.

Investments

Investments consist of marketable debt and equity securities and mutual funds. The Council accounts for investments in accordance with GAAP which requires that investments with readily determinable fair values be measured at fair value in the consolidated statements of financial position. Interest, dividends, realized and unrealized gain and loss on investments are recorded in the consolidated statements of activities. Realized gains and losses are determined on a specific identification basis.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

The Council's investment policy intends for the Council to invest in assets that would produce results exceeding the investment's purchase price and incur a significant yield of return, while assuming a moderate level of investment risk. The Council expects its Endowment Fund, over time, to provide a reasonable rate of return. To satisfy the long-term rate-of-return objective, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on marketable equity and debt securities and mutual funds to achieve its long term return objectives within prudent risk constraints.

The Board has approved an endowment spending policy. The policy defines the total funds available from the Endowment Fund in a given year (the distributable income) as up to 4 percent of the Endowment Fund's average market value over the trailing three year period ending on September 30th. The Endowment Fund is to have returns greater than the proposed distribution plus management and trustee fees. If the market value of the Endowment Fund falls to or below the amount of the fund's donor- restricted gifts, then the spending policy will be amended in accordance with the guidelines not to exceed the actual earnings of the fund. The Board may amend this spending policy.

Revenue Recognition

Camping and activity revenue is recognized in the period in which the service is provided. Funds received in advance of providing these services are recorded as deferred revenue until the services are provided.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies (Continued)

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. 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 direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the consolidated statement of activities and changes in net assets. Other revenue consists primarily of rent revenue and is recognized on a monthly basis as earned.

Contributions Receivable

Unconditional promises to give (or pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Council's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges is recorded when the Council determines, based on historical experience and collection efforts, that a contribution receivable (carried over from a prior year) is uncollectible. As of December 31, 2018 and 2017, contributions receivable were net of an allowance for uncollectible pledges of \$95,526 and \$52,644, respectively.

Donated Land, Materials and Services

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council reports the donations as unrestricted support, 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the 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.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies (Continued)

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net asset without restrictions and are reported in the consolidated statements of changes in net assets as assets released from restrictions.

Fair Value Measurement

The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability (referred to as the “exit price”) in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration of nonperformance risk.

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

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

Level 1 - Observable inputs that reflect quoted prices for identical securities, traded in active markets that the Council has the ability to access.

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

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

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Council in determining fair value is greatest for instruments categorized in Level 3.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies (Continued)

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

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

Expense Allocation

The costs of providing the various programs and supporting services have been summarized on the consolidated statement of activities and changes in net assets on a functional basis. Most expenses can be directly 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 based on management's estimate of the functional area benefited. The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of three separate studies and is applied to the expenses that are allocated. In accordance with the policy of the National Council of the Boy Scouts of America (the "National Council"), the payment of the charter fee to the National Council is not allocated as a functional expense. The consolidated financial statements report expenses by function in the Consolidated Statement of Functional Expenses.

Income Taxes

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), under Group Ruling number 1761 issued by the Boy Scouts of America National Council, 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 evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. No uncertain tax positions were identified by the Council as of December 31, 2018 and 2017.

The Council's policy is to classify income tax penalties and interest as interest expense in its consolidated financial statements. During the years ended December 31, 2018 and 2017, respectively, the Council incurred no penalties and interest. The Council's and trust fund's Federal Return of Organizations Exempt from Income Tax (Forms 990) for 2015, 2016, and 2017 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the Council's 2018 return had not yet been filed.

Advertising Costs

Advertising costs are expensed when incurred and immaterial for the years ended December 31, 2018 and 2017.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies (Continued)

Contingency

In the course of providing the many outdoor programs that the Council supports, injuries, which are generally insured, occur. Currently, there are no threatened or existing legal actions that represent a significant exposure to the Council.

Custodial Accounts

Custodial accounts represent amounts held by the Council as custodian for registration fees for member units, amounts on deposit for affiliated Scouting associations for their future use, and amounts on deposit by member units for purchases of uniforms and supplies.

Recently Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU will supersede most current revenue recognition guidance, including industry- specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective dates of ASU 2014-09. For local councils, the provisions of ASU 2014-09 are now effective for annual reporting periods beginning after December 31, 2018.

Transition to the new guidance may be done using either a full or modified retrospective method. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee’s right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2020 as the FASB delayed the implementation in their July 17, 2019 meeting. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1 - Nature of Operation and Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions and net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires an NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules.

In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented.

The Council has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the consolidated financial statements as of and for the year ending December 31, 2017 and resulted in previously reported consolidated temporarily restricted net assets of \$833,990 and consolidated permanently restricted net assets to be reported as a single line of net assets with restrictions at December 31, 2017.

Reclassification

Certain land, building, and property reclassifications have been made to the 2017 financial statements to conform with the 2018 financial statement presentation. Such reclassifications have no effect on net assets or cash flows as previously reported.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 2 - Fair Value Measurement

The following table includes all those investments reported at fair value, on a recurring basis. Such investments are identified within the fair value hierarchy, indicating the objectivity and reliability of the inputs used to value those securities at December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2018				
Mutual funds	\$ 1,614,497	-	-	\$ 1,614,497
Exchange traded products	1,009,017	-	-	1,009,017
Total investments	\$ 2,623,514	\$ -	\$ -	\$ 2,623,514
December 31, 2017				
Mutual funds	\$ 1,884,055	\$ -	\$ -	\$ 1,884,055
Equity investments – common stocks	240,134	-	-	240,134
US Government securities	132,555	-	-	132,555
Corporate bonds	-	94,605	-	94,605
Total investments	\$ 2,256,744	\$ 94,605	\$ -	\$ 2,351,349

Note 3 - Contributions Receivable

Contributions receivable consist of unconditional promises to give from various organizations and individuals over a future period of time in excess of one year. Such promises are recorded as public support and as a receivable at their fair value when an event occurs to establish funding for the gift. Contributions are recorded after discounting to the present value of the future cash flows. Fair value for such receivables is the present value of the estimated future amounts using a discount rate of 1.70% in 2018 and 2017.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 3 - Contributions Receivable (Continued)

Contributions receivable consist of the following as of December 31:

	Due in one year		Due after one year	
	2018	2017	2018	2017
United Way allocations	\$ 23,600	\$ 27,800	\$ -	\$ -
Friends of Scouting	20,994	110,269	-	-
Other unrestricted promises	9,500	15,950	-	
Restricted to capital	229,200	124,200	245,000	345,000
Restricted to endowment	10,994	59,196	10,200	12,611
Rounding	(2)	-	-	-
Less discounts to present value	-	-	(11,037)	(11,037)
Total contributions receivable	\$ 294,286	\$ 337,415	\$ 244,163	\$ 346,574

Allocations for indirect public support through United Way agencies are recognized as public support in the period in which the funds are received. The Council uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on experience and analysis of specific promises made.

During the year ended December 31, 2018, the Council identified a significant number of uncollectible pledges. These pledges were written off resulting in the Council reporting a bad debt expense of \$64,203. There was no bad debt expense reported for the year ended December 31, 2017.

Note 4 - Prepaid Expenses

Prepaid expenses at December 31 consist of the following:

	2018	2017
Activities	\$ 54,481	\$ 41,863
Insurance policies and other	60,199	48,008
Total prepaid expenses and other assets	\$ 114,680	\$ 89,871

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 5 - Endowment Fund

The Council's Endowment Fund includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include net assets identified by the Council's Board of Directors to be used for future investment growth.

The Council has interpreted that the Endowment Fund is not subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in unrestricted net assets.

Changes in the endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Non-board designated net assets without restrictions:		
Gain (loss) on investments	\$ (286,277)	\$ 208,463
Transfers	-	-
Appropriation of endowment assets for expenditure	(54,086)	(26,600)
Change for the year	(340,363)	181,863
Balance, beginning of year	173,145	(8,718)
Balance, end of year	\$ (167,218)	\$ 173,145
 Donor-restricted funds, perpetual:		
Contributions	\$ 345,834	\$ 308,384
Balance, beginning of year	2,763,475	2,445,091
Balance, end of year	3,109,309	2,763,475
Total Endowment net assets	\$ 3,200,371	\$ 2,936,620

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

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 6 - Investment Return

Investment return, net of fees, is comprised of the following for the years ended December 31:

	Interest and Dividends		Gain (Loss) on Investments	
	2018	2017	2018	2017
Operating fund	\$ 100,040	\$ 65,407	\$ 697	(52)
Operating fund investments fees	(562)	(23,845)	-	-
Capital fund	-	-	7,250	(298)
Endowment fund	-	-	(286,277)	208,463
Total	<u>\$ 99,478</u>	<u>\$ 41,562</u>	<u>\$ (278,330)</u>	<u>\$ 208,113</u>

Note 7 - Land, Buildings and Equipment

Land, buildings and equipment consist of the following at December 31:

	2018	2017
Land	\$ 1,035,089	\$ 1,035,089
Land improvements	3,550,384	3,550,384
Equipment	1,499,386	1,444,939
Motor vehicles	175,588	175,588
Building and improvements	6,272,788	6,254,847
Construction-in-progress	217,234	124,181
	<u>12,750,469</u>	<u>12,585,028</u>
Less accumulated depreciation	(5,643,650)	(5,239,458)
Land, building and equipment, net	<u>\$ 7,106,819</u>	<u>\$ 7,345,570</u>

The Council was notified on April 8, 2013 by the North Carolina Department of Environment and Natural Resources (DENR) of their approval of the proposal to modify the Upper (Baird) Lake Dam at Camp Reeves, Moore County, NC. During 2013, the Council began steps to complete the repairs to comply with DENR. An extension of the commencement date to May 13, 2015 was granted. Another Notice of Deficiency was issued by DENR on August 20, 2015. As of December 31, 2018, the Council's engineers, WithersRavenel, are working with DENR to lower the Baird Lake to 5 feet and install a new riser system.

At December 31, 2017, the Council reported land available for sale in the amount of \$57,750. The land was sold during the year ended December, 31, 2018 and the gain on the sale of the land is included in other income on the consolidated statements of changes in net assets.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 8 - Line of Credit

The Council has entered in to a line of credit agreement with a financial institution for a maximum borrowing of \$750,000 to occasionally finance operations. Payments on amounts outstanding are payable in monthly installments of interest only at the bank's prime rate (5.50% and 4.25% at December 31, 2018 and 2017, respectively) with all unpaid principal and interest due December 15, 2019. Outstanding balance on this line of credit at December 31, 2018 and 2017 was \$223,871 and \$38,468, respectively. The line of credit contains certain debt service and reporting covenant provisions. The Council was not compliant with those covenants at December 31, 2018 and the financial institution waived the violations on August 6, 2019.

Note 9 - Notes Payable

	Due within one year		Due after one year	
	2018	2017	2018	2017
Notes payable to a financial institution due in 48 monthly installments of \$150 at 0% interest maturing in 2022. Note is collateralized by equipment.	\$ 1,654	\$ -	\$ 4,662	\$ -
Notes payable to a financial institution in 59 monthly installments of \$1,462, including interest ranging from 4.49% through 5.59%, maturing in 2019, collateralized by vehicles.	10,820	10,855	1,378	12,196
Note payable to a financial institution in 59 monthly installments of \$13,525 including interest at 3.20%, maturing December 2022.	123,877	116,314	1,046,111	1,257,509
Total notes payable	\$ 136,351	\$ 127,169	\$ 1,052,151	\$ 1,269,705

Future minimum payments for the notes payable are as follows:

2019	\$ 136,351
2020	130,981
2021	133,854
2022	787,316
	\$ 1,188,502

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 9 - Notes Payable (continued)

The Council paid approximately \$59,000 and \$47,000 in interest on the notes payable for the years ended December 31, 2018 and 2017, respectively. The Council's note payable of \$1,527,730 was due in full by November 30, 2017. On December 13, 2017, the Council refinanced the note to extend the terms. The new note payable of \$1,398,823 is due in full on December 30, 2022 and pays interest annually at 3.20%.

Note 10 – Net Assets

The financial statements report amounts separately by class of net assets:

Net Assets without donor restrictions

Unrestricted net assets are not subject to donor-imposed stipulations and are currently available for use in the operations of the Council under the direction of the board.

As of December 31, 2018 and 2017, the board designated net assets without restrictions for endowment purposes of \$258,280 and \$0-, respectively.

Net Assets with donor restrictions

Net assets with restrictions are those stipulated by donors for specific operating purposes, those not currently available for use until commitments regarding their use have been fulfilled, or assets that must be maintained in perpetual by the Council, and are composed of the following as of December 31:

	2018	2017
<i>Subject to expenditures for a specific purpose or passage of time</i>		
Bannister Philmont Scholarship	\$ 1,000	\$ 1,000
United Way Awards	23,600	27,800
Friends of Scouting Campaigns	98,120	179,593
Special Event	11,250	3,700
Blue Cross Blue Shield	160,000	160,000
Free to Grow	515,500	410,000
Woodbadge Courtyard	4,120	4,120
William C. Etheridge	50,000	-
Order of the Arrow Building	31,030	31,030
Fishing Center	16,805	16,747
Total purpose restrictions	\$ 911,425	\$ 833,990

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 10 – Net Assets (Continued)

Net Assets with donor restrictions (Continued)

	2018	2017
<i>Perpetual in nature or endowment</i>		
John Norwood Bequest	\$ 250,000	\$ 250,000
Proceeds from the sale of Camp Durant	200,000	200,000
Proceeds from the sale of Camp Kiwanis	111,491	111,491
James E. West Fellowship contributions, including Honorariums and Memorials	443,374	404,688
1910, Heritage Society contributions and Second Century contributions	513,921	513,918
John McDonald Carter Estate Bequest	1,326,919	1,068,719
Noah D. Spivey Heart Fund	45,299	45,299
Legacies	10,000	10,000
Auction	118,305	69,360
Blue Cross Blue Shield Waterfront	45,000	45,000
Blue Cross Blue Shield Health Trail	45,000	45,000
Total assets held in perpetual or endowment	\$ 3,109,309	\$ 2,763,475

For time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level the donor requires the Council to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net asset. As of December 31, 2018 and 2017, there are no deficits reported.

Note 11 - Scout Shop

The National Boy Scouts operates two Scout shops within the Council's area. A third party manages the Scout shop and pays the Council an 8% commission on gross sales up to \$750,000 and 13 percent on sales in excess of \$750,000. The commissions earned (before expenses) by the Council during the 2018 and 2017 fiscal years amounted to \$123,567 and \$140,296, respectively, which are included in other revenue in the consolidated statements of changes in net assets.

Note 12 – Employee Benefit Plans

Thrift Plan

The Council has established a Thrift Plan covering substantially all of the employees of the Council. Participants in the Thrift Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. The Council has elected to match employee contributions to the Thrift Plan up to 50 percent of contributions from each participant, limited to 3% of each employee's gross pay. The Council contributed approximately \$37,877 and \$33,435 to the Thrift Plan for the years ended December 31, 2018 and 2017, respectively.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 12 – Employee Benefit Plans (Continued)

Retirement Plan

The National Council has a qualified defined benefit pension plan (“the plan”) administered at the National Service Center that covers employees of the National Council and local councils, including the Local Council Inc. The plan name is the Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2% of compensation, and the Council contributes an additional 7% to the plan. Pension expense (excluding the contributions made by employees) was approximately \$120,326 and \$107,732 (as restated) for the years ended December 31, 2018, respectively, and covered current service cost. The actuarial information for the plan as of February 1, 2018, indicates that it is in compliance with ERISA regulations regarding funding. Council contributions do not exceed 5% of total plan contributions.

Healthcare Plan

The Council’s employees participate in a health care plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2018, the Council remitted approximately \$180,910 and \$171,150 (as restated), respectively, on behalf of its employees to the National Council related to the health care plan.

Note 13 - Lease Commitments

The Council has entered into several non-cancelable operating leases for various pieces of equipment. Rent expense totaled \$63,762 and \$67,732 for the years ended December 31, 2018 and 2017, respectively. These leases will expire on various dates through 2022.

Future minimum payment requirements on operating leases at December 31st, are as follows:

Year-End	Amount
2019	\$ 40,273
2020	37,219
2021	28,412
2022	2,394
	\$ 108,298

Note 14 - Concentration

Subsequent to December 31, 2017, The Church of Jesus Christ of Latter-Day Saints announced that it was ending its partnership with the Boy Scouts of America as of December 31, 2019. For the year ended December 31, 2018 and 2017, this group made up approximately 10% of overall membership of the Council’s contributions and summer camp program revenues.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 15 - Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements to determine the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 7, 2019, which is the date the financial statements were available to be issued.

Note 16 – Liquidity and Availability of Funds

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

	2018	2017
Cash – operating fund	\$ 296,591	\$ 381,158
Contribution receivable (current) – operating fund	54,092	154,019
Accounts receivable – operating fund	186,738	241,059
Total financial assets available to meet general expenditures and liabilities within the next 12 months	<u>\$ 537,061</u>	<u>\$ 776,236</u>

As part of the Council’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has committed lines of credit in the amount of \$750,000, which it could draw upon.

Note 17 – Prior Period Adjustment

The Council discovered during the current year that the previously reported consolidated accrued expenses and payroll liabilities were understated. The Council’s previously stated liability incorrectly excluded accrued absences and certain employer benefit expenses. Accordingly, an adjustment was made to increase the accrued expenses and payroll liability at December 31, 2017.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 17 – Prior Period Adjustment (continued)

This adjustment resulted in the following changes to the Council’s consolidated 2017 financial statements:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Consolidated Statement of Financial Position			
Accrued expenses and payroll	\$ 112,483	\$ 35,080	\$ 147,563
Total current liabilities	700,881	35,080	735,961
Total liabilities	2,070,988	35,080	2,106,068
Net assets without donor restrictions -			
Undesignated deficit	(1,109,621)	(35,080)	(1,144,701)
Total net assets	9,891,164	(35,080)	9,856,084
Consolidated Statement of Change in Net Assets			
Program expenses	3,867,400	(1,200)	3,866,200
Support Services			
Management and general	483,574	(152)	483,422
Fundraising	542,994	(171)	542,823
Total support services	1,026,568	(323)	1,026,245
Total expenses	4,953,102	(1,523)	4,951,579
Increase in net assets	921,704	1,523	923,227
Net assets at beginning of year	8,939,460	(36,603)	8,932,857
Net assets at end of year	9,891,164	(35,080)	9,856,084
Consolidated Statement of Functional Expenses			
Employee Compensation:			
Salaries	1,749,264	(1,407)	1,747,857
Employee benefits	342,562	(116)	342,446
Expenses before depreciation	4,495,691	(1,523)	4,494,168
Total functional expenses	4,893,968	(1,523)	4,892,445

Supplementary Information

Occoneechee Council of the Boy Scouts of America, Inc.
Consolidated Statements of Financial Position - Fund Basis
December 31, 2018
(with Comparative Totals as of December 31, 2017)

	2018			2017	
	Operating Fund	Capital Fund	Endowment Fund	Total	Restated Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 296,591	\$ 193,034	\$ 349,635	\$ 839,260	\$ 1,114,798
Accounts receivable	186,378	2,277	91	188,746	258,399
Contributions receivable, net of allowance	54,092	229,200	10,994	294,286	337,415
Inventory	27,397	-	-	27,397	60,426
Prepaid expenses	107,138	7,542	-	114,680	89,871
Interfund amounts receivable (payable) - current	256,633	(230,458)	(26,175)	-	-
Total current assets	<u>928,229</u>	<u>201,595</u>	<u>334,545</u>	<u>1,464,369</u>	<u>1,860,909</u>
Non-current assets:					
Contributions receivable, net of discount factor	-	233,963	10,200	244,163	346,574
Investments	-	2,327	2,597,346	2,599,673	2,328,147
Long-term investments - restricted for Eagle scholarships	23,841	-	-	23,841	23,202
Land, buildings and equipment, held for sale	-	-	-	-	57,750
Land, buildings and equipment, net	-	7,106,819	-	7,106,819	7,345,570
Total non-current assets	<u>23,841</u>	<u>7,343,109</u>	<u>2,607,546</u>	<u>9,974,496</u>	<u>10,101,243</u>
Total assets	<u>\$ 952,070</u>	<u>\$ 7,544,704</u>	<u>\$ 2,942,091</u>	<u>\$ 11,438,865</u>	<u>\$ 11,962,152</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Notes payable, current portion	\$ -	\$ 136,351	\$ -	\$ 136,351	\$ 127,169
Line of credit	223,871	-	-	223,871	38,468
Accrued expenses and payroll	209,439	30,420	-	239,859	147,563
Scholarships payable, current portion	42,000	-	-	42,000	56,000
Custodial accounts	319,059	-	-	319,059	311,379
Deferred income	39,278	-	-	39,278	55,382
Total current liabilities	<u>833,647</u>	<u>166,771</u>	<u>-</u>	<u>1,000,418</u>	<u>735,961</u>
Non-current liabilities:					
Scholarships payable, net of current portion	90,277	-	-	90,277	100,402
Notes payable, net of current portion	-	1,052,151	-	1,052,151	1,269,705
Total non-current liabilities	<u>90,277</u>	<u>1,052,151</u>	<u>-</u>	<u>1,142,428</u>	<u>1,370,107</u>
Total liabilities	<u>923,924</u>	<u>1,218,922</u>	<u>-</u>	<u>2,142,846</u>	<u>2,106,068</u>
Net Assets:					
Without donor restrictions					
Undesignated	(105,824)	(1,558,492)	(167,218)	(1,831,534)	(1,144,701)
Investment in property and equipment	-	7,106,819	-	7,106,819	7,403,320
Total net assets without restrictions	<u>(105,824)</u>	<u>5,548,327</u>	<u>(167,218)</u>	<u>5,275,285</u>	<u>6,258,619</u>
With donor restrictions	<u>133,970</u>	<u>777,455</u>	<u>3,109,309</u>	<u>4,020,734</u>	<u>3,597,465</u>
Total net assets	<u>28,146</u>	<u>6,325,782</u>	<u>2,942,091</u>	<u>9,296,019</u>	<u>9,856,084</u>
Total liabilities and net assets	<u>\$ 952,070</u>	<u>\$ 7,544,704</u>	<u>\$ 2,942,091</u>	<u>\$ 11,438,865</u>	<u>\$ 11,962,152</u>

Oconeechee Council of the Boy Scouts of America, Inc.
Consolidated Statements of Changes in Net Assets - Fund Basis
Year Ended December 31, 2018
(with Comparative Totals as of December 31, 2017)

	2018			(Restated) 2017	
	Operating Fund	Capital Fund	Endowment Fund	Total	Total
Changes in net assets without restrictions					
Support and revenue:					
Direct support					
Friends of Scouting	\$ 1,258,670	\$ -	\$ -	\$ 1,258,670	\$ 1,184,717
Capital Campaign	-	24,000	-	24,000	183,841
Special events, net	329,005	-	-	329,005	304,426
Less cost of direct benefit	(79,447)	-	-	(79,447)	(77,198)
Net special events	249,558	-	-	249,558	227,228
Legacies and bequests	2,760	-	-	2,760	27,467
Foundations and trusts	340,219	-	-	340,219	350,707
Other direct support	47,480	91,873	-	139,353	188,947
Total direct support	1,898,687	115,873	-	2,014,560	2,162,907
Indirect support					
United Way	49,936	-	-	49,936	42,451
Other indirect support	34,460	-	-	34,460	41,742
Total indirect support	84,396	-	-	84,396	84,193
Revenue					
Product sales:					
Product sales - gross	1,607,488	-	-	1,607,488	1,548,551
Less cost of goods sold	(433,004)	-	-	(433,004)	(489,751)
Less commissions paid to unites	(488,994)	-	-	(488,994)	(447,889)
Net product sales	685,490	-	-	685,490	610,911
Camping revenues	604,650	-	-	604,650	642,438
Timber sales	-	-	-	-	36,806
Activity revenues	226,783	-	-	226,783	777,232
Investment income (loss), net	100,175	7,250	(286,277)	(178,852)	249,675
Other revenues	147,681	57,801	-	205,482	202,890
Total revenue	1,764,779	65,051	(286,277)	1,543,553	2,519,952
Net Assets released from restrictions					
Reclass Friends of Scouting	174,025	-	-	174,025	90,716
Reclass United Way	25,000	-	-	25,000	26,400
Reclass other direct support	3,700	-	-	3,700	155,000
Total reclassification of net assets	202,725	-	-	202,725	272,116
Total support, revenue, and reclassifications	3,950,587	180,924	(286,277)	3,845,234	5,039,168
Expenses:					
Program services	2,948,760	376,097	38,167	3,363,024	3,847,422
Support services					
Management and general	538,618	68,698	6,971	614,287	481,035
Fundraising	691,327	88,175	8,948	788,450	540,143
Total support services	1,229,945	156,873	15,919	1,402,737	1,021,178
Charter and national service fee	62,807	-	-	62,807	59,134
Total expenses	4,241,512	532,970	54,086	4,828,568	4,927,734
Change in net assets without restrictions	(290,925)	(352,046)	(340,363)	(983,334)	111,434

Occoneechee Council of the Boy Scouts of America, Inc.
Consolidated Statements of Changes in Net Assets - Fund Basis (Continued)
December 31, 2018
(with Comparative Totals as of December 31, 2017)

	2018			(Restated) 2017	
	Operating Fund	Capital Fund	Endowment Fund	Total	Total
Changes in net assets with restrictions					
Support and revenue:					
Direct support					
Friends of Scouts, net	\$ 101,060	\$ -	\$ -	\$ 101,060	\$ 174,025
Capital campaign	-	100,500	-	100,500	410,000
Special events, net	-	-	52,945	52,945	73,060
Legacies and bequests	-	-	-	-	10,000
Other direct support	-	55,000	292,889	347,889	389,024
Total direct support	<u>101,060</u>	<u>155,500</u>	<u>345,834</u>	<u>602,394</u>	<u>1,056,109</u>
Indirect support					
United Way	23,600	-	-	23,600	27,800
Net Assets released from restrictions:					
Reclass Friends of Scouting	(174,025)	-	-	(174,025)	(90,716)
Reclass United Way	(25,000)	-	-	(25,000)	(26,400)
Reclass other direct support	(3,700)	-	-	(3,700)	(155,000)
Total reclassification of net assets	<u>(202,725)</u>	<u>-</u>	<u>-</u>	<u>(202,725)</u>	<u>(272,116)</u>
Total support, revenue, and reclassifications	<u>(78,065)</u>	<u>155,500</u>	<u>345,834</u>	<u>423,269</u>	<u>811,793</u>
Change in net assets without restrictions	(78,065)	155,500	345,834	423,269	811,793
Change in total net assets before transfers	(368,990)	(196,546)	5,471	(560,065)	923,227
Transfers	-	-	-	-	-
Change in total net assets	(368,990)	(196,546)	5,471	(560,065)	923,227
Net assets, beginning of year					
Without restrictions (as restated)	185,101	5,900,373	173,145	6,258,619	6,147,185
With restrictions	212,035	621,955	2,763,475	3,597,465	2,785,672
Total net assets, beginning of year	<u>397,136</u>	<u>6,522,328</u>	<u>2,936,620</u>	<u>9,856,084</u>	<u>8,932,857</u>
Net assets, end of year					
Without restrictions	(105,824)	5,548,327	(167,218)	5,275,285	6,258,619
With restrictions	133,970	777,455	3,109,309	4,020,734	3,597,465
Total net assets, end of year	<u>\$ 28,146</u>	<u>\$ 6,325,782</u>	<u>\$ 2,942,091</u>	<u>\$ 9,296,019</u>	<u>\$ 9,856,084</u>

Oconeechee Council of the Boy Scouts of America, Inc.
Consolidated Statements of Changes in Net Assets - Fund Basis
Year Ended December 31, 2018
(with Comparative Totals as of December 31, 2017)

	2018				Restated 2017
	Operating Fund	Capital Fund	Endowment Fund	Total	Total
Cash flows from operating activities					
Change in net assets	\$ (368,990)	\$ (196,546)	\$ 5,471	\$ (560,065)	\$ 923,227
Non-cash adjustments:					
Depreciation expense	-	404,193	-	404,193	398,277
Bad debt expense for pledge receivables	64,203	-	-	64,203	-
Net loss (gain) on investments	(697)	(7,250)	286,277	278,330	(208,113)
Contributions restricted for long-term purposes	-	(105,000)	(5,000)	(110,000)	(692,251)
Gain on sale of land	-	(56,301)	-	(56,301)	-
Adjustments for changes in assets and liabilities					
Accounts receivable	54,681	13,426	1,546	69,653	(59,418)
Contributions receivable	35,720	(4,996)	50,613	81,337	(323,052)
Inventory	33,029	-	-	33,029	(5,093)
Prepaid expenses	(26,249)	1,440	-	(24,809)	174,162
Interfund amounts receivable/payable	(95,358)	80,133	15,225	-	-
Accrued expenses and payroll	65,678	26,618	-	92,296	24,244
Scholarships payable	(24,125)	-	-	(24,125)	(4,000)
Custodial accounts	7,680	-	-	7,680	34,932
Deferred income	(15,604)	-	(500)	(16,104)	(376,012)
Net cash provided (used) by operating activities	(270,032)	155,717	353,632	239,317	(113,097)
Cash flows from investing activities					
Purchase of investments	-	-	(1,892,438)	(1,892,438)	(1,178,724)
Proceeds from sale of investments	62	4,919	1,336,962	1,341,943	1,314,606
Purchase of land, building, and equipment	-	(165,442)	-	(165,442)	(254,281)
Proceeds from sale of land	-	114,051	-	114,051	-
Net cash (used in) provided by investing activities	62	(46,472)	(555,476)	(601,886)	(118,399)
Cash flows from financing activities					
Payments on notes payable	-	(219,227)	-	(219,227)	(168,192)
Proceeds from notes payable	-	10,855	-	10,855	-
Contributions collected, restricted for long-term purposes	-	105,000	5,000	110,000	692,251
Draws on line of credit, net of payments	185,403	-	-	185,403	38,468
Net cash (used) provided by financing activities	185,403	(103,372)	5,000	87,031	562,527
Net change in cash and cash equivalents	(84,567)	5,873	(196,844)	(275,538)	331,031
Cash and cash equivalents, beginning of year	381,158	187,161	546,479	1,114,798	783,767
Cash and cash equivalents, end of year	<u>\$ 296,591</u>	<u>\$ 193,034</u>	<u>\$ 349,635</u>	<u>\$ 839,260</u>	<u>\$ 1,114,798</u>
Supplemental disclosure of cash flow information					
Cash paid during the year for interest	<u>\$ 9,019</u>	<u>\$ 49,903</u>	<u>\$ -</u>	<u>\$ 58,922</u>	<u>\$ 50,814</u>