



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

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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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, 2018 and 2017, 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 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 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 \$4,795,907 and \$5,231,596 as of December 31, 2018 and 2017, respectively, and total revenues and gains (losses) of (\$436,369) and \$521,477 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 above 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, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 1, Minsi Trails Council, Inc., Boy Scouts of America and its affiliate adopted FASB ASU No. 2016-14 for the year ended December 31, 2018.

Herbein + Company, Inc.

Reading, Pennsylvania
June 27, 2019

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 376,710	\$ 203,913	\$ 85,406	\$ 176,059	\$ 399,453	\$ 436,251	\$ 861,569	\$ 816,223
Restricted cash	162,029	180,794	-	-	-	-	162,029	180,794
Accounts receivable	22,538	30,872	6,975	-	32,957	28,925	62,470	59,797
Contributions receivable - current, net	170,653	182,766	-	1,000	150,000	50,330	320,653	234,096
Inventory	70,289	65,733	-	-	-	-	70,289	65,733
Deferred activity expenses	7,260	710	-	-	-	-	7,260	710
Prepaid expenses	8,468	12,930	-	-	-	-	8,468	12,930
TOTAL CURRENT ASSETS	817,947	677,718	92,381	177,059	582,410	515,506	1,492,738	1,370,283
NONCURRENT ASSETS								
Contributions receivable - future, net	204,870	222,629	-	-	9,811	62,790	214,681	285,419
Land, buildings, and equipment, net	-	-	6,042,582	6,150,362	-	-	6,042,582	6,150,362
Cash surrender value life insurance	-	-	-	-	14,737	14,769	14,737	14,769
Beneficial interest in charitable gift annuities	-	-	-	-	380,946	489,685	380,946	489,685
Beneficial interest in perpetual trust	-	-	-	-	31,459	-	31,459	-
Long-term investments	-	-	-	-	3,191,340	3,028,689	3,191,340	3,028,689
Investments held in trust	-	-	-	-	4,795,907	5,231,596	4,795,907	5,231,596
TOTAL NONCURRENT ASSETS	204,870	222,629	6,042,582	6,150,362	8,424,200	8,827,529	14,671,652	15,200,520
TOTAL ASSETS	\$ 1,022,817	\$ 900,347	\$ 6,134,963	\$ 6,327,421	\$ 9,006,610	\$ 9,343,035	\$ 16,164,390	\$ 16,570,803
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable	\$ 44,529	\$ 32,494	\$ 13,609	\$ -	\$ -	\$ -	\$ 58,138	\$ 32,494
Accrued expenses	69,256	50,461	1,173	28,925	44,358	4,920	114,787	84,306
Custodial accounts	162,029	180,794	-	-	-	-	162,029	180,794
Deferred activity revenue	5,369	3,873	-	-	-	-	5,369	3,873
Deferred camping revenue	57,196	34,701	-	-	-	-	57,196	34,701
Current portion of long-term debt	-	-	130,018	125,064	-	-	130,018	125,064
TOTAL CURRENT LIABILITIES	338,379	302,323	144,800	153,989	44,358	4,920	527,537	461,232
LONG-TERM DEBT, NET	-	-	1,276,232	1,388,697	-	-	1,276,232	1,388,697
TOTAL LIABILITIES	338,379	302,323	1,421,032	1,542,686	44,358	4,920	1,803,769	1,849,929
NET ASSETS								
Without donor restrictions	311,784	228,015	4,674,632	4,764,943	1,754,467	1,715,169	6,740,883	6,708,127
With donor restrictions	372,654	370,009	39,299	19,792	7,207,785	7,622,946	7,619,738	8,012,747
TOTAL NET ASSETS	684,438	598,024	4,713,931	4,784,735	8,962,252	9,338,115	14,360,621	14,720,874
TOTAL LIABILITIES AND NET ASSETS	\$ 1,022,817	\$ 900,347	\$ 6,134,963	\$ 6,327,421	\$ 9,006,610	\$ 9,343,035	\$ 16,164,390	\$ 16,570,803

See notes to consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS								
SUPPORT AND REVENUE								
DIRECT SUPPORT								
Friends of Scouting	\$ 623,964	\$ 630,648	\$ -	\$ -	\$ -	\$ -	\$ 623,964	\$ 630,648
Special events	846,390	839,016	-	-	-	-	846,390	839,016
Less cost of direct benefit	(154,218)	(141,028)	-	-	-	-	(154,218)	(141,028)
Special events, net	692,172	697,988	-	-	-	-	692,172	697,988
Legacies and bequests	-	6,386	-	-	122,127	19,731	122,127	26,117
Foundations and trusts	163,651	179,216	-	6,012	-	-	163,651	185,228
Other direct support	9,150	10,311	-	8,497	(32)	1,858	9,118	20,666
TOTAL DIRECT SUPPORT	1,488,937	1,524,549	-	14,509	122,095	21,589	1,611,032	1,560,647
INDIRECT SUPPORT								
United Way	56,156	63,415	-	-	-	-	56,156	63,415
TOTAL INDIRECT SUPPORT	56,156	63,415	-	-	-	-	56,156	63,415
TOTAL SUPPORT	1,545,093	1,587,964	-	14,509	122,095	21,589	1,667,188	1,624,062
REVENUE								
Sale of supplies	379	1,100	-	-	-	-	379	1,100
Less cost of goods sold	(1,059)	(1,706)	-	-	-	-	(1,059)	(1,706)
Sale of supplies, net	(680)	(606)	-	-	-	-	(680)	(606)
Product sales	759,619	733,996	-	-	-	-	759,619	733,996
Less cost of goods sold	(229,030)	(215,904)	-	-	-	-	(229,030)	(215,904)
Less commissions paid to units	(285,930)	(276,961)	-	-	-	-	(285,930)	(276,961)
Product sales, net	244,659	241,131	-	-	-	-	244,659	241,131
Investment return, net	122,095	130,295	1,187	725	(286,599)	201,489	(163,317)	332,509
Camping	1,379,687	1,260,284	-	-	-	-	1,379,687	1,260,284
Activities	174,420	282,378	-	-	-	-	174,420	282,378
Other revenue	95,891	51,543	246,232	15,284	-	-	342,123	66,827
TOTAL REVENUE	2,016,072	1,965,025	247,419	16,009	(286,599)	201,489	1,976,892	2,182,523
NET ASSETS RELEASED FROM RESTRICTIONS								
Satisfaction of restrictions	138,430	135,266	12,401	31,091	106,467	180,019	257,298	346,376
TOTAL SUPPORT AND REVENUE	3,699,595	3,688,255	259,820	61,609	(58,037)	403,097	3,901,378	4,152,961
EXPENSES								
Program services	2,858,636	2,818,503	405,219	370,261	63	-	3,263,918	3,188,764
Support services:								
Management and general	236,386	214,624	6,304	6,534	9	-	242,699	221,158
Fundraising	302,520	325,982	7,192	7,557	9	-	309,721	333,539
TOTAL FUNCTIONAL EXPENSES	3,397,542	3,359,109	418,715	384,352	81	-	3,816,338	3,743,461
Charter and national service fee	52,284	48,841	-	-	-	-	52,284	48,841
TOTAL EXPENSES	3,449,826	3,407,950	418,715	384,352	81	-	3,868,622	3,792,302
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	249,769	280,305	(158,895)	(322,743)	(58,118)	403,097	32,756	360,659

See notes to consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Years Ended December 31, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS								
SUPPORT AND REVENUE								
DIRECT SUPPORT								
Friends of Scouting	117,424	35,218	-	-	-	-	117,424	35,218
Capital campaign	-	-	31,908	-	-	-	31,908	-
Foundations and trusts	23,115	26,250	-	-	-	-	23,115	26,250
Legacies and bequests	-	-	-	-	108,811	1,000	108,811	1,000
Other direct support	-	-	-	-	38,988	9,130	38,988	9,130
TOTAL DIRECT SUPPORT	140,539	61,468	31,908	-	147,799	10,130	320,246	71,598
INDIRECT SUPPORT								
United Way	536	-	-	-	-	-	536	-
Change in value of annuities	-	-	-	-	(108,739)	20,352	(108,739)	20,352
TOTAL INDIRECT SUPPORT	536	-	-	-	(108,739)	20,352	(108,203)	20,352
TOTAL SUPPORT	141,075	61,468	31,908	-	39,060	30,482	212,043	91,950
REVENUE								
Investment return, net	-	-	-	-	(347,754)	748,601	(347,754)	748,601
TOTAL REVENUE	-	-	-	-	(347,754)	748,601	(347,754)	748,601
NET ASSETS RELEASED FROM RESTRICTIONS								
Satisfaction of restrictions	(138,430)	(135,266)	(12,401)	(31,091)	(106,467)	(180,019)	(257,298)	(346,376)
TOTAL SUPPORT AND REVENUE	2,645	(73,798)	19,507	(31,091)	(415,161)	599,064	(393,009)	494,175
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	2,645	(73,798)	19,507	(31,091)	(415,161)	599,064	(393,009)	494,175
INCREASE (DECREASE) IN TOTAL NET ASSETS	252,414	206,507	(139,388)	(353,834)	(473,279)	1,002,161	(360,253)	854,834
NET ASSETS, BEGINNING OF YEAR								
Net assets without donor restrictions	228,015	181,710	4,764,943	4,704,968	1,715,169	1,460,790	6,708,127	6,347,468
Net assets with donor restrictions	370,009	443,807	19,792	50,883	7,622,946	7,023,882	8,012,747	7,518,572
TOTAL NET ASSETS, BEGINNING OF YEAR	598,024	625,517	4,784,735	4,755,851	9,338,115	8,626,087	14,720,874	13,866,040
TRANSFERS	(166,000)	(234,000)	68,584	382,718	97,416	(148,718)	-	-
NET ASSETS, END OF YEAR								
Net assets without donor restrictions	311,784	228,015	4,674,632	4,764,943	1,754,467	1,715,169	6,740,883	6,708,127
Net assets with donor restrictions	372,654	370,009	39,299	19,792	7,207,785	7,622,946	7,619,738	8,012,747
TOTAL NET ASSETS, END OF YEAR	\$ 684,438	\$ 598,024	\$ 4,713,931	\$ 4,784,735	\$ 8,962,252	\$ 9,338,115	\$ 14,360,621	\$ 14,720,874

See notes to consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2018					Year Ended December 31, 2017				
	Supporting Services				Totals	Supporting Services				Totals
	Program Service	Management and General	Fundraising	Total		Program Service	Management and General	Fundraising	Total	
EMPLOYEE COMPENSATION										
Salaries and wages	\$ 1,399,611	\$ 153,821	\$ 151,096	\$ 304,917	\$ 1,704,528	\$ 1,380,467	\$ 142,840	\$ 165,217	\$ 308,057	\$ 1,688,524
Employee benefits	209,791	25,594	25,140	50,734	260,525	209,318	24,396	28,218	52,614	261,932
Payroll taxes	125,041	12,569	12,346	24,915	149,956	129,381	11,414	13,203	24,617	153,998
Employee related expenses	8,387	1,220	1,198	2,418	10,805	18	2	3	5	23
TOTAL EMPLOYEE COMPENSATION	1,742,830	193,204	189,780	382,984	2,125,814	1,719,184	178,652	206,641	385,293	2,104,477
OTHER EXPENSES										
Professional fees	22,392	3,257	3,199	6,456	28,848	20,806	2,880	3,331	6,211	27,017
Supplies	480,095	6,437	37,684	44,121	524,216	451,828	4,735	51,716	56,451	508,279
Telephone and communications	21,212	2,410	2,367	4,777	25,989	26,643	1,983	2,294	4,277	30,920
Postage and shipping	7,113	786	7,826	8,612	15,725	5,990	578	7,344	7,922	13,912
Occupancy	269,662	3,388	3,728	7,116	276,778	221,215	4,119	5,367	9,486	230,701
Rental and maintenance of equipment	44,212	5,167	5,133	10,300	54,512	37,519	4,965	5,836	10,801	48,320
Production and media	7,189	-	606	606	7,795	1,410	33	418	451	1,861
Travel	72,434	5,910	5,805	11,715	84,149	89,213	5,360	6,200	11,560	100,773
Local conferences and meetings	46,073	5,180	11,070	16,250	62,323	89,749	3,075	14,640	17,715	107,464
Specific assistance to individuals	46,697	-	-	-	46,697	53,055	-	-	-	53,055
Recognition awards	46,206	2,112	15,983	18,095	64,301	20,782	-	8,922	8,922	29,704
Interest expense	36,000	5,170	5,079	10,249	46,249	40,903	5,621	6,502	12,123	53,026
Insurance	67,707	5,567	5,468	11,035	78,742	63,839	5,420	6,270	11,690	75,529
Other expenses	22,679	2,976	14,878	17,854	40,533	30,450	2,824	7,002	9,826	40,276
EXPENSES BEFORE DEPRECIATION	2,932,501	241,564	308,606	550,170	3,482,671	2,872,586	220,245	332,483	552,728	3,425,314
Depreciation expense	331,417	1,135	1,115	2,250	333,667	316,178	913	1,056	1,969	318,147
TOTAL FUNCTIONAL EXPENSES	\$ 3,263,918	\$ 242,699	\$ 309,721	\$ 552,420	\$ 3,816,338	\$ 3,188,764	\$ 221,158	\$ 333,539	\$ 554,697	\$ 3,743,461
% of Expenses by Function*	85.52%	6.36%	8.12%		100.00%	85.18%	5.91%	8.91%		100.00%

*Percentage figures after combining allocated and unallocated expenses

See notes to consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in total net assets	\$ 252,414	\$ 206,507	\$ (139,388)	\$ (353,834)	\$ (473,279)	\$ 1,002,161	\$ (360,253)	\$ 854,834
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	-	-	333,667	318,147	-	-	333,667	318,147
Amortization of deferred financing costs	-	-	597	597	-	-	597	597
Change in value of life insurance policy	-	-	-	-	32	(1,858)	32	(1,858)
Change in value of gift annuities receivable	-	-	-	-	108,739	8,142	108,739	8,142
Contribution of beneficial interest in perpetual trust	-	-	-	-	(32,916)	-	(32,916)	-
Unrealized (gain) loss on beneficial interest in perpetual trust	-	-	-	-	1,457	-	1,457	-
Unrealized (gains) losses on unrestricted long-term investments	(122,095)	(130,257)	-	-	336,187	(165,087)	214,092	(295,344)
Permanently restricted contributions - classified as financing activity	-	-	-	-	(59,051)	(64,140)	(59,051)	(64,140)
Contributions restricted for long-term capital needs	(37,120)	(53,560)	-	-	-	-	(37,120)	(53,560)
Changes in:								
Accounts receivable	8,334	(13,816)	(6,975)	24,158	(4,032)	20,521	(2,673)	30,863
Contributions receivable	29,872	66,675	1,000	15,000	(46,691)	54,345	(15,819)	136,020
Inventory	(4,556)	(5,422)	-	-	-	-	(4,556)	(5,422)
Deferred activity expenses	(6,550)	50,500	-	-	-	-	(6,550)	50,500
Prepaid expenses	4,462	4,507	-	-	-	-	4,462	4,507
Accounts payable	12,035	7,545	13,609	-	-	-	25,644	7,545
Accrued expenses	18,795	13,811	(27,752)	(20,521)	39,438	(23,756)	30,481	(30,466)
Custodial accounts	(18,765)	5,957	-	-	-	-	(18,765)	5,957
Deferred activity expenses	1,496	(75,296)	-	-	-	-	1,496	(75,296)
Deferred camping expenses	22,495	1,349	-	-	-	-	22,495	1,349
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	160,817	78,500	174,758	(16,453)	(130,116)	830,328	205,459	892,375
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investments	122,095	130,257	-	-	3,304,575	3,496,253	3,426,670	3,626,510
Unrealized (gains) losses on endowment fund assets	-	-	-	-	58,841	(57,974)	58,841	(57,974)
Purchase of investments	-	-	-	-	(3,426,565)	(4,122,318)	(3,426,565)	(4,122,318)
Purchase of land, buildings, and equipment	-	-	(205,887)	(153,257)	-	-	(205,887)	(153,257)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	122,095	130,257	(205,887)	(153,257)	(63,149)	(684,039)	(146,941)	(707,039)
CASH FLOWS FROM FINANCING ACTIVITIES								
Contributions restricted for long-term purposes	37,120	53,560	-	-	-	-	37,120	53,560
Receipt of permanently restricted contributions	-	-	-	-	59,051	64,140	59,051	64,140
Principal payments on long-term debt	-	-	(128,108)	(119,515)	-	-	(128,108)	(119,515)
Transfers in (out)	(166,000)	(234,000)	68,584	382,718	97,416	(148,718)	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(128,880)	(180,440)	(59,524)	263,203	156,467	(84,578)	(31,937)	(1,815)
NET INCREASE (DECREASE) IN CASH	154,032	28,317	(90,653)	93,493	(36,798)	61,711	26,581	183,521
CASH AT BEGINNING OF YEAR	384,707	356,390	176,059	82,566	436,251	374,540	997,017	813,496
CASH AT END OF YEAR	\$ 538,739	\$ 384,707	\$ 85,406	\$ 176,059	\$ 399,453	\$ 436,251	\$ 1,023,598	\$ 997,017
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION								
Cash paid during the year for interest	\$ -	\$ -	\$ 45,652	\$ 52,429	\$ -	\$ -	\$ 45,652	\$ 52,429
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES								
Vehicle acquired via long-term debt	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000	\$ -

See notes to consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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.

The Council's programs are classified as follows:

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

Tiger Scouts - One-year, family-oriented program for a group of teams, each consisting of a first-grade 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 (formerly Boy Scouts) - With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts develop an awareness and appreciation of their role in their community and become well-rounded young men and young women through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.

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, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

Starting in 2018, families can choose to sign up their sons and daughters who are ages 5-10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens, or remain an all-boy pack. Cub Scout dens will be single gender (all boys or all girls). Using the same curriculum as the Boy Scouting program, Scouts BSA launched in February 2019, enabling all eligible youth ages 11-17 to earn the Eagle Scout rank. Scouts BSA is a 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.

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 "Organization."

Basis of Accounting

The consolidated financial statements of the Organization 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, 2018 and 2017

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 Organization are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The accounts of the Organization 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 Organization's operating activities.

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

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

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization 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 Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions.

Accounts Receivable

Accounts receivable are recorded primarily for product sales 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, 2018 and 2017.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 Organization'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 Organization 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, 2018 and 2017.

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 statement of financial position and classifies them as current or long-term based on the intended repayment date of the loan. The total of all three interfund loan accounts must be zero in the totals column of the statement of financial position.

Investments

Investments are stated at estimated fair value. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction 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, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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:

Land improvements	60 years
Buildings and improvements	10 - 60 years
Furniture and fixtures	3 - 10 years
Motor vehicles	5 years

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.

Long-lived Assets

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

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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

The Organization 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 Organization'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 Organization has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Organization 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 restriction 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 Organization 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 9 for more information on the composition of net assets with donor restrictions on the release of restrictions.

Revenue Recognition

The Organization 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.

Camping and activity revenue is recognized in the period in which the service is provided. Funds received in advance of providing these services are recorded as deferred income until the services are provided. The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the consolidated statement of activities and changes in net assets.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Organization 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 Organization 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 Organization. Some members of the Organization have donated significant amounts of time to the Organization in furthering its programs and objectives. However, no amounts have been included in the financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

Functional Expenses

The costs of providing the various programs and supporting services have been summarized on the consolidated statement of activities and changes in net assets on a functional basis. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, including the Scout executive's, accounting, information technology personnel, and payroll taxes. The basis of allocation of these expenses is 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 2018 and 2017 amounted to approximately \$22,163 and \$25,445, respectively.

Tax Exempt Status

The Organization 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 Organization is subject to federal income tax on any unrelated business taxable income. The Organization 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 Organization as of December 31, 2018 and 2017.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Tax Exempt Status - continued

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

Recently Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the 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. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recently Issued Accounting Standards - continued

In November 2016, the FASB issued ASU No. 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 statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The new ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 clarifies that benefits received by the general public is not the same as the resource provider receiving that benefit and that the execution of the resource provider's mission does not equate to commensurate value. The ASU also provides guidance for distinguishing between condition and unconditional contributions. A conditional contribution must have (1) a barrier that must be overcome AND (2) a right of return or release of the donor obligation. Conditional contributions received are accounted for as a liability, while conditional pledges are unrecognized. In each instance, when the barriers to entitlement are overcome, the related revenue is recognized and classified in the appropriate net asset class. The effective date is for fiscal years beginning after December 15, 2018, with early implementation permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires an NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the consolidated financial statements as of and for the year ended December 31, 2017.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting Pronouncements Adopted - continued

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017, follows:

	Operating Fund	Capital Fund	Endowment Fund	Total
As originally stated:				
Net assets, beginning of year				
Unrestricted	\$ 181,710	\$ 4,704,968	\$ 1,460,790	\$ 6,347,468
Temporarily restricted	443,807	50,883	5,305,441	5,800,131
Permanently restricted	-	-	1,718,441	1,718,441
Total net assets, beginning of year	<u>\$ 625,517</u>	<u>\$ 4,755,851</u>	<u>\$ 8,484,672</u>	<u>\$ 13,866,040</u>
Net assets, end of year				
Unrestricted	\$ 228,015	\$ 4,764,943	\$ 1,715,169	\$ 6,708,127
Temporarily restricted	370,009	19,792	5,894,375	6,284,176
Permanently restricted	-	-	1,728,571	1,728,571
Total net assets, end of year	<u>\$ 598,024</u>	<u>\$ 4,784,735</u>	<u>\$ 9,338,115</u>	<u>\$ 14,720,874</u>
As restated:				
Net assets, beginning of year				
Without donor restrictions	\$ 181,710	\$ 4,704,968	\$ 1,460,790	\$ 6,347,468
With donor restrictions	443,807	50,883	7,023,882	7,518,572
Total net assets, beginning of year	<u>\$ 625,517</u>	<u>\$ 4,755,851</u>	<u>\$ 8,484,672</u>	<u>\$ 13,866,040</u>
Net assets, end of year				
Without donor restrictions	\$ 228,015	\$ 4,764,943	\$ 1,715,169	\$ 6,708,127
With donor restrictions	370,009	19,792	7,622,946	8,012,747
Total net assets, end of year	<u>\$ 598,024</u>	<u>\$ 4,784,735</u>	<u>\$ 9,338,115</u>	<u>\$ 14,720,874</u>

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.

Subsequent Events

These consolidated financial statements considered subsequent events through June 27, 2019, the date the consolidated financial statements were available to be issued.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2 - CONTRIBUTIONS RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
Operating Fund		
Contributions receivable in less than one year	\$ 170,653	\$ 182,766
Contributions receivable in one to five years	209,976	227,576
Less: unamortized discount to present value	<u>(5,106)</u>	<u>(4,947)</u>
	<u>375,523</u>	<u>405,395</u>
Capital Fund		
Contributions receivable in less than one year	<u>-</u>	<u>1,000</u>
Endowment Fund		
Contributions receivable in less than one year	150,000	50,330
Contributions receivable in one to five years	10,000	65,000
Less: unamortized discount to present value	<u>(189)</u>	<u>(2,210)</u>
	<u>159,811</u>	<u>113,120</u>
Net contributions receivable at year end	<u><u>\$ 535,334</u></u>	<u><u>\$ 519,515</u></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 Organization records investments at market value (quoted market price). Investments received through gifts are recorded at estimated fair market value at the date of the donation. The Organization 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 (\$4,795,907 and \$5,231,596 as of December 31, 2018 and 2017, 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, 2018 and 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Investments

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>

Investments at December 31, 2017, 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	\$ 65,476	\$ 65,476	\$ 50,032	\$ 50,032	\$ 115,508	\$ 115,508
Fixed income:						
U.S. government bonds	148,144	147,787	620,544	611,545	768,688	759,332
International bonds	48,027	47,914	20,113	20,239	68,140	68,153
Corporate bonds	151,792	153,369	394,159	391,484	545,951	544,853
Domestic and international mutual bond funds	493,967	493,917	-	-	493,967	493,917
Equities:						
Common stocks	527,830	653,413	658,113	886,243	1,185,943	1,539,656
Mutual funds	1,064,926	1,354,874	2,479,179	3,272,053	3,544,105	4,626,927
Liquid real assets/ complementary strategies	110,098	111,939	-	-	110,098	111,939
	<u>\$ 2,610,260</u>	<u>\$ 3,028,689</u>	<u>\$ 4,222,140</u>	<u>\$ 5,231,596</u>	<u>\$ 6,832,400</u>	<u>\$ 8,260,285</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 105,125	\$ 119,292
Net realized and unrealized gains (losses)	(592,910)	983,133
Investment expenses	<u>(23,286)</u>	<u>(21,315)</u>
Total investment income (loss)	<u>\$ (511,071)</u>	<u>\$ 1,081,110</u>

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

	<u>2018</u>	<u>2017</u>
Without donor restrictions	\$ (163,317)	\$ 332,509
With donor restrictions	<u>(347,754)</u>	<u>748,601</u>
Total investment income (loss)	<u>\$ (511,071)</u>	<u>\$ 1,081,110</u>

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments are recorded initially in the Endowment Fund. Distributions of investment income 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, 2018 and 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurement - continued

In determining fair value, the Organization 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 Organization. Unobservable inputs are inputs that reflect the Organization'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 Organization 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; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization 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 Organization's own assumptions are set to reflect those that the Organization 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, 2018 and 2017

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, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Money market	\$ 156,951	\$ -	\$ -	\$ 156,951
Equities	1,951,759	-	-	1,951,759
Fixed income	88,909	852,690	-	941,599
Alternative strategies	141,031	-	-	141,031
Total investments	<u>2,338,650</u>	<u>852,690</u>	<u>-</u>	<u>3,191,340</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>3,766,582</u>	<u>1,029,325</u>	<u>-</u>	<u>4,795,907</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>\$ 6,105,232</u>	<u>\$ 1,882,015</u>	<u>\$ 427,142</u>	<u>\$ 8,414,389</u>
	2017			
	Level 1	Level 2	Level 3	Total
Money market	\$ 65,476	\$ -	\$ -	\$ 65,476
Equities	2,008,287	-	-	2,008,287
Fixed income	147,787	695,200	-	842,987
Alternative strategies	111,939	-	-	111,939
Total investments	<u>2,333,489</u>	<u>695,200</u>	<u>-</u>	<u>3,028,689</u>
Investments held in trust - money market	50,032	-	-	50,032
Investments held in trust - equities	4,158,296	-	-	4,158,296
Investments held in trust - fixed income	-	1,023,268	-	1,023,268
Total investments held in trust	<u>4,208,328</u>	<u>1,023,268</u>	<u>-</u>	<u>5,231,596</u>
Cash surrender value life insurance	-	-	14,769	14,769
Beneficial interest in charitable gift annuities	-	-	489,685	489,685
	<u>\$ 6,541,817</u>	<u>\$ 1,718,468</u>	<u>\$ 504,454</u>	<u>\$ 8,764,739</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash Surrender Value Life Insurance		
Balance, beginning of year	\$ 14,769	\$ 12,911
Net realized and unrealized gains (losses) included in earnings	<u>(32)</u>	<u>1,858</u>
Balance, end of year	<u>\$ 14,737</u>	<u>\$ 14,769</u>
	<u>2018</u>	<u>2017</u>
Beneficial Interest in Charitable Gift Annuities		
Balance, beginning of year	\$ 489,685	\$ 497,827
Contributions	-	17,115
Distributions	-	(19,981)
Net realized and unrealized gains (losses) included in earnings	<u>(108,739)</u>	<u>(5,276)</u>
Balance, end of year	<u>\$ 380,946</u>	<u>\$ 489,685</u>
	<u>2018</u>	<u>2017</u>
Beneficial Interest in Perpetual Trust		
Balance, beginning of year	\$ -	\$ -
Contributions	32,916	-
Net realized and unrealized gains (losses) included in earnings	<u>(1,457)</u>	<u>-</u>
Balance, end of year	<u>\$ 31,459</u>	<u>\$ -</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 Organization since a fair value calculation is only provided for a limited portion of the Organization'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 Organization'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 Organization's financial instruments. There have been no changes in the methodologies used at December 31, 2018 and 2017.

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.

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 \$33,141 and \$37,491 at December 31, 2018 and 2017, 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, 2018 and 2017

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. The present value of the Council's remainder interests is \$347,805 and \$452,194 at December 31, 2018 and 2017, 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, 2018 and 2017, was \$31,459 and \$0, respectively. Annual distributions from the trust are recorded as investment income in net assets without donor restriction.

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT

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	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
	<u>1,173,721</u>	<u>4,524,524</u>	<u>7,184,881</u>	<u>12,883,126</u>
Less: accumulated depreciation	<u>(897,053)</u>	<u>(1,938,781)</u>	<u>(4,004,710)</u>	<u>(6,840,544)</u>
	<u>\$ 276,668</u>	<u>\$ 2,585,743</u>	<u>\$ 3,180,171</u>	<u>\$ 6,042,582</u>

As of December 31, 2018, construction in progress consisted of various renovations to camp. These projects are expected to be completed during 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, 2018 and 2017

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT - CONTINUED

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

	2017			
	Scout Service Center	Camp Minsi	Camp Trexler	Total
Land and land improvements	\$ 46,392	\$ 2,118,816	\$ 525,366	\$ 2,690,574
Buildings	571,404	1,800,187	5,469,497	7,841,088
Furniture, fixtures, and equipment	486,310	432,185	846,942	1,765,437
Vehicles	3,017	115,335	124,722	243,074
Construction in progress	-	21,793	95,273	117,066
	<u>1,107,123</u>	<u>4,488,316</u>	<u>7,061,800</u>	<u>12,657,239</u>
Less: accumulated depreciation	<u>(885,783)</u>	<u>(1,838,595)</u>	<u>(3,782,499)</u>	<u>(6,506,877)</u>
	<u>\$ 221,340</u>	<u>\$ 2,649,721</u>	<u>\$ 3,279,301</u>	<u>\$ 6,150,362</u>

As of December 31, 2017, construction in progress consisted of various renovations to camp. These projects are expected to be completed during 2018. The costs are being funded through capital fund cash, investments, and donor contributions.

NOTE 7 - 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, 2018 and 2017. The credit amounts and rates are as follows:

Lender	Amount	Rate	Availability Period
BB&T	\$ 500,000	6.00%	February 28, 2020
BB&T	200,000	6.00%	February 28, 2020
Lafayette	500,000	5.00%	April 30, 2020
Lafayette	196,000	5.50%	Open-ended

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 agreement has been extended through October 26, 2019. There were no outstanding balances as of the years ended December 31, 2018 and 2017. 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%.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 8 - LONG-TERM LIABILITIES

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

	2018	2017
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.	\$ 1,392,988	\$ 1,516,337
Loan payable to bank, due in monthly installments of \$313, including interest at 4.00%, until July 2024, collateralized by the related vehicle.	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	3,847
	1,412,076	1,639,699
Less: current portion	(130,018)	(125,064)
Less: deferred financing fees	(5,826)	(6,423)
	\$ 1,276,232	\$ 1,388,697

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

2019	\$ 130,018
2020	132,327
2021	136,384
2022	140,567
2023	144,878
2024 - 2028	727,902
	\$ 1,412,076

Total interest paid was \$42,463 and \$49,488 for the years ended December 31, 2018 and 2017, respectively.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 9 - NET ASSETS

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

	2018	2017
Operating fund - undesignated	\$ 311,784	\$ 228,015
Capital fund - net investment in capital assets	4,636,332	4,636,601
Capital fund - board designated	38,300	128,342
Endowment fund - cash reserves	354,894	436,251
Endowment fund - CSV life insurance	14,737	14,769
Endowment fund - board designated investments	1,384,836	1,264,149
Total net assets without donor restrictions	\$ 6,740,883	\$ 6,708,127

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
Total purpose restrictions	-	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
Total time restrictions	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
Total perpetual in nature	-	-	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, 2018 and 2017

NOTE 9 - NET ASSETS - CONTINUED

Net assets with donor restrictions at December 31, 2017, were available for the following purposes:

	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specific purpose:				
Capital projects	\$ -	\$ 19,792	\$ -	\$ 19,792
Investment gains - camp/camperships	-	-	148,759	148,759
Weygadt Trust	-	-	5,226,676	5,226,676
Advances for Weygadt capital projects	-	-	28,925	28,925
Total purpose restrictions	-	19,792	5,404,360	5,424,152
Subject to the passage of time:				
Friends of Scouting	370,009	-	-	370,009
Promises to give	-	-	330	330
Charitable annuities	-	-	489,685	489,685
Total time restrictions	370,009	-	490,015	860,024
Perpetual in nature:				
Promises to give	-	-	112,790	112,790
Subject to endowment spending policy and appropriation for general use	-	-	1,615,781	1,615,781
Total perpetual in nature	-	-	1,728,571	1,728,571
Total net assets with donor restrictions	<u>\$ 370,009</u>	<u>\$ 19,792</u>	<u>\$ 7,622,946</u>	<u>\$ 8,012,747</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 9 - 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:

	<u>2018</u>	<u>2017</u>
	<u>Operating Fund</u>	
Expiration of time restriction:		
Friends of Scouting	<u>\$ 138,430</u>	<u>\$ 135,266</u>
	<u>Capital Fund</u>	
Satisfaction of purpose restriction:		
Capital expenditures	<u>\$ 12,401</u>	<u>\$ 31,091</u>
	<u>Endowment Fund</u>	
Satisfaction of purpose restriction:		
Capital expenditures	\$ 106,467	\$ 160,038
Expiration of time restriction:		
Charitable gift annuities	<u>-</u>	<u>19,981</u>
	<u>\$ 106,467</u>	<u>\$ 180,019</u>

NOTE 10 - ENDOWMENT FUNDS

The Organization'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, 2018 and 2017

NOTE 10 - 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 Organization'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, 2018 and 2017. The Organization 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 Organization 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 Organization must hold in perpetuity or for a donor-specified periods 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 Organization'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 Organization 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 Organization 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, 2018 and 2017

NOTE 10 - ENDOWMENT FUNDS - CONTINUED

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization 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 4.5% and 5.0% for the years ended December 31, 2018 and 2017, respectively. This is consistent with the Organization'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, 2018:

	Without Donor Restriction	With Donor Restriction	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>
Totals funds			

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 income	38,122	65,813	103,935
Net appreciation (depreciation) (realized and unrealized)	<u>(201,743)</u>	<u>(413,567)</u>	<u>(615,310)</u>
Total investment return	(163,621)	(347,754)	(511,375)
Contributions	122,095	147,799	269,894
Change in value of gift annuities	-	(108,739)	(108,739)
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>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10 - ENDOWMENT FUNDS - CONTINUED

Endowment Net Asset Composition by Type of Funds as of December 31, 2017:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 2,396,270	\$ 2,396,270
Board-designated endowment funds	1,715,169	-	1,715,169
Weygadt Trust	-	5,226,676	5,226,676
	<u>1,715,169</u>	<u>5,226,676</u>	<u>6,941,845</u>
Totals funds	<u>\$ 1,715,169</u>	<u>\$ 7,622,946</u>	<u>\$ 9,338,115</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017:

Endowment net assets, beginning of year	\$ 1,460,790	\$ 7,023,882	\$ 8,484,672
Investment return:			
Investment income	36,402	60,812	97,214
Net appreciation (depreciation) (realized and unrealized)	295,589	687,789	983,378
Total investment return	<u>331,991</u>	<u>748,601</u>	<u>1,080,592</u>
Contributions	21,589	10,130	31,719
Change in value of gift annuities	-	20,352	20,352
Receipt of annuity funds	19,981	(19,981)	-
Transfers	11,320	(160,038)	(148,718)
Appropriation of endowment assets for expenditure	<u>(130,502)</u>	<u>-</u>	<u>(130,502)</u>
Endowment net assets, end of year	<u>\$ 1,715,169</u>	<u>\$ 7,622,946</u>	<u>\$ 9,338,115</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 11 - LEASE COMMITMENTS

The Council accounts for the lease of office equipment and a vehicle as operating leases. Total rental expenses amounted to approximately \$29,336 and \$14,435 for the years ended December 31, 2018 and 2017, respectively. The minimum rental obligations under these agreements for the years ending December 31 are as follows:

2019	\$	24,183
2020		22,048
2021		18,580
2022		<u>17,031</u>
	\$	<u>81,842</u>

NOTE 12 - EMPLOYEE BENEFIT PLANS

Retirement Plan

The National Council has a qualified defined benefit pension plan (the "Plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Minsi Trails Council, Inc. The plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees* and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2% of compensation, and the Council contributes an additional 7% to the plan. Pension expense (excluding the contributions made by employees) was approximately \$84,979 and \$81,911 in 2018 and 2017, respectively, and covered current service cost. The actuarial information for the Plan as of February 1, 2018, indicates that it is in compliance with ERISA regulations regarding funding.

Effective January 1, 2019, the National Council transitioned away from the defined benefit pension plan to a new Match Savings Plan. Under the new plan, the Council will pay 7.75% of each employee's annual salary into this new Match Savings Plan or the defined pension plan for the grandfathered employees. Employees can match up to 13.5% of their annual salary as their new retirement plan. Grandfathered employees who have 15 or more years of service will remain in the defined pension plan with the option to match up to 9% of their salary, but will need to increase their contribution from 2% to 4.25%.

Thrift Plan

The Council has established a Thrift Plan covering substantially all of the employees of the Council. Participants in the Thrift Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. The Council has elected to match employee contributions to the Thrift Plan up to 50% of contributions from each participant, limited to 1.5% of each employee's gross pay. The Council contributed approximately \$12,999 and \$19,428 to the Thrift Plan in 2018 and 2017, respectively.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 12 - 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, 2018 and 2017, the Council remitted approximately \$162,548 and \$160,592, respectively, on behalf of its employees to the National Council related to the health care plan.

NOTE 13 - 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 \$52,284 and \$48,841 for the years ended December 31, 2018 and 2017, 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 \$146,657 and \$134,921 for the years ended December 31, 2018 and 2017, respectively. For those transactions, \$10,086 and \$504 were the amounts included in accounts payable at December 31, 2018 and 2017, respectively.

NOTE 14 - 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 2018 and 2017 amounted to approximately \$48,268 and \$48,848, respectively, which are included in other revenue in the consolidated statements of activities and changes in net assets.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 15 - 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:

	2018	2017
Cash - Operating Fund	\$ 376,710	\$ 203,913
Accounts receivable - Operating Fund	22,538	30,872
Contributions receivable - Operating Fund	170,653	182,766
Total financial assets as of end of year	569,901	417,551
Endowment funds available for general expenditure in subsequent year	134,423	122,878
Financial assets available to meet cash needs for general expenditures within one year	704,324	540,429
Plus available lines of credit	1,396,000	1,200,000
Total financial assets and line of credit available to meet cash needs for general expenditures within one year	\$ 2,100,324	\$ 1,740,429

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 10, the endowment fund has a target spending rate of 4.0%. Actual approved rates for the years ended December 31, 2019 and 2018 are 4.32% and 4.5%, respectively, therefore, \$134,423 and \$122,878 of appropriations from the board-designated endowment will be available within the next 12 months as of December 31, 2018 and 2017, 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 \$1,754,467 as of December 31, 2018. 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.