

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2019 and 2018

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
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SHARPE PATEL PLLC

Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of the Occoneechee Council of the Boy Scouts of America, Inc. (the Council) which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit. We conducted our audit 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 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 entity'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 entity'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 Occoneechee Council of the Boy Scouts of America, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Comparative Information

Other auditors previously audited the Occoneechee Council of the Boy Scouts of America, Inc.'s 2018 consolidated financial statements, and expressed an unmodified audit opinion on those audited consolidated financial statements in their report dated August 7, 2019. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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.

Sharpe Patel PLLC

Raleigh, North Carolina
June 5, 2020

OCCONEECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.

Consolidated Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 568,340	\$ 839,260
Accounts receivable	110,736	188,746
Contributions receivable, net of allowance	422,084	294,286
Inventory	27,192	27,397
Prepaid expenses	73,974	114,680
Total current assets	<u>1,202,326</u>	<u>1,464,369</u>
Non-current assets:		
Contributions receivable, net of discount factor and allowance	385,973	244,163
Investments	3,685,859	2,599,673
Investments - restricted for Eagle scholarships	23,727	23,841
Land, buildings and equipment, net	6,766,216	7,106,819
Total non-current assets	<u>10,861,775</u>	<u>9,974,496</u>
Total assets	<u>\$ 12,064,101</u>	<u>\$ 11,438,865</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes payable, current portion	\$ 125,681	\$ 136,351
Line of credit	46,739	223,871
Accrued expenses and payroll	107,524	239,859
Scholarships payable, current portion	42,000	42,000
Custodial accounts	278,464	319,059
Deferred revenues	51,701	39,278
Total current liabilities	<u>652,109</u>	<u>1,000,418</u>
Non-current liabilities:		
Scholarships payable, net of current portion	109,000	90,277
Notes payable, net of current portion	776,551	1,052,151
Total non-current liabilities	<u>885,551</u>	<u>1,142,428</u>
Total liabilities	<u>1,537,660</u>	<u>2,142,846</u>
Net assets:		
Without donor restrictions		
Undesignated	(454,759)	(643,032)
Investment in property and equipment	5,863,984	5,918,317
Total net assets without restrictions	<u>5,409,225</u>	<u>5,275,285</u>
With donor restrictions	<u>5,117,216</u>	<u>4,020,734</u>
Total net assets	<u>10,526,441</u>	<u>9,296,019</u>
Total liabilities and net assets	<u>\$ 12,064,101</u>	<u>\$ 11,438,865</u>

The accompanying notes are an integral part of these financial statements

OCCONECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.
Consolidated Statement of Change in Net Assets
Years Ended December 31, 2019 and 2018

	Totals		Net Assets Without Donor Restrictions		Net Asset with Donor Restrictions	
	2019	2018	2019	2018	2019	2018
SUPPORT AND REVENUES:						
Friends of Scouting	\$ 1,941,005	\$ 1,359,730	\$ 1,542,599	\$ 1,258,670	\$ 398,406	\$ 101,060
Capital Campaign	602,775	124,500	-	24,000	602,775	100,500
Special events (net of cost of direct benefits to participants of \$105,550 and \$79,447, respectively)	513,435	302,503	342,183	249,558	171,252	52,945
Legacies and bequests	196,561	2,760	196,561	2,760	-	-
Foundations and trusts	347,042	340,219	347,042	340,219	-	-
Other direct support	166,599	487,242	43,775	139,353	122,824	347,889
Total direct support	3,767,417	2,616,954	2,472,160	2,014,560	1,295,257	602,394
United Way	44,160	73,536	44,160	49,936	-	23,600
Other indirect support	19,038	34,460	19,038	34,460	-	-
Total indirect support	63,198	107,996	63,198	84,396	-	23,600
Product sales (net cost of goods of \$489,144 and \$433,004, and commissions to units \$499,623 and \$488,994, respectively)	668,032	685,490	668,032	685,490	-	-
Camping revenue	618,623	604,650	618,623	604,650	-	-
Activity revenues	263,559	226,783	263,559	226,783	-	-
Investment income (loss), net	714,675	(178,852)	714,675	(178,852)	-	-
Other revenues	159,376	205,482	159,376	205,482	-	-
Total revenues	2,424,265	1,543,553	2,424,265	1,543,553	-	-
Net assets released from restrictions	-	-	198,775	202,725	(198,775)	(202,725)
Total support and revenues and net assets released from restrictions	6,254,880	4,268,503	5,158,398	3,845,234	1,096,482	423,269
EXPENSES:						
Program services	3,666,830	3,363,024	3,666,830	3,363,024	-	-
Support services:						
Management and general	571,377	614,287	571,377	614,287	-	-
Fundraising	721,660	788,450	721,660	788,450	-	-
Total support services	1,293,037	1,402,737	1,293,037	1,402,737	-	-
Charter and national service fee	64,591	62,807	64,591	62,807	-	-
Total expenses	5,024,458	4,828,568	5,024,458	4,828,568	-	-
Increase (decrease) in net assets	1,230,422	(560,065)	133,940	(983,334)	1,096,482	423,269
Net assets at beginning of year	9,296,019	9,856,084	5,275,285	6,258,619	4,020,734	3,597,465
Net assets at end of year	\$ 10,526,441	\$ 9,296,019	\$ 5,409,225	\$ 5,275,285	\$ 5,117,216	\$ 4,020,734
Reclassification of net assets support amounts included above:						
Friends of Scouting	\$ -	\$ -	\$ 198,775	\$ 174,025	\$ (198,775)	\$ (174,025)
United Way	-	-	-	25,000	-	(25,000)
Other direct support	-	-	-	3,700	-	(3,700)
	\$ -	\$ -	\$ 198,775	\$ 202,725	\$ (198,775)	\$ (202,725)

The accompanying notes are an integral part of these financial statements

OCCONEECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Support Services			Product Sales Cost of Sales	Cost of Direct Benefit to Donors	Total
	Program Services	Management and General	Fundraising			
Employee compensation:						
Salaries	\$ 1,525,192	\$ 237,660	\$ 300,170	\$ -	\$ -	\$ 2,063,022
Employee benefits	297,479	46,354	58,546	-	-	402,379
Payroll taxes	124,189	19,352	24,441	-	-	167,982
Total employee compensation	<u>1,946,860</u>	<u>303,366</u>	<u>383,157</u>	<u>-</u>	<u>-</u>	<u>2,633,383</u>
Other expenses:						
Professional fees	71,433	11,131	14,059	-	-	96,623
Supplies	354,718	55,273	69,811	-	-	479,802
Telephone	32,432	5,054	6,383	-	-	43,869
Postage and shipping	5,917	922	1,164	-	-	8,003
Occupancy	239,593	37,334	47,154	-	-	324,081
Rent and maintenance of equipment	75,389	11,747	14,837	-	-	101,973
Printing and publications	33,165	5,168	6,527	-	-	44,860
Travel	118,854	18,520	23,391	-	-	160,765
Conference and meetings	54,309	8,463	10,688	-	-	73,460
Specific assistance to individuals	19,377	3,019	3,814	-	-	26,210
Recognition awards	114,756	17,882	22,585	-	-	155,223
Cost of products sold and unit commissions	-	-	-	988,767	-	988,767
Cost of direct benefit to donors	-	-	-	-	105,550	105,550
Interest	36,727	5,723	7,228	-	-	49,678
Insurance	99,386	15,487	19,560	-	-	134,433
Other	186,886	29,121	36,781	-	-	252,788
Total other expenses	<u>1,442,942</u>	<u>224,844</u>	<u>283,982</u>	<u>988,767</u>	<u>105,550</u>	<u>3,046,085</u>
Expenses before depreciation	3,389,802	528,210	667,139	988,767	105,550	5,679,468
Depreciation of building and equipment	<u>277,028</u>	<u>43,167</u>	<u>54,521</u>	<u>-</u>	<u>-</u>	<u>374,716</u>
Total functional expenses	<u>\$ 3,666,830</u>	<u>\$ 571,377</u>	<u>\$ 721,660</u>	<u>\$ 988,767</u>	<u>\$ 105,550</u>	<u>\$ 6,054,184</u>
Expenses included with revenue statement of activities:						
Cost of products sold and unit commissions	-	-	-	(988,767)	-	(988,767)
Cost of direct benefit to donors	-	-	-	-	(105,550)	(105,550)
Total expenses included in the on the statement of activities	<u>\$ 3,666,830</u>	<u>\$ 571,377</u>	<u>\$ 721,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,959,867</u>

The accompanying notes are an integral part of these financial statements

OCCONEECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	Support Services		Product Sales Cost of Sales	Cost of Direct Benefit to Donors	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	1,758,310	287,603	412,230	-	-	2,458,143
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
Cost of products sold and unit commissions	-	-	-	921,998	-	921,998
Cost of direct benefit to donors	-	-	-	-	79,447	79,447
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	1,315,595	279,393	308,437	921,998	79,447	2,904,870
Expenses before depreciation	3,073,905	566,996	720,667	921,998	79,447	5,363,013
Depreciation of building and equipment	289,119	47,291	67,783	-	-	404,193
Total functional expenses	<u>\$ 3,363,024</u>	<u>\$ 614,287</u>	<u>\$ 788,450</u>	<u>\$ 921,998</u>	<u>\$ 79,447</u>	<u>\$ 5,767,206</u>
Expenses included with revenue on the statement of activities:						
Cost of products sold and unit commissions	-	-	-	(921,998)	-	(921,998)
Cost of direct benefit to donors	-	-	-	-	(79,447)	(79,447)
Total expenses included in the expense section on the statement of activities	<u>\$ 3,363,024</u>	<u>\$ 614,287</u>	<u>\$ 788,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,765,761</u>

The accompanying notes are an integral part of these financial statements

OCCONEECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.

**Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,230,422	\$ (560,065)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation expense	374,716	404,193
Bad debt expense for pledge receivables	-	64,203
Realized loss (gain) on investments	(551,490)	278,330
Contributions restricted for long-term purposes	-	(110,000)
Loss (gain) on sale of assets	1,614	(56,301)
Adjustments for changes in assets and liabilities		
Accounts receivable	78,010	69,653
Contributions receivable	(269,608)	81,337
Inventory	205	33,029
Prepaid expenses	40,706	(24,809)
Accrued expenses and payroll	(132,335)	92,296
Scholarships payable	18,723	(24,125)
Custodial accounts	(40,595)	7,680
Deferred revenues	12,423	(16,104)
	<hr/>	<hr/>
Net cash provided (used) by operating activities	762,791	239,317
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,975,741)	(1,892,438)
Proceeds from sale of investments	3,441,159	1,341,943
Purchases of assets	(88,532)	(165,442)
Proceeds from sale of assets	52,805	114,051
	<hr/>	<hr/>
Net cash provided (used) in investing activities	(570,309)	(601,886)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(286,270)	(219,227)
Proceeds from notes payable	-	10,855
Contributions collected, restricted for long-term purposes	-	110,000
Payments on line of credit, net of draws	(177,132)	185,403
	<hr/>	<hr/>
Net cash provided (used) by financing activities	(463,402)	87,031
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(270,920)	(275,538)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	839,260	1,114,798
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 568,340	\$ 839,260
	<hr/>	<hr/>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 49,678	\$ 58,922
	<hr/>	<hr/>

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, 2019 and 2018

Note 1 - Nature of Operation and Significant Accounting Policies

Nature of Operation

The Occoneechee Council, Inc. Boy Scouts of America (the Council) is a not-for-profit organization, incorporated in the State of North Carolina, and operating under the charter granted by the Boy Scouts of America, National Council.

The Council is headquartered in Raleigh, North Carolina, and serves twelve surrounding counties through the delivery of a high-quality Scouting program to over 12,200 youth and 6,500 volunteer adults. As a local Council, it is the organization's mission to serve others by helping instill values in young people to prepare them to make ethical choices and achieve their full potential. The Council's Scouting programs are:

Lion Cubs (boys and girls in Kindergarten)

The Lion is a family-oriented program for Kindergarten-aged boys or girls and their families. Through the Lion program, the youth and their parents are introduced to the fun and adventure of Scouting through hands-on activities. A group of six to eight boys or girls and their adult partners meet together in a group called a den.

Tiger Cubs (boys and girls in first grade)

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 Cub den is part of the Cub Scout pack.

Cub Scouts (boys and girls ages 7-10)

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

Scouts BSA (Boys and girls ages 11-18)

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

Venturing (co-ed ages 14-21)

Provides experiences to help young men and women become mature, responsible, caring adults. Young teens learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scouts 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.

The Council operates three camping facilities: Durant Scout Camp, Camp Reeves and Camp Campbell.

The Council supports over 400 community-based organizations operating local Scouting units within the Council's geographical area. These organizations include religious, educational, civic, fraternal, labor groups, governments and professional associations. The financial statements do not reflect any items of revenue, expense, assets or liabilities of these individual local Scouting units that are independent and not supported financially by the Council.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

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

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 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.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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

Use of estimates

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.

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, 2019 and 2018.

Interfund Loans

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

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 and Related Depreciation

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, 2019 and 2018

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, 2019 and 2018.

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

Revenue from Exchange Transactions: The Council recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

Revenue Recognition (Continued)

The Council records the following exchange transaction revenue in its (consolidated) statements of activities and changes in net assets for the years ending December 31, 2019 and 2018:

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 of 30% 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 BSA units are allowed to purchase popcorn “on account” with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail’s End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its consolidated statements of activities and changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions paid to the unit.

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

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 1 - Nature of Operation and 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 statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Council separately presents in its consolidated statements of activities and changes in net assets or notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as deferred revenue and recognized as special event revenue after delivery of the event.

Other Revenue: 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, 2019 and 2018, contributions receivable were net of an allowance for uncollectible pledges of \$65,000 and \$95,526, respectively.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

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.

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.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

Fair Value Measurement (Continued)

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.

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.

Functional expenses

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.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

Income Taxes

The Council is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and is exempt from federal and state taxes. The trust fund is a 509(a)(3) Type II supporting organization. The Council evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. No uncertain tax positions were identified by the Council as of December 31, 2019 and 2018.

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

Advertising Costs

Advertising costs are expensed when incurred and immaterial for the years ended December 31, 2019 and 2018.

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.

Accounting Pronouncements Adopted

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

During the year, the Council also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2019 are presented under FASB ASU 2018-08.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In 2019, the Council adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows* (Topic 230). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Council has applied the provisions of ASU 2016-18 to retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

Effective for the Council in 2019, FASB ASU 2016-01, *Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825-10) allows an NFP to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with FASB ASC 820-10-35-59, at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The FASB ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Council's 2018 and 2019 financial statements.

Recently Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

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

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:

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 2 - Fair Value Measurement (Continued)

December 31, 2019	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,393,015	\$ -	\$ -	\$ 2,393,015
Common stock	10,957	-	-	10,957
Exchange traded products	1,305,614	-	-	1,305,614
Total investments	\$ 3,709,586	\$ -	\$ -	\$ 3,709,586

December 31, 2018	Level 1	Level 2	Level 3	Total
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

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 1.55% in 2019 and 2018.

Contributions receivable consist of the following as of December 31:

	Due in one year		Due after one year	
	2019	2018	2019	2018
United Way allocations	\$ -	23,600	\$ -	\$ -
Friends of Scouting	243,845	20,994	-	-
Other unrestricted promises	7,650	9,500	-	-
Restricted to capital	160,261	229,200	386,810	245,000
Restricted to endowment	10,328	10,994	10,200	10,200
Rounding	-	(2)	-	-
Less discounts to present value	-	-	(11,037)	(11,037)
Total contributions receivable	\$ 422,084	\$ 294,286	\$ 385,973	\$ 244,163

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.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 3 - Contributions Receivable (continued)

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, 2019.

Note 4 - Prepaid Expenses

Prepaid expenses at December 31 consist of the following:

	2019	2018
Activities	\$ 8,101	\$ 54,481
Insurance policies and other	65,873	60,199
Total prepaid expenses and other assets	\$ 73,974	\$ 114,680

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.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 5 - Endowment Fund (continued)

Changes in the endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

Non-board designated net assets without restrictions:		
Gain (loss) on investments	\$ 560,814	\$ (286,277)
Other revenues	(872)	-
Appropriation of endowment assets for expenditure	(94,953)	(54,086)
Change for the year	<u>464,989</u>	<u>(340,363)</u>
Balance, beginning of year	(167,218)	173,145
Balance, end of year	<u>297,771</u>	<u>(167,218)</u>
Donor-restricted funds, perpetual:		
Contributions	294,076	345,834
Balance, beginning of year	<u>3,109,309</u>	<u>2,763,475</u>
Balance, end of year	<u>3,403,385</u>	<u>3,109,309</u>
Total Endowment net assets	<u>\$ 3,701,156</u>	<u>\$2,942,091</u>

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.

Note 6 - Investment Return

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

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating fund	\$ 156,309	\$ 100,040	\$ (4,057)	\$ 697
Operating fund investment fees	(150)	(562)	-	-
Capital fund	1,759	-	-	7,250
Endowment fund	<u>5,267</u>	<u>-</u>	<u>555,547</u>	<u>(286,277)</u>
Total	<u>\$ 163,185</u>	<u>\$ 99,478</u>	<u>\$ 551,490</u>	<u>\$ (278,330)</u>

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 7 - Land, Buildings and Equipment

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

	2019	2018
Land	\$ 1,035,089	\$1,035,089
Land improvements	3,506,966	3,550,384
Equipment	1,151,460	1,499,386
Motor vehicles	168,438	175,588
Building and improvements	5,914,888	6,272,788
Construction-in-progress	165,825	217,234
	<u>11,942,666</u>	<u>12,750,469</u>
Less accumulated depreciation	<u>(5,176,450)</u>	<u>(5,643,650)</u>
Land, building, and equipment, net	<u>\$ 6,766,216</u>	<u>\$7,106,819</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, 2019, 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 Council sold the land 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.

Note 8 - Line of Credit

The Council has entered into 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 (4.75% and 5.50% at December 31, 2019 and 2018, respectively) with all unpaid principal and interest due December 15, 2019. The line of credit was renewed through April 2020 before year end. The outstanding balance on this line of credit at December 31, 2019 and 2018 was \$46,739 and \$223,871, 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. The debt covenants were met at December 31, 2019.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 9 - Notes Payable

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Note payable to a financial institution due in 48 monthly installments of \$150 at 0% interest maturing in 2022. Note is collateralized by equipment.	\$ 1,804	\$ 1,654	\$ 2,857	\$ 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	1,853	1,378
Note payable to a financial institution in 59 monthly installments of \$13,525 including interest at 3.20% maturing December 2022.	<u>123,877</u>	<u>123,877</u>	<u>771,841</u>	<u>1,046,111</u>
	<u>\$ 125,681</u>	<u>\$ 136,351</u>	<u>\$ 776,551</u>	<u>\$ 1,052,151</u>

Future minimum payments for the notes payable are as follows:

2020	\$ 125,681
2021	133,854
2022	<u>642,697</u>
	<u>\$ 902,232</u>

The Council paid \$49,678 and \$58,922 in interest on the notes payable for the years ended December 31, 2019 and 2018, respectively.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 10—Deferred Revenue

The activity and balances for deposits and deferred revenue from contracts with customers are shown in the following table:

	Activities	Special Events	Other	Total
Balance at January 1, 2018	\$ 54,882	\$ -	\$ 500	\$ 55,382
Revenue recognized	(54,882)	-	(500)	(55,382)
Payments received for future obligations	39,278	-	-	39,278
Balance at December 31, 2018	39,278	-	-	39,278
Revenue recognized	(39,278)	-	-	(39,278)
Payments received for future obligations	56,410	(4,709)	-	51,701
Balance at December 31, 2019	<u>\$ 56,410</u>	<u>\$ (4,709)</u>	<u>\$ -</u>	<u>\$ 51,701</u>

Note 11 – 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, 2019 and 2018, the board designated net assets without restrictions for endowment purposes of \$258,280 and \$258,280, 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 perpetuity by the Council, and are composed of the following as of December 31:

	2019	2018
<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
Friends of Scouting Campaigns	187,200	98,120
Special Event	23,750	11,250
Blue Cross Blue Shield	160,000	160,000
Free to Grow	1,390,114	515,500
Woodbadge Courtyard	4,120	4,120
William C. Etheridge	50,000	50,000
Order of the Arrow Building	31,030	31,030
Fishing Center	16,805	16,805
Total purpose restrictions	<u>\$ 1,864,019</u>	<u>\$ 911,425</u>

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 11 – Net Assets (Continued)

Net Assets with donor restrictions (Continued)

	2019	2018
<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	463,374	443,374
1910, Heritage Society contributions and Second Century contributions	518,921	513,921
John McDonald Carter Estate Bequest	1,326,919	1,326,919
Noah D. Spivey Heart Fund	45,299	45,299
Legacies	10,000	10,000
Auction	237,193	118,305
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	\$ 3,253,197	\$3,109,309

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, 2019 and 2018, there are no deficits reported.

Note 12 - 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 2019 and 2018 fiscal years amounted to \$117,194 and \$123,567, respectively, which are included in other revenue in the consolidated statements of changes in net assets.

Note 13 – 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 \$85,442 and \$37,877 to the Thrift Plan for the years ended December 31, 2019 and 2018, respectively.

OCCONEECHEE COUNCIL OF THE BOY SCOUTS OF AMERICA, INC.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 13 – 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. Effective December 31, 2018, the plan was frozen to employees with less than 15 years of vesting service, and whose age plus vesting service equaled less than 60 as of December 31, 2018 (non-grandfathered employees). Employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 (grandfathered employees) contribute 4.25 percent of compensation to the plan. The Council contributes 7.75 percent of eligible employees’ compensation to the BSA retirement program. Pension expense (excluding the contributions made by employees) was approximately \$63,611 and \$120,326 in 2019 and 2018, respectively, and covered current service cost. The actuarial information for the plan as of February 1, 2019, indicates that it is in compliance with ERISA regulations regarding funding.

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, 2019, the Council remitted approximately \$219,436 and \$180,910, respectively, on behalf of its employees to the National Council related to the health care plan.

Note 14 - Lease Commitments

The Council has entered into several non-cancelable operating leases for various pieces of equipment. Rent expense totaled \$57,473 and \$63,762 for the years ended December 31, 2019 and 2018, 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
2020	\$ 37,219
2021	28,412
2022	2,394
	\$ 68,025

Note 15 - 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, 2019 and 2018, 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, 2019 and 2018

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:

	<u>2019</u>	<u>2018</u>
Cash - operating fund	\$ 506,204	296,591
Contribution receivable (current) - operating fund	251,495	54,092
Accounts receivable - operating fund	110,551	186,378
Accrued expenses and payroll	<u>(107,524)</u>	<u>(239,859)</u>
Total financial assets available to meet general expenditures and liabilities within the next 12 months	<u>\$ 760,726</u>	<u>\$ 297,202</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 - 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 June 5, 2020, which is the date the financial statements were available to be issued.

After year end, in April 2020, the Council’s line of credit expired and they renewed it for one year with no change to the interest rate.

As of the date of issuance of the Company’s audit, there is a pandemic situation regarding the COVID-19 virus. The Company is monitoring the effect of this pandemic on its financial operations. In order to mitigate the financial effects of the virus, subsequent to year-end, the Council applied for and received a PPP Loan from the federal government in the amount of approximately \$461,800. The Council intends to seek forgiveness of this loan in accordance with the provision of the CARES act. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

No other significant events or transactions were identified that would require adjustment or disclosure in the financial statements.

Supplementary Information

OCCONEECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.
Consolidated Statements of Financial Position - Fund Basis
December 31, 2019
(with Comparative Totals as of December 31, 2018)

	2019			2018	
	Operating Fund	Capital Fund	Endowment Fund	Total	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 506,204	\$ 60,017	\$ 2,119	\$ 568,340	\$ 839,260
Accounts receivable	110,551	87	98	110,736	188,746
Contributions receivable, net of allowance	251,495	160,261	10,328	422,084	294,286
Inventory	27,192	-	-	27,192	27,397
Prepaid expenses	65,873	6,101	2,000	73,974	114,680
Interfund amounts receivable (payable) - current	74,110	(66,989)	(7,121)	-	-
Total current assets	<u>1,035,425</u>	<u>159,477</u>	<u>7,424</u>	<u>1,202,326</u>	<u>1,464,369</u>
Non-current assets:					
Contributions receivable, net of discount factor	-	375,773	10,200	385,973	244,163
Investments	-	2,327	3,683,532	3,685,859	2,599,673
Long-term investments - restricted for Eagle scholarships	23,727	-	-	23,727	23,841
Land, buildings and equipment, net	-	6,766,216	-	6,766,216	7,106,819
Total non-current assets	<u>23,727</u>	<u>7,144,316</u>	<u>3,693,732</u>	<u>10,861,775</u>	<u>9,974,496</u>
Total assets	<u>\$ 1,059,152</u>	<u>\$ 7,303,793</u>	<u>\$ 3,701,156</u>	<u>\$ 12,064,101</u>	<u>\$ 11,438,865</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Notes payable, current portion	\$ -	\$ 125,681	\$ -	\$ 125,681	\$ 136,351
Line of credit	46,739	-	-	46,739	223,871
Accrued expenses and payroll	107,524	-	-	107,524	239,859
Scholarships payable, current portion	42,000	-	-	42,000	42,000
Custodial accounts	278,464	-	-	278,464	319,059
Deferred income	51,701	-	-	51,701	39,278
Total current liabilities	<u>526,428</u>	<u>125,681</u>	<u>-</u>	<u>652,109</u>	<u>1,000,418</u>
Non-current liabilities:					
Scholarships payable, net of current portion	109,000	-	-	109,000	90,277
Notes payable, net of current portion	-	776,551	-	776,551	1,052,151
Total non-current liabilities	<u>109,000</u>	<u>776,551</u>	<u>-</u>	<u>885,551</u>	<u>1,142,428</u>
Total liabilities	<u>635,428</u>	<u>902,232</u>	<u>-</u>	<u>1,537,660</u>	<u>2,142,846</u>
Net Assets:					
Without donor restrictions					
Undesignated	90,123	(842,653)	297,771	(454,759)	(643,032)
Investment in property and equipment	-	5,863,984	-	5,863,984	5,918,317
Total net assets without restrictions	<u>90,123</u>	<u>5,021,331</u>	<u>297,771</u>	<u>5,409,225</u>	<u>5,275,285</u>
With donor restrictions					
	<u>333,601</u>	<u>1,380,230</u>	<u>3,403,385</u>	<u>5,117,216</u>	<u>4,020,734</u>
Total net assets	<u>423,724</u>	<u>6,401,561</u>	<u>3,701,156</u>	<u>10,526,441</u>	<u>9,296,019</u>
Total liabilities and net assets	<u>\$ 1,059,152</u>	<u>\$ 7,303,793</u>	<u>\$ 3,701,156</u>	<u>\$ 12,064,101</u>	<u>\$ 11,438,865</u>

OCCONEECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.
Consolidated Statements of Changes in Net Assets - Fund Basis
December 31, 2019
(with Comparative Totals as of December 31, 2018)

	2019			2018	
	Operating Fund	Capital Fund	Endowment Fund	Total	Total
Changes in net assets without restrictions					
Support and revenue:					
Direct support					
Friends of Scouting	\$ 1,542,599	\$ -	\$ -	\$ 1,542,599	\$ 1,258,670
Capital Campaign	-	-	-	-	24,000
Special events, net	447,733	-	-	447,733	329,005
Less cost of direct benefit	(105,550)	-	-	(105,550)	(79,447)
Net special events	342,183	-	-	342,183	249,558
Legacies and bequests	196,561	-	-	196,561	2,760
Foundations and trusts	347,042	-	-	347,042	340,219
Other direct support	43,525	250	-	43,775	139,353
Total direct support	2,471,910	250	-	2,472,160	2,014,560
Indirect support					
United Way	44,160	-	-	44,160	49,936
Other indirect support	19,038	-	-	19,038	34,460
Total indirect support	63,198	-	-	63,198	84,396
Revenue					
Product sales:					
Product sales - gross	1,656,799	-	-	1,656,799	1,607,488
Less cost of goods sold	(489,144)	-	-	(489,144)	(433,004)
Less commissions paid to unites	(499,623)	-	-	(499,623)	(488,994)
Net product sales	668,032	-	-	668,032	685,490
Camping revenues	618,623	-	-	618,623	604,650
Activity revenues	263,559	-	-	263,559	226,783
Investment income (loss), net	152,102	1,759	560,814	714,675	(178,852)
Other revenues	163,547	(3,300)	(872)	159,375	205,482
Total revenue	1,865,863	(1,541)	559,942	2,424,264	1,543,553
Net Assets released from restrictions					
Reclass Friends of Scouting	198,775	-	-	198,775	174,025
Reclass United Way	-	-	-	-	25,000
Reclass other direct support	-	-	-	-	3,700
Total reclassification of net assets	198,775	-	-	198,775	202,725
Total support, revenue, and reclassifications	4,599,746	(1,291)	559,942	5,158,397	3,845,234
Expenses:					
Program services	3,271,191	370,296	25,344	3,666,831	3,363,024
Support services					
Management and general	509,726	57,701	3,949	571,376	614,287
Fundraising	643,795	72,876	4,988	721,659	788,450
Total support services	1,153,521	130,577	8,937	1,293,035	1,402,737
Charter and national service fee	64,591	-	-	64,591	62,807
Total expenses	4,489,303	500,873	34,281	5,024,457	4,828,568
Change in net assets without restrictions	110,443	(502,164)	525,661	133,940	(983,334)

OCCONEECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.
Consolidated Statements of Changes in Net Assets - Fund Basis (Continued)
December 31, 2019
(with Comparative Totals as of December 31, 2018)

	2019			2018	
	Operating Fund	Capital Fund	Endowment Fund	Total	Total
Changes in net assets with restrictions					
Support and revenue:					
Direct support					
Friends of Scouts, net	\$ 398,406	\$ -	\$ -	\$ 398,406	\$ 101,060
Capital campaign	-	602,775	-	602,775	100,500
Special events, net	-	-	171,252	171,252	52,945
Other direct support	-	-	122,824	122,824	347,889
Total direct support	<u>398,406</u>	<u>602,775</u>	<u>294,076</u>	<u>1,295,257</u>	<u>602,394</u>
Indirect support					
United Way	-	-	-	-	23,600
Net Assets released from restrictions:					
Reclass Friends of Scouting	(198,775)	-	-	(198,775)	(174,025)
Reclass United Way	-	-	-	-	(25,000)
Reclass other direct support	-	-	-	-	(3,700)
Total reclassification of net assets	<u>(198,775)</u>	<u>-</u>	<u>-</u>	<u>(198,775)</u>	<u>(202,725)</u>
Total support, revenue, and reclassifications	<u>199,631</u>	<u>602,775</u>	<u>294,076</u>	<u>1,096,482</u>	<u>423,269</u>
Change in net assets with restrictions	199,631	602,775	294,076	1,096,482	423,269
Change in total net assets before transfers	310,074	100,611	819,737	1,230,422	(560,065)
Transfers	85,504	(24,832)	(60,672)	-	-
Change in total net assets	395,578	75,779	759,065	1,230,422	(560,065)
Net assets, beginning 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, beginning 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>
Net assets, end of year					
Without restrictions	90,123	5,021,331	297,771	5,409,225	5,275,285
With restrictions	333,601	1,380,230	3,403,385	5,117,216	4,020,734
Total net assets, end of year	<u>\$ 423,724</u>	<u>\$ 6,401,561</u>	<u>\$ 3,701,156</u>	<u>\$ 10,526,441</u>	<u>\$ 9,296,019</u>

OCCONEECHEE COUNCIL OF BOY SCOUTS OF AMERICA, INC.
Consolidated Statements of Cash Flows - Fund Basis
December 31, 2019
(with Comparative Totals as of December 31, 2018)

	2019			2018	
	Operating Fund	Capital Fund	Endowment Fund	Total	Total
Cash flows from operating activities					
Change in net assets	\$ 395,578	\$ 75,779	\$ 759,065	\$ 1,230,422	\$ (560,065)
Non-cash adjustments:					
Depreciation expense	-	374,716	-	374,716	404,193
Bad debt expense for pledge receivables	-	-	-	-	64,203
Net loss (gain) on investments	4,057	-	(555,547)	(551,490)	278,330
Contributions restricted for long-term purposes	-	-	-	-	(110,000)
Loss (gain) on sale of assets	-	1,614	-	1,614	(56,301)
Adjustments for changes in assets and liabilities					
Accounts receivable	75,827	2,190	(7)	78,010	69,653
Contributions receivable	(197,403)	(72,871)	666	(269,608)	81,337
Inventory	205	-	-	205	33,029
Prepaid expenses	41,265	1,441	(2,000)	40,706	(24,809)
Interfund amounts receivable/payable	182,523	(163,469)	(19,054)	-	-
Accrued expenses and payroll	(101,915)	(30,420)	-	(132,335)	92,296
Scholarships payable	18,723	-	-	18,723	(24,125)
Custodial accounts	(40,595)	-	-	(40,595)	7,680
Deferred income	12,423	-	-	12,423	(16,104)
Net cash provided (used) by operating activities	390,688	188,980	183,123	762,791	239,317
Cash flows from investing activities					
Purchase of investments	(3,943)	-	(3,971,798)	(3,975,741)	(1,892,438)
Proceeds from sale of investments	-	-	3,441,159	3,441,159	1,341,943
Purchase of assets	-	(88,532)	-	(88,532)	(165,442)
Proceeds from sale of assets	-	52,805	-	52,805	114,051
Net cash (used in) provided by investing activities	(3,943)	(35,727)	(530,639)	(570,309)	(601,886)
Cash flows from financing activities					
Payments on notes payable	-	(286,270)	-	(286,270)	(219,227)
Proceeds from notes payable	-	-	-	-	10,855
Contributions collected, restricted for long-term purposes	-	-	-	-	110,000
Draws on line of credit, net of payments	(177,132)	-	-	(177,132)	185,403
Net cash (used) provided by financing activities	(177,132)	(286,270)	-	(463,402)	87,031
Net change in cash and cash equivalents	209,613	(133,017)	(347,516)	(270,920)	(275,538)
Cash and cash equivalents, beginning of year	296,591	193,034	349,635	839,260	1,114,798
Cash and cash equivalents, end of year	<u>\$ 506,204</u>	<u>\$ 60,017</u>	<u>\$ 2,119</u>	<u>\$ 568,340</u>	<u>\$ 839,260</u>
Supplemental disclosure of cash flow information					
Cash paid during the year for interest	<u>\$ 13,256</u>	<u>\$ 36,422</u>	<u>\$ -</u>	<u>\$ 49,678</u>	<u>\$ 58,922</u>