



***MINSI TRAILS COUNCIL, INC.,
BOY SCOUTS OF AMERICA***

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Minsi Trails Council, Inc., Boy Scouts of America
Allentown, Pennsylvania**

We have audited the accompanying consolidated financial statements of Minsi Trails Council, Inc., Boy Scouts of America (a nonprofit organization) and its affiliate, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Weygadt Trust, an affiliate, which statements reflect total assets of \$5,588,315 and \$4,795,907 as of December 31, 2019 and 2018, respectively, and total revenues and gains (losses) of \$795,408 and (\$436,369) respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Weygadt Trust, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 in the first paragraph present fairly, in all material respects, the financial position of Minsi Trails Council, Inc., Boy Scouts of America and its affiliate as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Herbein + Company, Inc.

Reading, Pennsylvania

June 11, 2020

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2019				December 31, 2018			
	Operating Fund	Capital Fund	Endowment Fund	Totals	Operating Fund	Capital Fund	Endowment Fund	Totals
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 354,578	\$ 84,097	\$ 222,324	\$ 660,999	\$ 376,710	\$ 85,406	\$ 399,453	\$ 861,569
Restricted custodial cash	184,495	-	-	184,495	162,029	-	-	162,029
Accounts receivable	16,887	41,089	-	57,976	22,538	6,975	32,957	62,470
Contributions receivable - current, net	208,490	-	30,365	238,855	170,653	-	150,000	320,653
Inventory	64,813	-	-	64,813	70,289	-	-	70,289
Deferred activity expenses	3,600	-	-	3,600	7,260	-	-	7,260
Prepaid expenses	9,878	-	-	9,878	8,468	-	-	8,468
TOTAL CURRENT ASSETS	842,741	125,186	252,689	1,220,616	817,947	92,381	582,410	1,492,738
NONCURRENT ASSETS								
Contributions receivable - future, net	169,105	-	541	169,646	204,870	-	9,811	214,681
Land, buildings, and equipment, net	-	5,985,611	-	5,985,611	-	6,042,582	-	6,042,582
Cash surrender value life insurance	-	-	16,308	16,308	-	-	14,737	14,737
Beneficial interest in charitable gift annuities	-	-	559,968	559,968	-	-	380,946	380,946
Beneficial interest in perpetual trusts	-	-	36,226	36,226	-	-	31,459	31,459
Long-term investments	-	-	3,874,869	3,874,869	-	-	3,191,340	3,191,340
Investments held in trust	-	-	5,588,315	5,588,315	-	-	4,795,907	4,795,907
TOTAL NONCURRENT ASSETS	169,105	5,985,611	10,076,227	16,230,943	204,870	6,042,582	8,424,200	14,671,652
TOTAL ASSETS	\$ 1,011,846	\$ 6,110,797	\$ 10,328,916	\$ 17,451,559	\$ 1,022,817	\$ 6,134,963	\$ 9,006,610	\$ 16,164,390
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable	\$ 52,512	\$ -	\$ -	\$ 52,512	\$ 44,529	\$ 13,609	\$ -	\$ 58,138
Accrued expenses	45,822	-	43,689	89,511	69,256	1,173	44,358	114,787
Custodial accounts	184,495	-	-	184,495	162,029	-	-	162,029
Deferred activity revenue	2,755	-	-	2,755	5,369	-	-	5,369
Deferred camping revenue	37,579	-	-	37,579	57,196	-	-	57,196
Current portion of long-term debt	-	133,492	-	133,492	-	130,018	-	130,018
TOTAL CURRENT LIABILITIES	323,163	133,492	43,689	500,344	338,379	144,800	44,358	527,537
LONG-TERM DEBT, NET	-	1,145,225	-	1,145,225	-	1,276,232	-	1,276,232
TOTAL LIABILITIES	323,163	1,278,717	43,689	1,645,569	338,379	1,421,032	44,358	1,803,769
NET ASSETS								
Without donor restrictions	321,467	4,773,927	1,983,123	7,078,517	311,784	4,674,632	1,754,467	6,740,883
With donor restrictions	367,216	58,153	8,302,104	8,727,473	372,654	39,299	7,207,785	7,619,738
TOTAL NET ASSETS	688,683	4,832,080	10,285,227	15,805,990	684,438	4,713,931	8,962,252	14,360,621
TOTAL LIABILITIES AND NET ASSETS	\$ 1,011,846	\$ 6,110,797	\$ 10,328,916	\$ 17,451,559	\$ 1,022,817	\$ 6,134,963	\$ 9,006,610	\$ 16,164,390

See accompanying notes.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2019

	Operating Fund		Capital Fund		Endowment Fund		Totals	Comparative Totals 2018
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
SUPPORT AND REVENUE								
DIRECT SUPPORT								
Friends of Scouting	\$ 428,532	\$ 99,287	\$ -	\$ -	\$ -	\$ -	\$ 527,819	\$ 741,388
Special events	1,077,435	6,500	-	-	-	-	1,083,935	846,390
Less cost of direct benefit	(174,022)	-	-	-	-	-	(174,022)	(154,218)
Special events, net	903,413	6,500	-	-	-	-	909,913	692,172
Capital campaign	-	-	-	32,751	-	-	32,751	31,908
Legacies and bequests	-	-	-	-	1,571	39,500	41,071	230,938
Foundations and trusts	97,760	40,050	-	-	-	-	137,810	186,766
Other direct support	8,320	-	-	-	-	4,095	12,415	48,106
TOTAL DIRECT SUPPORT	1,438,025	145,837	-	32,751	1,571	43,595	1,661,779	1,931,278
INDIRECT SUPPORT								
United Way	60,735	-	-	-	-	-	60,735	56,692
TOTAL SUPPORT	1,498,760	145,837	-	32,751	1,571	43,595	1,722,514	1,987,970
REVENUE								
Camping	1,181,900	-	-	-	-	-	1,181,900	1,379,687
Activities	211,359	-	-	-	-	-	211,359	174,420
Other revenue	91,794	-	47	-	-	-	91,841	342,123
Sale of supplies	1,605	-	-	-	-	-	1,605	379
Less cost of goods sold	(2,028)	-	-	-	-	-	(2,028)	(1,059)
Sale of supplies, net	(423)	-	-	-	-	-	(423)	(680)
Product sales	707,722	-	-	-	-	-	707,722	759,619
Less cost of goods sold	(214,730)	-	-	-	-	-	(214,730)	(229,030)
Less commissions paid to units	(266,065)	-	-	-	-	-	(266,065)	(285,930)
Product sales, net	226,927	-	-	-	-	-	226,927	244,659
Investment return, net	136,270	-	1,485	-	412,791	1,082,011	1,632,557	(509,614)
Changes in value of gift annuities receivable	-	-	-	-	-	179,022	179,022	(108,739)
Changes in value of beneficial interest in perpetual trusts	-	-	-	-	-	4,767	4,767	(1,457)
TOTAL REVENUE	1,847,827	-	1,532	-	412,791	1,265,800	3,527,950	1,520,399
NET ASSETS RELEASED FROM RESTRICTIONS								
Satisfaction of restrictions	151,275	(151,275)	13,897	(13,897)	215,076	(215,076)	-	-
TOTAL SUPPORT AND REVENUE	3,497,862	(5,438)	15,429	18,854	629,438	1,094,319	5,250,464	3,508,369
EXPENSES								
Program services	2,821,859	-	386,364	-	9	-	3,208,232	3,263,918
Supporting services:								
Management and general	165,111	-	8,079	-	2	-	173,192	242,699
Fundraising	366,076	-	4,210	-	1	-	370,287	309,721
Total functional expenses	3,353,046	-	398,653	-	12	-	3,751,711	3,816,338
Charter and national service fee	53,384	-	-	-	-	-	53,384	52,284
TOTAL EXPENSES	3,406,430	-	398,653	-	12	-	3,805,095	3,868,622
INCREASE (DECREASE) IN NET ASSETS	91,432	(5,438)	(383,224)	18,854	629,426	1,094,319	1,445,369	(360,253)
NET ASSETS AT BEGINNING OF YEAR	311,784	372,654	4,674,632	39,299	1,754,467	7,207,785	14,360,621	14,720,874
Transfers	(81,749)	-	482,519	-	(400,770)	-	-	-
NET ASSETS AT END OF YEAR	\$ 321,467	\$ 367,216	\$ 4,773,927	\$ 58,153	\$ 1,983,123	\$ 8,302,104	\$ 15,805,990	\$ 14,360,621

See accompanying notes.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2018

	Operating Fund		Capital Fund		Endowment Fund		Totals
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE							
DIRECT SUPPORT							
Friends of Scouting	\$ 623,964	\$ 117,424	\$ -	\$ -	\$ -	\$ -	\$ 741,388
Special events	846,390	-	-	-	-	-	846,390
Less cost of direct benefit	(154,218)	-	-	-	-	-	(154,218)
Special events, net	692,172	-	-	-	-	-	692,172
Capital campaign	-	-	-	31,908	-	-	31,908
Legacies and bequests	-	-	-	-	122,127	108,811	230,938
Foundations and trusts	163,651	23,115	-	-	-	-	186,766
Other direct support	9,150	-	-	-	(32)	38,988	48,106
TOTAL DIRECT SUPPORT	1,488,937	140,539	-	31,908	122,095	147,799	1,931,278
INDIRECT SUPPORT							
United Way	56,156	536	-	-	-	-	56,692
TOTAL SUPPORT	1,545,093	141,075	-	31,908	122,095	147,799	1,987,970
REVENUE							
Camping	1,379,687	-	-	-	-	-	1,379,687
Activities	174,420	-	-	-	-	-	174,420
Other revenue	95,891	-	246,232	-	-	-	342,123
Sale of supplies	379	-	-	-	-	-	379
Less cost of goods sold	(1,059)	-	-	-	-	-	(1,059)
Sale of supplies, net	(680)	-	-	-	-	-	(680)
Product sales	759,619	-	-	-	-	-	759,619
Less cost of goods sold	(229,030)	-	-	-	-	-	(229,030)
Less commissions paid to units	(285,930)	-	-	-	-	-	(285,930)
Product sales, net	244,659	-	-	-	-	-	244,659
Investment return, net	122,095	-	1,187	-	(286,599)	(346,297)	(509,614)
Changes in value of gift annuities receivable	-	-	-	-	-	(108,739)	(108,739)
Changes in value of beneficial interest in perpetual trusts	-	-	-	-	-	(1,457)	(1,457)
TOTAL REVENUE	2,016,072	-	247,419	-	(286,599)	(456,493)	1,520,399
NET ASSETS RELEASED FROM RESTRICTIONS							
Satisfaction of restrictions	138,430	(138,430)	12,401	(12,401)	106,467	(106,467)	-
TOTAL SUPPORT AND REVENUE	3,699,595	2,645	259,820	19,507	(58,037)	(415,161)	3,508,369
EXPENSES							
Program services	2,858,636	-	405,219	-	63	-	3,263,918
Supporting services:							
Management and general	236,386	-	6,304	-	9	-	242,699
Fundraising	302,520	-	7,192	-	9	-	309,721
Total functional expenses	3,397,542	-	418,715	-	81	-	3,816,338
Charter and national service fee	52,284	-	-	-	-	-	52,284
TOTAL EXPENSES	3,449,826	-	418,715	-	81	-	3,868,622
INCREASE (DECREASE) IN NET ASSETS	249,769	2,645	(158,895)	19,507	(58,118)	(415,161)	(360,253)
NET ASSETS AT BEGINNING OF YEAR	228,015	370,009	4,764,943	19,792	1,715,169	7,622,946	14,720,874
Transfers	(166,000)	-	68,584	-	97,416	-	-
NET ASSETS AT END OF YEAR	\$ 311,784	\$ 372,654	\$ 4,674,632	\$ 39,299	\$ 1,754,467	\$ 7,207,785	\$ 14,360,621

See accompanying notes.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	For the Year Ended December 31, 2019					For the Year Ended December 31, 2018				
	Comprehensive Youth Development	Supporting Services			Totals	Comprehensive Youth Development	Supporting Services			Totals
		Management and General	Fundraising	Total			Management and General	Fundraising	Total	
Salaries and wages	\$ 1,379,400	\$ 109,057	\$ 209,290	\$ 318,347	\$ 1,697,747	\$ 1,399,611	\$ 153,821	\$ 151,096	\$ 304,917	\$ 1,704,528
Employee benefits	215,964	18,514	35,530	54,044	270,008	209,791	25,594	25,140	50,734	260,525
Payroll taxes	124,802	8,778	16,846	25,624	150,426	125,041	12,569	12,346	24,915	149,956
Employee related expenses	350	36	69	105	455	8,387	1,220	1,198	2,418	10,805
TOTAL SALARIES AND RELATED EXPENSES	1,720,516	136,385	261,735	398,120	2,118,636	1,742,830	193,204	189,780	382,984	2,125,814
Professional fees	18,839	2,438	3,718	6,156	24,995	22,392	3,257	3,199	6,456	28,848
Supplies	417,383	2,582	21,635	24,217	441,600	480,095	6,437	37,684	44,121	524,216
Telephone and communications	23,150	1,987	3,814	5,801	28,951	21,212	2,410	2,367	4,777	25,989
Postage and shipping	3,762	240	8,199	8,439	12,201	7,113	786	7,826	8,612	15,725
Occupancy	234,639	2,328	4,894	7,222	241,861	269,662	3,388	3,728	7,116	276,778
Rental and maintenance of equipment	65,279	3,985	7,648	11,633	76,912	44,212	5,167	5,133	10,300	54,512
Publications and media	8,419	-	4,438	4,438	12,857	7,189	-	606	606	7,795
Travel	69,438	4,578	9,080	13,658	83,096	72,434	5,910	5,805	11,715	84,149
Local conferences and meetings	33,604	2,375	5,405	7,780	41,384	46,073	5,180	11,070	16,250	62,323
Special assistance to individuals	54,823	-	-	-	54,823	46,697	-	-	-	46,697
Recognition awards	59,733	2,278	12,072	14,350	74,083	46,206	2,112	15,983	18,095	64,301
Interest expense	35,241	3,557	6,826	10,383	45,624	36,000	5,170	5,079	10,249	46,249
Insurance	68,326	3,983	7,643	11,626	79,952	67,707	5,567	5,468	11,035	78,742
Advertising	23,745	2,347	4,504	6,851	30,596	17,297	2,455	2,411	4,866	22,163
Other expenses	35,768	3,476	7,423	10,899	46,667	5,382	521	12,467	12,988	18,370
FUNCTIONAL EXPENSES BEFORE DEPRECIATION	2,872,665	172,539	369,034	541,573	3,414,238	2,932,501	241,564	308,606	550,170	3,482,671
Depreciation	335,567	653	1,253	1,906	337,473	331,417	1,135	1,115	2,250	333,667
TOTAL FUNCTIONAL EXPENSES	\$ 3,208,232	\$ 173,192	\$ 370,287	\$ 543,479	\$ 3,751,711	\$ 3,263,918	\$ 242,699	\$ 309,721	\$ 552,420	\$ 3,816,338
% of Expenses by Function*	85.51%	4.62%	9.87%		100.00%	85.52%	6.36%	8.12%		100.00%

*Percentage figures after combining allocated and unallocated expenses

See accompanying notes.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2019				For the Year Ended December 31, 2018			
	Operating Fund	Capital Fund	Endowment Fund	Totals	Operating Fund	Capital Fund	Endowment Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in total net assets	\$ 85,994	\$ (364,370)	\$ 1,723,745	\$ 1,445,369	\$ 252,414	\$ (139,388)	\$ (473,279)	\$ (360,253)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	-	337,473	-	337,473	-	333,667	-	333,667
Amortization of deferred financing costs	-	597	-	597	-	597	-	597
Change in value of life insurance policy	-	-	(1,571)	(1,571)	-	-	32	32
Change in value of gift annuities receivable	-	-	(179,022)	(179,022)	-	-	108,739	108,739
Contribution of beneficial interest in perpetual trust	-	-	-	-	-	-	(32,916)	(32,916)
Change in value of beneficial interest in perpetual trust	-	-	(4,767)	(4,767)	-	-	1,457	1,457
Unrealized (gains) losses on unrestricted long-term investments	(136,270)	-	(443,452)	(579,722)	(122,095)	-	336,187	214,092
Permanently restricted contributions - classified as financing activity	-	-	(58,000)	(58,000)	-	-	(59,051)	(59,051)
Contributions restricted for long-term capital needs	(46,920)	-	-	(46,920)	(37,120)	-	-	(37,120)
Changes in:								
Accounts receivable	5,651	(34,114)	32,957	4,494	8,334	(6,975)	(4,032)	(2,673)
Contributions receivable	(2,072)	-	128,905	126,833	29,872	1,000	(46,691)	(15,819)
Inventory	5,476	-	-	5,476	(4,556)	-	-	(4,556)
Deferred activity revenues	3,660	-	-	3,660	(6,550)	-	-	(6,550)
Prepaid expenses	(1,410)	-	-	(1,410)	4,462	-	-	4,462
Accounts payable	7,983	(13,609)	-	(5,626)	12,035	13,609	-	25,644
Accrued expenses	(23,434)	(1,173)	(669)	(25,276)	18,795	(27,752)	39,438	30,481
Custodial accounts	22,466	-	-	22,466	(18,765)	-	-	(18,765)
Deferred activity expenses	(2,614)	-	-	(2,614)	1,496	-	-	1,496
Deferred camping expenses	(19,617)	-	-	(19,617)	22,495	-	-	22,495
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(101,107)	(75,196)	1,198,126	1,021,823	160,817	174,758	(130,116)	205,459
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investments	136,270	-	3,288,135	3,424,405	122,095	-	3,304,575	3,426,670
Unrealized (gains) losses on endowment fund assets	-	-	(107,633)	(107,633)	-	-	58,841	58,841
Purchase of investments	-	-	(4,212,987)	(4,212,987)	-	-	(3,426,565)	(3,426,565)
Purchase of land, buildings, and equipment	-	(280,502)	-	(280,502)	-	(205,887)	-	(205,887)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	136,270	(280,502)	(1,032,485)	(1,176,717)	122,095	(205,887)	(63,149)	(146,941)
CASH FLOWS FROM FINANCING ACTIVITIES								
Contributions restricted for long-term purposes	46,920	-	-	46,920	37,120	-	-	37,120
Receipt of permanently restricted contributions	-	-	58,000	58,000	-	-	59,051	59,051
Principal payments on long-term debt	-	(128,130)	-	(128,130)	-	(128,108)	-	(128,108)
Transfers in (out)	(81,749)	482,519	(400,770)	-	(166,000)	68,584	97,416	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(34,829)	354,389	(342,770)	(23,210)	(128,880)	(59,524)	156,467	(31,937)
NET INCREASE (DECREASE) IN CASH	334	(1,309)	(177,129)	(178,104)	154,032	(90,653)	(36,798)	26,581
CASH AT BEGINNING OF YEAR	538,739	85,406	399,453	1,023,598	384,707	176,059	436,251	997,017
CASH AT END OF YEAR	\$ 539,073	\$ 84,097	\$ 222,324	\$ 845,494	\$ 538,739	\$ 85,406	\$ 399,453	\$ 1,023,598

See accompanying notes.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	For the Year Ended December 31, 2019				For the Year Ended December 31, 2018			
	Operating Fund	Capital Fund	Endowment Fund	Totals	Operating Fund	Capital Fund	Endowment Fund	Totals
RECONCILIATION OF CASH AT END OF YEAR								
Unrestricted	\$ 354,578	\$ 84,097	\$ 222,324	\$ 660,999	\$ 376,710	\$ 85,406	\$ 399,453	\$ 861,569
Restricted cash held in trust	184,495	-	-	184,495	162,029	-	-	162,029
	<u>\$ 539,073</u>	<u>\$ 84,097</u>	<u>\$ 222,324</u>	<u>\$ 845,494</u>	<u>\$ 538,739</u>	<u>\$ 85,406</u>	<u>\$ 399,453</u>	<u>\$ 1,023,598</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION								
Cash paid during the year for interest	\$ -	\$ 45,027	\$ -	\$ 45,027	\$ -	\$ 45,652	\$ -	\$ 45,652
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES								
Vehicle acquired via long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ 20,000

See accompanying notes.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Local Council, Minsi Trails Council (the "Council" or "Council 502"), operates in Allentown, Pennsylvania, including the counties of Lehigh, Northampton, Monroe, Carbon, Luzerne and Warren. The Council has three camping facilities: Minsi, Settlers, and Akelaland. 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 Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys, girls, 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, and to prepare them to make ethical and moral choices over their lifetime and achieve their full potential using the methods which are now in common use by the Boy Scouts of America. In addition to support for organizational and programmatic scouting activities, the National Council of the Boy Scouts of America (the "National Council") provides components of the Council's employee benefit plans (see Note 15) and liability insurance programs, as well as components of the Council's technology, software, and other items.

The Scouting program includes the following:

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 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.

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

Varsity Scouting - Program for young men and women ages 14 to 17 that provides options for those who are looking for rugged, high-adventure, or challenging sporting activities and still want to be a part of a Scouting program that offers the advancement opportunities and values of the Boy Scouts of America. There are five fields of emphasis: advancement, high-adventure sports, personal development, service, and special programs and events.

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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Nature of Organization - continued

Exploring - Provides an interactive, worksite-based career education program of Learning for Life, an affiliate of the Boy Scouts of America. Participants in the program are called Explorers and previously Explorer Scouts. The program serves youth in 6th-8th grades, and young men and women who are 14 through 20 years old.

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

Council 502's website address is www.minsitrails.org.

Principles of Consolidation

The Council has an economic interest in the Minsi Trails Trust (a/k/a Weygadt Trust), which results in the accounts of the Weygadt Trust being consolidated with those of the Council in the accompanying consolidated financial statements.

On December 16, 2010, the executive board of the Minsi Trails Council approved the creation and establishment of the Minsi Trails Council, Boy Scouts of America Trust. The endowment fund assets, which were held in the name of the Council, were transferred to Minsi Trails Council, Boy Scouts of America Trust, herein after referred to as the "Trust," during 2012. The Trust is a revocable trust with Fulton Financial Advisors named as the trustee. The Council has voting control over and an economic interest in the Trust Fund which results in the accounts of the Trust Fund being consolidated with those of the Council. All intercompany balances and transactions have been eliminated in the consolidation. The Council and the Weygadt Trust (the Trust) are herein after collectively referred to as the "Council."

Basis of Accounting

The consolidated financial statements of the Council have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

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

Cash and Investments

The Council considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. 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 popcorn (product) sales and are reported at net realizable value if the amounts are due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2019 and 2018.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions Receivable

Unconditional promises to give (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. No allowance for uncollectible pledges was considered necessary as of December 31, 2019 and 2018.

Inventory

Inventory, which consists primarily of Scouting supplies, is stated at the lower of average cost or net realizable value.

Interfund Loans

The Council records interfund loans on a single line in the asset section of the consolidated statements 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 consolidated statements of financial position.

Investments

Investments with readily determinable fair values are measured at fair value in the statements of financial position. The fair value of investments in the BSA Commingled Fund have been calculated using the net asset value (NAV) of the Council's ownership in the partners' capital. Interest, dividends, realized and unrealized gains and losses on investments, net of fees, are recorded as investment return in the consolidated statements of activities and changes in net assets. Realized gains and losses are determined on a specific identification basis. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restrictions unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair value at the date of the gift. Investments are classified based on their original maturities. Investments with original maturities of less than 12 months are classified as short-term investments.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - continued

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

Land, Buildings, and Equipment and Related Depreciation

Purchased property and equipment are stated at cost. Maintenance and repairs are charged to operations when incurred. Betterments and renewals of \$2,500 or more are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in the change in net assets.

Depreciation of property and equipment and amortization of leasehold improvements are computed using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

<u>Assets</u>	<u>Years</u>
Land improvements	60
Buildings, camp facilities, and improvements	10 - 60
Furniture, fixtures, and equipment	3 - 10
Vehicles	5

Donations of property and equipment are recorded as contributions at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose based on its fair value. Assets donated with explicit restrictions regarding their use, absent donor stipulations regarding how long those donated assets must be maintained, are recorded as net assets with donor restrictions. The Council reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Council reclassifies net assets with donor restrictions that are temporary in nature to net assets without donor restrictions at that time.

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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF 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.

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.

Net Assets

The Council is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Council's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Council has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Council reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Council to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note 12 for more information on the composition of net assets with donor restrictions on the release of restrictions.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. 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:

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

Product sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of % on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council (if applicable). 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 (retained by or paid to the unit). Scout units have the right to return to the Council any unsold product, subject to a return-by date of the last Monday in October. As of December 31, 2019 and 2018, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

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 (shooting sports, canoeing, and adventure sports, for example), which are separately priced. BSA activities such as Wood Badge may involve program supplies, recognition items, and meals, and are also considered to be one performance obligation. Fees collected in advance of delivery of the camp or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the consolidated statements of activities after delivery of the program has occurred. Participants of these programs are entitled to a refund of fees as described by the Council's return policy.

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 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 obligation(s). Accordingly, the Council separately presents in its statements of activities and changes in net assets or notes to consolidated financial statements the exchange and contribution components of the gross proceeds from special events. For special event fees received before year-end for an event to occur after year-end, the Council recognized the component identified as a contribution as revenue with donor restrictions in the year received.

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

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue

The Council recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Council evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Council applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Council evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Council is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Council recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Donated 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 in the net assets without donor restrictions category, 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 in the net assets with donor restrictions category. Per FASB ASU 2016-14 and 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 are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. Some members of the Council have donated significant amounts of time to the Council in furthering its programs and objectives. However, no amounts have been included in the consolidated financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expenses

The costs of providing the Scouting program 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 attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, including the Scout executive's, accounting, information technology personnel, and payroll taxes. The basis of allocation of these expenses is the result of a time study of staff performed every year. The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of four 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.

Advertising Costs

Advertising costs are expensed when incurred. Advertising for 2019 and 2018 amounted to approximately \$30,596 and \$22,163, respectively.

Tax Exempt Status

The Council is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Trust is a 509(a)(3) supporting organization. The Council is subject to federal income tax on any unrelated business taxable income. 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 financial statements. During the years ended December 31, 2019 and 2018, respectively, the Council incurred no penalties and interest. The Council's and Trust's Federal Return of Organization Exempt from Income Tax (Form 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 and Trust's 2019 return had not yet been filed.

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 consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting Pronouncements Adopted - continued

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. 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 consolidated 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 consolidated 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 consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 differ from those estimates.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

In preparing these consolidated financial statements, the Council has evaluated subsequent events and transactions for potential recognition or disclosure through June 11, 2020, the date the consolidated financial statements were available to be issued.

In March 2020, the COVID-19 pandemic reached the Commonwealth of Pennsylvania. At the time, the Governor of Pennsylvania ordered a statewide shutdown of all “non-life sustaining businesses.” As a result of this mandate, effective March 17, 2020, the Council closed its offices and camps to the public and has remained closed through the report date. While the Council has had to postpone or cancel certain activities, the Council made a quick pivot to offer virtual, online programming to keep our youth and families engaged. This includes online merit badge courses, virtual campfire programs, Cub Scout workshops, virtual Troop and Pack meetings, and a virtual summer Scout Camp. At this point in time, the financial impact of the pandemic and the duration of the disruption is unknown to the Council and management continues to monitor the situation.

On April 20, 2020, the Council was approved for a Small Business Administration Paycheck Protection Program Loan in the amount of \$309,400 at a 1.00% fixed interest rate through the United States Small Business Administration, administered by a local bank, as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). No payments are due on this loan for 6 months from the date of the first disbursement of this loan and the loan matures five years from the date of the note. Interest will continue to accrue during the deferment period. The Council will apply for forgiveness of the loan as certain requirements regarding qualifying expenses are met. On June 5, 2020, the Paycheck Protection Flexibility Act was signed into law, which allows the Council and the lender to amend certain terms of the loan in accordance with the Act.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Operating Fund		
Contributions receivable in less than one year	\$ 208,490	\$ 170,653
Contributions receivable in one to five years	173,191	209,976
Less: unamortized discount to present value	<u>(4,086)</u>	<u>(5,106)</u>
	<u>377,595</u>	<u>375,523</u>
Endowment Fund		
Contributions receivable in less than one year	30,365	150,000
Contributions receivable in one to five years	730	10,000
Less: unamortized discount to present value	<u>(189)</u>	<u>(189)</u>
	<u>30,906</u>	<u>159,811</u>
Net contributions receivable at year end	<u>\$ 408,501</u>	<u>\$ 535,334</u>

Contributions receivable that are due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of the five-year Treasury yield at the time of the contribution.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Council records investments at fair value (quoted market price). Investments received through gifts are recorded at estimated fair market value at the date of the donation. The Council invests cash in excess of daily requirements in short-term investments. Long-term investments are held in trust with Fulton Financial Advisors. The investments consist of amounts held in endowment and amounts designated by the executive board for long-term investment. Amounts held by Weygadt Trust (\$5,588,315 and \$4,795,907 as of December 31, 2019 and 2018, respectively) are held in a separate investment pool for the sole benefit of the Council.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Investments

Investments at December 31, 2019, are composed of the following:

	Long-term Investments		Investment Held in Trust		Total	
	Cost	Market	Cost	Market	Cost	Market
<u>Endowment fund</u>						
Cash and equivalents	\$ 208,733	\$ 208,733	\$ 68,342	\$ 68,342	\$ 277,075	\$ 277,075
Fixed income:						
U.S. government bonds	204,914	204,947	-	-	204,914	204,947
International bonds	47,949	49,600	-	-	47,949	49,600
Corporate bonds	105,720	110,456	-	-	105,720	110,456
Domestic and international mutual bond funds	647,715	652,749	1,436,802	1,483,040	2,084,517	2,135,789
Equities:						
Common stocks	564,097	706,158	549,960	825,404	1,114,057	1,531,562
Mutual funds	1,367,493	1,790,228	2,388,304	3,211,529	3,755,797	5,001,757
Liquid real assets/ complementary strategies	153,589	151,998	-	-	153,589	151,998
	<u>\$ 3,300,210</u>	<u>\$ 3,874,869</u>	<u>\$ 4,443,408</u>	<u>\$ 5,588,315</u>	<u>\$ 7,743,618</u>	<u>\$ 9,463,184</u>

Investments at December 31, 2018, are composed of the following:

	Long-term Investments		Investment Held in Trust		Total	
	Cost	Market	Cost	Market	Cost	Market
<u>Endowment fund</u>						
Cash and equivalents	\$ 156,951	\$ 156,951	\$ 55,786	\$ 55,786	\$ 212,737	\$ 212,737
Fixed income:						
U.S. government bonds	90,136	88,909	655,292	656,872	745,428	745,781
International bonds	82,835	82,039	25,132	24,331	107,967	106,370
Corporate bonds	168,659	163,538	353,958	348,122	522,617	511,660
Domestic and international mutual bond funds	631,380	607,113	-	-	631,380	607,113
Equities:						
Common stocks	552,727	569,683	636,188	783,490	1,188,915	1,353,173
Mutual funds	1,331,493	1,382,076	2,599,850	2,927,306	3,931,343	4,309,382
Liquid real assets/ complementary strategies	153,589	141,031	-	-	153,589	141,031
	<u>\$ 3,167,770</u>	<u>\$ 3,191,340</u>	<u>\$ 4,326,206</u>	<u>\$ 4,795,907</u>	<u>\$ 7,493,976</u>	<u>\$ 7,987,247</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Investments - continued

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the consolidated financial statements.

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

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 104,228	\$ 105,125
Net realized and unrealized gains (losses)	1,552,549	(591,453)
Trustee and other fees	<u>(24,220)</u>	<u>(23,286)</u>
Total investment return, net	<u>\$ 1,632,557</u>	<u>\$ (509,614)</u>

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

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ 550,546	\$ (163,317)
With donor restrictions	<u>1,082,011</u>	<u>(346,297)</u>
Total investment return, net	<u>\$ 1,632,557</u>	<u>\$ (509,614)</u>

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments (“investment return, gains, and losses”) are recorded initially in the endowment fund. Distributions of investment return and net realized gains from the endowment fund are recorded as income by the operating and capital funds in the period in which the distributions are made in accordance with the Council’s spending policy.

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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurement - continued

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: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Council has 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;
- 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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurement - continued

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018:

Description	December 31, 2019	Level 1	Level 2	Level 3
Money market	\$ 208,733	\$ 208,733	\$ -	\$ -
Equities	2,496,386	2,496,386	-	-
Fixed income	1,017,752	204,947	812,805	-
Alternative strategies	151,998	151,998	-	-
Total investments	<u>3,874,869</u>	<u>3,062,064</u>	<u>812,805</u>	<u>-</u>
Investments held in trust - money market	68,342	68,342	-	-
Investments held in trust - equities	4,036,933	4,036,933	-	-
Investments held in trust - fixed income	1,483,040	1,483,040	-	-
Total investments held in trust	<u>5,588,315</u>	<u>5,588,315</u>	<u>-</u>	<u>-</u>
Cash surrender value life insurance	16,308	-	-	16,308
Beneficial interest in charitable gift annuities	559,968	-	-	559,968
Beneficial interest in perpetual trust	36,226	-	-	36,226
	<u>\$ 10,075,686</u>	<u>\$ 8,650,379</u>	<u>\$ 812,805</u>	<u>\$ 612,502</u>
Description	December 31, 2018	Level 1	Level 2	Level 3
Money market	\$ 156,951	\$ 156,951	\$ -	\$ -
Equities	1,951,759	1,951,759	-	-
Fixed income	941,599	88,909	852,690	-
Alternative strategies	141,031	141,031	-	-
Total investments	<u>3,191,340</u>	<u>2,338,650</u>	<u>852,690</u>	<u>-</u>
Investments held in trust - money market	55,786	55,786	-	-
Investments held in trust - equities	3,710,796	3,710,796	-	-
Investments held in trust - fixed income	1,029,325	-	1,029,325	-
Total investments held in trust	<u>4,795,907</u>	<u>3,766,582</u>	<u>1,029,325</u>	<u>-</u>
Cash surrender value life insurance	14,737	-	-	14,737
Beneficial interest in charitable gift annuities	380,946	-	-	380,946
Beneficial interest in perpetual trust	31,459	-	-	31,459
	<u>\$ 8,414,389</u>	<u>\$ 6,105,232</u>	<u>\$ 1,882,015</u>	<u>\$ 427,142</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurement - continued

The following table reconciles the Council's assets and liabilities classified as Level 3 measurements during the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash Surrender Value Life Insurance:		
Balance, beginning of year	\$ 14,737	\$ 14,769
Change in value	<u>1,571</u>	<u>(32)</u>
Balance, end of year	<u>\$ 16,308</u>	<u>\$ 14,737</u>
	<u>2019</u>	<u>2018</u>
Beneficial Interest in Charitable Gift Annuities:		
Balance, beginning of year	\$ 380,946	\$ 489,685
Change in value	<u>179,022</u>	<u>(108,739)</u>
Balance, end of year	<u>\$ 559,968</u>	<u>\$ 380,946</u>
	<u>2019</u>	<u>2018</u>
Beneficial Interest in Perpetual Trust:		
Balance, beginning of year	\$ 31,459	\$ -
Contributions	-	32,916
Change in value	<u>4,767</u>	<u>(1,457)</u>
Balance, end of year	<u>\$ 36,226</u>	<u>\$ 31,459</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurement - continued

The following information should not be interpreted as an estimate of the fair value of the Council since a fair value calculation is only provided for a limited portion of the Council's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Council's disclosures and those of other organizations may not be meaningful. The following methods and assumptions were used to estimate the fair value of the Council's financial instruments. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Cash and Cash Equivalents, Pledges Receivable, and Accounts Payable

The carrying amounts approximate fair value because of the short maturity of these instruments.

Equity and Fixed Income Funds

Valued at the closing price in the active market in which the individual funds are traded.

Beneficial Interest in Charitable Gift Annuities

The fair value of the assets contributed less fair value of payments to be made to other beneficiaries.

Beneficial Interest in Perpetual Trusts

The value of the trust is determined through the underlying assets which consist primarily of mutual funds, fixed income and equity securities.

Cash Surrender Value of Life Insurance

Valued at the cash surrender value of the policy as reported by the insurer.

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE GIFT ANNUITIES

Gift Annuities held by National Council

The Council has been the recipient of charitable gift annuities through a program administered by the National Office of Boy Scouts of America. Contributors give a lump sum or property to the National Office and receive fixed annuity payments throughout their lifetime. The local Council receives the remainder interest at the time of the contributor's death. All gifts administered through the current program are restricted in perpetuity.

The Council has been named as the remainder beneficiary for three charitable gift annuity contracts. As calculated by the program administrator, the present value of the Council's remainder interests is \$37,638 and \$33,141 at December 31, 2019 and 2018, respectively, which has been reflected in the consolidated financial statements as a receivable and as contribution income in the year of the initial gifts. The receivable is revalued by the administrator on an annual basis at the Council's fiscal year end with the change in value of the receivable recognized as changes in net assets with donor restriction.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE GIFT ANNUITIES - CONTINUED

Charitable Remainder Unitrusts

The Council has been named as a beneficiary in two charitable remainder unitrust agreements. The investments are held by trustees until the time restrictions are met for the distribution of the remainder of the trusts to the beneficiaries. The Council calculates the present value of their beneficial interest on an annual basis at the Council's fiscal year end. The present value of the Council's remainder interests is \$522,330 and \$347,805 at December 31, 2019 and 2018, respectively.

NOTE 5 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Council is a beneficiary under one perpetual trust that is administered by a bank. The amounts recorded represent the prorata share of net assets that provide for distribution of income to the Council as beneficiary. Total value recorded at December 31, 2019 and 2018, was \$36,226 and \$31,459, respectively.

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following for the years ended December 31:

	2019			
	Scout Service Center	Camp Minsi	Camp Trexler	Total
Land and land improvements	\$ 46,392	\$ 2,118,816	\$ 617,665	\$ 2,782,873
Buildings, camp facilities, and improvements	638,002	1,854,854	5,803,133	8,295,989
Furniture, fixtures, and equipment	491,801	432,186	860,647	1,784,634
Vehicles	3,017	151,541	124,722	279,280
Construction in progress	-	2,460	18,392	20,852
	<u>1,179,212</u>	<u>4,559,857</u>	<u>7,424,559</u>	<u>13,163,628</u>
Less: accumulated depreciation	<u>(907,664)</u>	<u>(2,041,977)</u>	<u>(4,228,376)</u>	<u>(7,178,017)</u>
	<u>\$ 271,548</u>	<u>\$ 2,517,880</u>	<u>\$ 3,196,183</u>	<u>\$ 5,985,611</u>

As of December 31, 2019, construction in progress consisted of various renovations to camp. These projects are expected to be completed during 2020. The costs are being funded through capital fund cash, investments, and donor contributions.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT - CONTINUED

Land, buildings, and equipment consist of the following for the years ended December 31:

	2018			
	Scout Service Center	Camp Minsi	Camp Trexler	Total
Land and land improvements	\$ 46,392	\$ 2,118,816	\$ 610,572	\$ 2,775,780
Buildings, camp facilities, and improvements	638,002	1,821,981	5,537,587	7,997,570
Furniture, fixtures, and equipment	486,310	432,186	854,584	1,773,080
Vehicles	3,017	151,541	124,722	279,280
Construction in progress	-	-	57,416	57,416
	1,173,721	4,524,524	7,184,881	12,883,126
Less: accumulated depreciation	(897,053)	(1,938,781)	(4,004,710)	(6,840,544)
	\$ 276,668	\$ 2,585,743	\$ 3,180,171	\$ 6,042,582

As of December 31, 2018, construction in progress consisted of various renovations to camp. Some of these projects were completed during 2019 with other projects still ongoing as of December 31, 2019. The costs are being funded through capital fund cash, investments, and donor contributions.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 7 - DEFERRED REVENUE

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

	<u>Camps</u>	<u>Activities</u>	<u>Total</u>
Balance at December 31, 2017	\$ 34,701	\$ 3,873	\$ 38,574
Revenue recognized	(18,282)	(3,873)	(22,155)
Payments received for future performance obligations	<u>40,777</u>	<u>5,369</u>	<u>46,146</u>
Balance at December 31, 2018	57,196	5,369	62,565
Revenue recognized	(57,196)	(5,369)	(62,565)
Payments received for future performance obligations	<u>37,579</u>	<u>2,755</u>	<u>40,334</u>
Balance at December 31, 2019	<u>\$ 37,579</u>	<u>\$ 2,755</u>	<u>\$ 40,334</u>

The balance of deferred revenues at December 31, 2019, less any refunds, will be recognized as revenue over the period services are rendered. Deferred revenues as of December 31, 2019, will be recognized within one year.

NOTE 8 - LINES OF CREDIT AND LETTER OF CREDIT

The Council has multiple lines of credit with various banks. There were no outstanding balances on the lines as of December 31, 2019 and 2018. The credit amounts and rates are as follows:

<u>Lender</u>	<u>Amount</u>	<u>Rate</u>	<u>Availability Period</u>
BB&T	\$ 500,000	5.25%	February 28, 2021
BB&T	200,000	5.25%	February 28, 2021
Lafayette	500,000	4.75%	April 30, 2021
Lafayette	196,000	4.75%	Open-ended

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 8 - LINES OF CREDIT AND LETTER OF CREDIT - CONTINUED

On February 17, 2010, the Council entered into an irrevocable stand-by letter of credit with Provident Bank in the amount of \$196,000 required to be held by Pennsylvania Department of Environmental Protection, Bureau of Waterways Engineering related to Stillwater Dam. The letter of credit was released on October 26, 2019. There were no outstanding balances as of the years ended December 31, 2019 and 2018. The terms of the agreement provide for interest payments based on the Wall Street Journal prime rate less .5% with a floor of 4.5%.

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Mortgage payable to bank in monthly installments of \$14,377, including interest at 3.75%, until October 2016. Effective October 13, 2016, the mortgage was refinanced to be payable in monthly installments of \$13,780, including interest at 3.0%, for four years and thereafter at the bank's prime rate of interest, with a final payment due September 2028. The mortgage is collateralized by 991 Postal Road and negative pledge on Camp Minsi.	\$ 1,268,240	\$ 1,392,988
Loan payable to bank, due in monthly installments of \$313, including interest at 4.00%, until July 2024, collateralized by the related vehicle.	15,706	18,764
Loan payable to bank, due in monthly installments of \$304, including interest at 4.94%, until January 2019, collateralized by the related vehicle.	-	324
	<u>1,283,946</u>	<u>1,412,076</u>
Less: current portion	(133,492)	(130,018)
Less: deferred financing fees	<u>(5,229)</u>	<u>(5,826)</u>
	<u>\$ 1,145,225</u>	<u>\$ 1,276,232</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

Future maturities are as follows for the years ending December 31:

2020	\$ 133,492
2021	136,362
2022	140,544
2023	144,854
2024	147,693
2025 - 2028	<u>581,001</u>
	<u>\$ 1,283,946</u>

Total interest paid was \$41,268 and \$42,463 for the years ended December 31, 2019 and 2018, respectively.

NOTE 10 - INTERFUND BALANCES AND TRANSFERS

There were no interfund balances as of both December 31, 2019 and 2018. Certain cash transfers were made during the years to properly report all funds on a basis consistent with executive board designations and the Council's accounting policies.

NOTE 11 - SPECIAL EVENT REVENUE

Gross receipts from special fundraising events recorded by the Council consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09 during 2019, the Council is required to separately present the components of this revenue.

	<u>2019</u>	<u>2018</u>
Contributions	\$ 909,913	\$ 692,172
Exchange transaction revenue	<u>174,022</u>	<u>154,218</u>
Special event revenues - gross	<u>\$ 1,083,935</u>	<u>\$ 846,390</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 12 - NET ASSETS

The Council's net assets without donor restrictions are comprised of undesignated and board designated amounts as follows at December 31:

	2019	2018
Operating fund - undesignated	\$ 321,467	\$ 311,784
Capital fund - net investment in capital assets	4,706,894	4,636,332
Capital fund - board designated	67,033	38,300
Endowment fund - cash reserves	181,234	354,894
Endowment fund - CSV life insurance	16,308	14,737
Endowment fund - board designated investments	1,785,581	1,384,836
Total net assets without donor restrictions	\$ 7,078,517	\$ 6,740,883

Net assets with donor restrictions at December 31, 2019, were available for the following purposes:

	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specific purpose:				
Capital projects	\$ -	\$ 58,153	\$ -	\$ 58,153
Investment gains - camp/camperships	-	-	307,051	307,051
Weygadt Trust	-	-	5,585,715	5,585,715
Total purpose restrictions	-	58,153	5,892,766	5,950,919
Subject to the passage of time:				
Friends of Scouting	366,831	-	-	366,831
United Way	385	-	-	385
Promises to give	-	-	26,095	26,095
Charitable annuities	-	-	559,968	559,968
Total time restrictions	367,216	-	586,063	953,279
Perpetual in nature:				
Promises to give	-	-	4,811	4,811
Beneficial interest in perpetual trusts	-	-	36,226	36,226
Subject to endowment spending policy and appropriation for general use	-	-	1,782,238	1,782,238
Total perpetual in nature	-	-	1,823,275	1,823,275
Total net assets with donor restrictions	\$ 367,216	\$ 58,153	\$ 8,302,104	\$ 8,727,473

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 12 - NET ASSETS - CONTINUED

Net assets with donor restrictions at December 31, 2018, were available for the following purposes:

	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specific purpose:				
Capital projects	\$ -	\$ 39,299	\$ -	\$ 39,299
Investment gains - camp/camperships	-	-	122,861	122,861
Weygadt Trust	-	-	4,790,307	4,790,307
Advances for Weygadt capital projects	-	-	38,758	38,758
	-	39,299	4,951,926	4,991,225
Subject to the passage of time:				
Friends of Scouting	372,118	-	-	372,118
United Way	536	-	-	536
Promises to give	-	-	100,000	100,000
Charitable annuities	-	-	380,946	380,946
	372,654	-	480,946	853,600
Perpetual in nature:				
Promises to give	-	-	59,811	59,811
Beneficial interest in perpetual trusts	-	-	31,459	31,459
Subject to endowment spending policy and appropriation for general use	-	-	1,683,643	1,683,643
	-	-	1,774,913	1,774,913
Total net assets with donor restrictions	\$ 372,654	\$ 39,299	\$ 7,207,785	\$ 7,619,738

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 12 - NET ASSETS - CONTINUED

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows at December 31:

	Operating Fund	
	2019	2018
Expiration of time restriction:		
Friends of Scouting	<u>\$ 151,275</u>	<u>\$ 138,430</u>
	Capital Fund	
	2019	2018
Satisfaction of purpose restriction:		
Capital expenditures	<u>\$ 13,897</u>	<u>\$ 12,401</u>
	Endowment Fund	
	2019	2018
Satisfaction of purpose restriction:		
Capital expenditures	<u>\$ 215,076</u>	<u>\$ 106,467</u>

NOTE 13 - ENDOWMENT FUNDS

The Council's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with the 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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 13 - ENDOWMENT FUNDS - CONTINUED

Interpretation of Relevant Law

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Council to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2019 and 2018. The Council has interpreted the UPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

Return Objectives and Risk Parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Council must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner to increase the overall long-term value of the endowment and to provide spendable distribution annually consistent with the established spending policy to support on-going Council Operation. The Council's actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, 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 equity-based investments to achieve its long-term return objectives within prudent risk constraints.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 13 - ENDOWMENT FUNDS - CONTINUED

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Council has a board-approved return spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. The policy defines the total funds available from the endowment fund in a given year (the distributable income) as a target of 4% of the endowment fund's average market value over the preceding three years with distributions in variation of this amount subject to executive board approval. The executive board approved endowment fund distributions up to 4.32% and 4.50% for the years ended December 31, 2019 and 2018, respectively. This is consistent with the Council's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Funds as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,716,389	\$ 2,716,389
Board-designated endowment funds	1,983,123	-	1,983,123
Weygadt Trust	-	5,585,715	5,585,715
	<u>\$ 1,983,123</u>	<u>\$ 8,302,104</u>	<u>\$ 10,285,227</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019:

Endowment net assets, beginning of year	\$ 1,754,467	\$ 7,207,785	\$ 8,962,252
Investment return:			
Investment return	32,384	68,490	100,874
Net appreciation (depreciation) (realized and unrealized)	492,107	1,036,222	1,528,329
Total investment returns	<u>524,491</u>	<u>1,104,712</u>	<u>1,629,203</u>
Contributions	1,571	43,595	45,166
Change in value of gift annuities receivable	-	179,022	179,022
Change in value of beneficial interest in perpetual trust	-	4,767	4,767
Transfers	(185,694)	(215,076)	(400,770)
Appropriation of endowment assets for expenditure	<u>(111,712)</u>	<u>(22,701)</u>	<u>(134,413)</u>
Endowment net assets, end of year	<u>\$ 1,983,123</u>	<u>\$ 8,302,104</u>	<u>\$ 10,285,227</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 13 - ENDOWMENT FUNDS - CONTINUED

Endowment Net Asset Composition by Type of Funds as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,417,478	\$ 2,417,478
Board-designated endowment funds	1,754,467	-	1,754,467
Weygadt Trust	-	4,790,307	4,790,307
	<u>\$ 1,754,467</u>	<u>\$ 7,207,785</u>	<u>\$ 8,962,252</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018:

Endowment net assets, beginning of year	\$ 1,715,169	\$ 7,622,946	\$ 9,338,115
Investment return:			
Investment return	38,122	65,813	103,935
Net appreciation (depreciation) (realized and unrealized)	(201,743)	(412,110)	(613,853)
Total investment returns	<u>(163,621)</u>	<u>(346,297)</u>	<u>(509,918)</u>
Contributions	122,095	147,799	269,894
Change in value of gift annuities receivable	-	(108,739)	(108,739)
Change in value of beneficial interest in perpetual trust	-	(1,457)	(1,457)
Transfers	203,883	(106,467)	97,416
Appropriation of endowment assets for expenditure	<u>(123,059)</u>	<u>-</u>	<u>(123,059)</u>
Endowment net assets, end of year	<u>\$ 1,754,467</u>	<u>\$ 7,207,785</u>	<u>\$ 8,962,252</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 14 - LEASE COMMITMENTS

The Council accounts for the lease of office equipment and a vehicle as operating leases. Total rental expenses amounted to approximately \$34,243 and \$29,336 for the years ended December 31, 2019 and 2018, respectively. The minimum rental obligations under these agreements for the years ending December 31 are as follows:

2020	\$ 27,796
2021	24,328
2022	<u>20,384</u>
	<u>\$ 72,508</u>

NOTE 15 - EMPLOYEE BENEFIT PLANS

BSA Retirement Plan For Employees

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 Minsi Trails 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% of compensation to the Plan. The Council contributes 7.75% of eligible employees' compensation to the BSA retirement program. Pension expense (excluding the contributions made by employees) was approximately \$45,645 and \$84,979 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.

BSA Match Savings Plan

The Council participates in a defined contribution plan established by the National Council of Boy Scouts of America. The plan name is BSA Match Savings Plan, which covers substantially all of the employees of the Council. Participants in the BSA Match Savings Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. The Council has elected to match employee contributions to the BSA Match Savings Plan up to 50% of contributions from each participant, limited to 1.5% of each employee's gross pay. The Council contributed approximately \$67,887 and \$12,999 to the BSA Match Savings Plan in 2019 and 2018, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 15 - EMPLOYEE BENEFIT PLANS - CONTINUED

Health Care 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 and 2018, the Council remitted approximately \$156,476 and \$162,548, respectively, on behalf of its employees to the National Council related to the health care plan.

NOTE 16 - RELATED-PARTY TRANSACTIONS

The Council pays a quarterly service fee to the National Council of 3.5% of the previous year's wages. Total service fees paid were \$53,384 and \$52,284 for the years ended December 31, 2019 and 2018, respectively. The Council also purchases scouting-related goods and services from the National Council. Total expenses paid to the National Council, excluding quarterly service fees and employee benefits, were \$103,614 and \$146,657 for the years ended December 31, 2019 and 2018, respectively. For those transactions, \$14,113 and \$10,086 were the amounts included in accounts payable at December 31, 2019 and 2018, respectively.

NOTE 17 - SCOUT SHOP

The National Council operates a Scout Shop within the Lehigh County area. The National Council manages the Scout Shop and pays the Council an 8% commission on gross sales up to \$750,000, and 13% on sales in excess of \$750,000. The commissions earned (before expenses) by the Council during 2019 and 2018 amounted to approximately \$44,247 and \$48,268, respectively, which are included in other revenue in the consolidated statements of activities and changes in net assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 18 - 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 at December 31:

	2019	2018
Cash - Operating Fund	\$ 354,578	\$ 376,710
Accounts receivable - Operating Fund	16,887	22,538
Contributions receivable - Operating Fund	208,490	170,653
Total financial assets as of end of year	579,955	569,901
Endowment funds available for general expenditure in subsequent year	163,742	134,423
Financial assets available to meet cash needs for general expenditures within one year	743,697	704,324
Plus available lines of credit	1,396,000	1,396,000
Total financial assets and line of credit available to meet cash needs for general expenditures within one year	\$ 2,139,697	\$ 2,100,324

The Council's endowment funds consist of donor-restricted endowments and a board designated-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 13, the endowment fund has a target spending rate of 4.0%. Actual approved rates for the years ended December 31, 2019 and 2018 are 4.87% and 4.32%, respectively, therefore, \$163,742 and \$134,423 of appropriations from the board-designated endowment will be available within the next 12 months as of December 31, 2019 and 2018, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has a board-designated endowment of \$1,983,123 as of December 31, 2019. Although the Council does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 19 - LITIGATION AND CONTINGENCIES

The National Council has been named as a defendant in child sexual abuse lawsuits alleging inappropriate conduct by employees or volunteers of various local councils nationwide, including allegations of conduct that did not occur within Scouting and alleged incidents dating back as far as the 1940s. Although no abuse complaints or formal legal proceedings have been filed or commenced against Minsi Trails Council, it may be impacted by abuse litigation resulting from legislative changes that have expanded and extended state law statutes of limitations to allow victims of child abuse to commence civil actions regardless of when abuse occurred. As a result of these legislative changes, the National Council has faced significant financial pressure and an increase in the number of abuse related claims and allegations asserting inappropriate conduct.

The National Council and our local Minsi Trails Council believe Scouting has a social and moral responsibility to equitably compensate all victims who were harmed during their time in Scouting. The National Council also has a duty to continue to carry out its Scouting mission.

In order to meet these dual objectives, on February 18, 2020, the National Council filed voluntarily for reorganization relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware, where its Chapter 11 reorganization case remains pending. During its Chapter 11 case, the National Council continues its operations as a debtor in possession subject to supervision and orders of the Bankruptcy Court.

Minsi Trails Council has not filed for Chapter 11 bankruptcy protection and is not in bankruptcy.

At this stage of the National Council's Chapter 11 proceedings, it is not possible to determine what impacts the National Council's Chapter 11 reorganization case might have on Minsi Trails Council except to note that as of this writing, because of shared insurance provided by the National Council, any abuse cases and claims asserted against it or Minsi Trails Council and other local councils have been stayed by orders of the Bankruptcy Court.

NOTE 20 - NEW ACCOUNTING PRONOUNCEMENT

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 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 statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. On June 3, 2020, the FASB issued ASU No. 2020-05, which delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. 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.