



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

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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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, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Weygadt Trust, an affiliate, which statements reflect total assets of \$6,208,131 and \$5,585,715 as of December 31, 2020 and 2019, respectively, total revenues and gains of \$807,674 and \$976,354, respectively, and distributions to Minsi Trails Council of \$185,258 and \$180,946, 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, 2020 and 2019, 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.

Herlein + Company, Inc.

Reading, Pennsylvania

June 9, 2021

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 16) 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, 2020 and 2019

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.

All Markets - A program that operates as part of the Boy Scout program and provides program activities for youth who do not have access to Scouting through more traditional Scouting programs. The program ensures that Scouting is provided to all youth and adults regardless of color, race, religion, gender, ethnic background, disability, economic status, or citizenship.

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, 2020 and 2019

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, 2020 and 2019.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019.

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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019.

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 13 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, 2020 and 2019

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, 2020 and 2019:

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, 2020 and 2019.

Product sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the 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 68% 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 vendor's 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 vendor's 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, 2020 and 2019, 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, 2020 and 2019

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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019

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 2020 and 2019 amounted to approximately \$39,422 and \$30,596, 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, 2020 and 2019.

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, 2020 and 2019, 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 2017, 2018, and 2019 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 2020 return had not yet been filed.

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, 2020 and 2019

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 9, 2021, the date the consolidated financial statements were available to be issued.

On April 23, 2021, the Council was approved for a second draw Small Business Administration Paycheck Protection Program Loan in the amount of \$309,400 at a 1.00% fixed interest rate. No payments are due on this loan for 10 months from the last day of the covered period of the first loan (See Note 10). Interest will continue to accrue during the deferment period. The Council may apply for forgiveness of the loan depending on qualifying costs.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Operating Fund		
Contributions receivable in less than one year	\$ 95,420	\$ 208,490
Contributions receivable in one to five years	86,446	173,191
Less: unamortized discount to present value	<u>(2,828)</u>	<u>(4,086)</u>
	<u>179,038</u>	<u>377,595</u>
Endowment Fund		
Contributions receivable in less than one year	30,365	30,365
Contributions receivable in one to five years	365	730
Less: unamortized discount to present value	<u>(189)</u>	<u>(189)</u>
	<u>30,541</u>	<u>30,906</u>
Net contributions receivable at year end	<u>\$ 209,579</u>	<u>\$ 408,501</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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments

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 (\$6,208,131 and \$5,585,715 as of December 31, 2020 and 2019, respectively) are held in a separate investment pool for the sole benefit of the Council.

Investments at December 31, 2020, are composed of the following:

	Long-term Investments		Investment in Weygadt Trust		Total	
	Cost	Market	Cost	Market	Cost	Market
<u>Endowment fund</u>						
Cash and equivalents	\$ 133,454	\$ 133,454	\$ 9,292	\$ 9,292	\$ 142,746	\$ 142,746
Fixed income:						
U.S. government bonds	349,817	351,978	-	-	349,817	351,978
International bonds	66,165	68,261	-	-	66,165	68,261
Corporate bonds	360,154	378,651	-	-	360,154	378,651
Domestic and international mutual bond funds	2,346,040	2,361,283	1,636,693	1,714,120	3,982,733	4,075,403
Equities:						
Common stocks	-	-	697,315	1,177,733	697,315	1,177,733
Mutual funds	539,607	718,806	2,094,017	3,306,986	2,633,624	4,025,792
Liquid real assets/ complementary strategies	132,778	138,521	-	-	132,778	138,521
	<u>\$ 3,928,015</u>	<u>\$ 4,150,954</u>	<u>\$ 4,437,317</u>	<u>\$ 6,208,131</u>	<u>\$ 8,365,332</u>	<u>\$ 10,359,085</u>

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

	Long-term Investments		Investment in Weygadt Trust		Total	
	Cost	Market	Cost	Market	Cost	Market
<u>Endowment fund</u>						
Cash and equivalents	\$ 208,733	\$ 208,733	\$ 65,742	\$ 65,742	\$ 274,475	\$ 274,475
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>\$ 4,440,808</u>	<u>\$ 5,585,715</u>	<u>\$ 7,741,018</u>	<u>\$ 9,460,584</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Interest and dividend income	\$ 67,150	\$ 104,228
Net realized gains	668,941	42,128
Net unrealized gains (losses)	(352,720)	551,085
Change in accrued income, other	10,984	(17,018)
Trustee and other fees	<u>(24,860)</u>	<u>(24,220)</u>
Total investment return, net	<u>\$ 369,495</u>	<u>\$ 656,203</u>

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

	<u>2020</u>	<u>2019</u>
Without donor restrictions	\$ 299,647	\$ 550,546
With donor restrictions	<u>69,848</u>	<u>105,657</u>
Total investment return, net	<u>\$ 369,495</u>	<u>\$ 656,203</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.

Investments in the Weygadt Trust had a change in value of \$807,674 and \$976,354 for the years ended December 31, 2020 and 2019, respectively. Investment returns in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements which report the change in value of the Weygadt Trust separately. Distributions from the Weygadt Trust were \$185,258 and \$180,946 for the years ended December 31, 2020 and 2019, respectively.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurement

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

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

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

- Level 1:* 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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurement - continued

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, 2020 and 2019

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, 2020 and 2019:

Description	December 31, 2020	Level 1	Level 2	Level 3
Money market	\$ 133,454	\$ 133,454	\$ -	\$ -
Equities	718,806	718,806	-	-
Fixed income	3,160,173	351,978	2,808,195	-
Alternative strategies	138,521	138,521	-	-
Total investments	<u>4,150,954</u>	<u>1,342,759</u>	<u>2,808,195</u>	<u>-</u>
Investments in Weygadt Trust:				
Money market	9,292	9,292	-	-
Equities	4,484,719	4,484,719	-	-
Fixed income	1,714,120	1,714,120	-	-
Total investments in Weygadt Trust	<u>6,208,131</u>	<u>6,208,131</u>	<u>-</u>	<u>-</u>
Cash surrender value life insurance	17,346	-	-	17,346
Beneficial interest in charitable gift annuities	718,218	-	-	718,218
Beneficial interest in perpetual trust	40,112	-	-	40,112
	<u>\$ 11,134,761</u>	<u>\$ 7,550,890</u>	<u>\$ 2,808,195</u>	<u>\$ 775,676</u>
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 in Weygadt Trust:				
Money market	65,742	65,742	-	-
Equities	4,036,933	4,036,933	-	-
Fixed income	1,483,040	1,483,040	-	-
Total investments in Weygadt Trust	<u>5,585,715</u>	<u>5,585,715</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>\$ 10,073,086</u>	<u>\$ 8,647,779</u>	<u>\$ 812,805</u>	<u>\$ 612,502</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 during the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash Surrender Value Life Insurance:		
Balance, beginning of year	\$ 16,308	\$ 14,737
Change in value	<u>1,038</u>	<u>1,571</u>
Balance, end of year	<u>\$ 17,346</u>	<u>\$ 16,308</u>
	<u>2020</u>	<u>2019</u>
Beneficial Interest in Charitable Gift Annuities:		
Balance, beginning of year	\$ 559,968	\$ 380,946
Change in value	<u>158,250</u>	<u>179,022</u>
Balance, end of year	<u>\$ 718,218</u>	<u>\$ 559,968</u>
	<u>2020</u>	<u>2019</u>
Beneficial Interest in Perpetual Trust:		
Balance, beginning of year	\$ 36,226	\$ 31,459
Change in value	<u>3,886</u>	<u>4,767</u>
Balance, end of year	<u>\$ 40,112</u>	<u>\$ 36,226</u>

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, 2020 and 2019.

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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair Value Measurement - continued

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 \$30,760 and \$37,638 at December 31, 2020 and 2019, 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.

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 \$687,458 and \$522,330 at December 31, 2020 and 2019, 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, 2020 and 2019, was \$40,112 and \$36,226, respectively.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT

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

	2020			
	Scout Service Center	Camp Minsi	Camp Trexler	Total
Land and land improvements	\$ 29,275	\$ 2,118,816	\$ 634,782	\$ 2,782,873
Buildings, camp facilities, and improvements	571,404	1,921,452	5,803,133	8,295,989
Furniture, fixtures, and equipment	491,801	432,186	868,620	1,792,607
Vehicles	3,017	151,541	124,722	279,280
Construction in progress	-	2,460	18,392	20,852
	<u>1,095,497</u>	<u>4,626,455</u>	<u>7,449,649</u>	<u>13,171,601</u>
Less: accumulated depreciation	<u>(912,880)</u>	<u>(2,147,231)</u>	<u>(4,453,525)</u>	<u>(7,513,636)</u>
	<u>\$ 182,617</u>	<u>\$ 2,479,224</u>	<u>\$ 2,996,124</u>	<u>\$ 5,657,965</u>

As of December 31, 2020, construction in progress consisted of various renovations to camp. These projects are expected to be completed during 2021. The costs are being funded through capital fund cash, investments, and donor contributions.

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

	2019			
	Scout Service Center	Camp Minsi	Camp Trexler	Total
Land and land improvements	\$ 29,275	\$ 2,118,816	\$ 634,782	\$ 2,782,873
Buildings, camp facilities, and improvements	571,404	1,921,452	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>1,095,497</u>	<u>4,626,455</u>	<u>7,441,676</u>	<u>13,163,628</u>
Less: accumulated depreciation	<u>(904,191)</u>	<u>(2,043,667)</u>	<u>(4,230,159)</u>	<u>(7,178,017)</u>
	<u>\$ 191,306</u>	<u>\$ 2,582,788</u>	<u>\$ 3,211,517</u>	<u>\$ 5,985,611</u>

As of December 31, 2019, construction in progress consisted of various renovations to camp. The projects were still ongoing as of December 31, 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, 2020 and 2019

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, 2018	\$ 57,196	\$ 5,369	\$ 62,565
Revenue recognized	(57,196)	(5,369)	(62,565)
Payments received for future performance obligations, net of refunds	<u>37,579</u>	<u>2,755</u>	<u>40,334</u>
Balance at December 31, 2019	37,579	2,755	40,334
Revenue recognized	-	(2,555)	(2,555)
Payments received for future performance obligations, net of refunds	<u>32,837</u>	<u>8,192</u>	<u>41,029</u>
Balance at December 31, 2020	<u>\$ 70,416</u>	<u>\$ 8,392</u>	<u>\$ 78,808</u>

The balance of deferred revenues at December 31, 2020, less any refunds, will be recognized as revenue over the period services are rendered. Deferred revenues as of December 31, 2020, 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, 2020 and 2019. The credit amounts and rates are as follows:

<u>Lender</u>	<u>Amount</u>	<u>Rate terms</u>	<u>Rate at December 31, 2020</u>	<u>Availability Period</u>
Truist	\$ 1,000,000	WSJ prime	3.25%	July 9, 2022
Lafayette	500,000	Bank prime less .5%	3.00%	April 30, 2022
Lafayette	196,000	WSJ prime, 3% floor	3.25%	Open-ended
Truist	200,000	WSJ prime plus .5%	closed July 23, 2020	
Truist	500,000	WSJ prime plus .5%	closed July 24, 2020	

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 a local 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. 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>2020</u>	<u>2019</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.	\$ 1,139,241	\$ 1,268,240
Loan payable to bank, due in monthly installments of \$313, including interest at 4.00%, until July 2024, collateralized by the related vehicle. This loan was paid in full in January 2020.	-	15,706
Economic Injury Disaster Loan (EIDL) payable to bank, due in monthly installments of \$641, including interest at 2.75%, beginning July 2021 until June 2050, collateralized by all tangible and intangible personal property of the Council.	150,000	-
	<u>1,289,241</u>	<u>1,283,946</u>
Less: current portion	(133,001)	(133,492)
Less: deferred financing fees	<u>(4,631)</u>	<u>(5,229)</u>
	<u>\$ 1,151,609</u>	<u>\$ 1,145,225</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

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

2021	\$ 133,001
2022	138,516
2023	144,868
2024	149,265
2025	153,796
2026 - 2030	453,503
2031 - 2035	24,059
2036 - 2040	27,601
2041 - 2045	31,664
2046 - 2050	<u>32,968</u>
	<u>\$ 1,289,241</u>

Total interest on long-term debt paid was \$38,645 and \$41,268 for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 - U.S. SMALL BUSINESS ADMINISTRATION LOANS

Paycheck Protection Program Loan

In April 2020, the Council received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$309,400. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Loan was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Council's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program.

The Council initially recorded the loan as a refundable advance and subsequently recorded the forgiveness in accordance with guidance for conditional contributions when the loan obligation was legally released upon notification by the SBA in December 2020. The \$309,400 forgiven is recognized as PPP Loan income in the consolidated statements of activities and changes in net assets for the year ended December 31, 2020.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 - U.S. SMALL BUSINESS ADMINISTRATION LOANS - CONTINUED

Economic Injury Disaster Loan

In July 2020, the Council received an Economic Injury Disaster Loan from the United States Small Business Administration in the amount of \$150,000 as part of the CARES Act. Principal and interest payments of \$641 are due every month beginning 12 months from the date of the note at an annual interest rate of 2.75%. Each payment will be applied first to interest accrued to the date of receipt of each payment and the balance, if any, will be applied to principal. See Note 9 for more information.

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

There were no interfund balances as of both December 31, 2020 and 2019. 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 12 - 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>2020</u>	<u>2019</u>
Contributions	\$ 691,338	\$ 909,913
Exchange transaction revenue	<u>81,982</u>	<u>174,022</u>
Special event revenues - gross	<u>\$ 773,320</u>	<u>\$ 1,083,935</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 13 - NET ASSETS

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

	2020	2019
Operating fund - undesignated	\$ 96,516	\$ 321,467
Capital fund - net investment in capital assets	4,523,355	4,706,894
Capital fund - board designated	31,577	67,033
Endowment fund - cash reserves	231,749	181,234
Endowment fund - CSV life insurance	17,346	16,308
Endowment fund - board designated investments	1,925,952	1,785,581
Total net assets without donor restrictions	\$ 6,826,495	\$ 7,078,517

Net assets with donor restrictions at December 31, 2020, were available for the following purposes:

	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specific purpose:				
Capital projects	\$ -	\$ 234,122	\$ -	\$ 234,122
Investment gains - camp/camperships/troop	-	-	377,264	377,264
Weygadt Trust	-	-	6,208,131	6,208,131
Total purpose restrictions	-	234,122	6,585,395	6,819,517
Subject to the passage of time:				
Friends of Scouting	240,354	-	-	240,354
United Way	385	-	-	385
Promises to give	-	-	25,730	25,730
Charitable annuities	-	-	718,218	718,218
Total time restrictions	240,739	-	743,948	984,687
Perpetual in nature:				
Promises to give	-	-	4,811	4,811
Beneficial interest in perpetual trusts	-	-	40,112	40,112
Subject to endowment spending policy and appropriation for general use	-	-	1,847,738	1,847,738
Total perpetual in nature	-	-	1,892,661	1,892,661
Total net assets with donor restrictions	\$ 240,739	\$ 234,122	\$ 9,222,004	\$ 9,696,865

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 13 - NET ASSETS - CONTINUED

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
	<u>-</u>	<u>-</u>	<u>5,892,766</u>	<u>5,950,919</u>
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
	<u>367,216</u>	<u>-</u>	<u>586,063</u>	<u>953,279</u>
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
	<u>-</u>	<u>-</u>	<u>1,823,275</u>	<u>1,823,275</u>
Total perpetual in nature	-	-	1,823,275	1,823,275
Total net assets with donor restrictions	<u>\$ 367,216</u>	<u>\$ 58,153</u>	<u>\$ 8,302,104</u>	<u>\$ 8,727,473</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 13 - 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	
	2020	2019
Expiration of time restriction:		
Friends of Scouting	<u>\$ 186,495</u>	<u>\$ 151,275</u>
	Capital Fund	
	2020	2019
Satisfaction of purpose restriction:		
Capital expenditures	<u>\$ 3,726</u>	<u>\$ 13,897</u>
	Endowment Fund	
	2020	2019
Satisfaction of purpose restriction:		
Capital expenditures	<u>\$ 41,090</u>	<u>\$ 215,076</u>

NOTE 14 - 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, 2020 and 2019

NOTE 14 - 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, 2020 and 2019. 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 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, 2020 and 2019

NOTE 14 - 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 4.87% and 4.32% for the years ended December 31, 2020 and 2019, 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,013,873	\$ 3,013,873
Board-designated endowment funds	2,175,047	-	2,175,047
Weygadt Trust	-	6,208,131	6,208,131
	<u>-\$ 2,175,047</u>	<u>\$ 9,222,004</u>	<u>\$ 11,397,051</u>
Totals funds	<u>\$ 2,175,047</u>	<u>\$ 9,222,004</u>	<u>\$ 11,397,051</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020:

Endowment net assets, beginning of year	\$ 1,983,123	\$ 8,302,104	\$ 10,285,227
Investment return:			
Investment return	28,814	13,476	42,290
Net appreciation (depreciation) (realized and unrealized)	238,323	86,684	325,007
Total investment returns	<u>267,137</u>	<u>100,160</u>	<u>367,297</u>
Contributions	1,038	65,500	66,538
Changes in value of Weygadt Trust	-	807,674	807,674
Change in value of gift annuities receivable	-	158,250	158,250
Change in value of beneficial interest in perpetual trust	-	3,886	3,886
Transfers	16,090	(144,168)	(128,078)
Release of restrictions	41,090	(41,090)	-
Appropriation of endowment assets for expenditure	<u>(133,431)</u>	<u>(30,312)</u>	<u>(163,743)</u>
Endowment net assets, end of year	<u>\$ 2,175,047</u>	<u>\$ 9,222,004</u>	<u>\$ 11,397,051</u>

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 14 - ENDOWMENT FUNDS - CONTINUED

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	59,868	551,975
Total investment returns	<u>524,491</u>	<u>128,358</u>	<u>652,849</u>
Contributions	1,571	43,595	45,166
Changes in value of Weygadt Trust	-	976,354	976,354
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, 2020 and 2019

NOTE 15 - LEASE COMMITMENTS

The Council accounts for the lease of office equipment and a vehicle as operating leases. Total rental expenses amounted to approximately \$27,405 and \$34,243 for the years ended December 31, 2020 and 2019, respectively. The minimum rental obligations under these agreements for the years ending December 31 are as follows:

2021	\$ 27,038
2022	23,094
2023	2,710
2024	2,710
2025	<u>2,710</u>
	<u>\$ 58,262</u>

NOTE 16 - 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). From January 1, 2020 through July 31, 2020, employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 (grandfathered employees) contributed 4.25% of compensation to the Plan. Effective August 1, 2020, the Plan was frozen to grandfathered employees, thereby freezing the plan for all BSA employees. This contribution rate increases to 12.00% effective February 1, 2021. The Council contributes 7.75% of eligible employees' compensation to the BSA retirement program. Pension expense (excluding the contributions made by employees) was approximately \$41,248 and \$45,645 for the years ended December 31, 2020 and 2019, respectively, and covered current service cost. The actuarial information for the Plan as of February 1, 2020 indicates that it is in compliance with ERISA regulations regarding funding.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 16 - EMPLOYEE BENEFIT PLANS - CONTINUED

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 matches employee contributions to the BSA Match Savings Plan up to 50% (match was up to 100% through July 31, 2020) of contributions from each participant, limited to 6.0% of each employee's gross pay. The Council contributed approximately \$57,812 and \$67,887 to the BSA Match Savings Plan in 2020 and 2019, respectively.

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, 2020 and 2019, the Council remitted approximately \$151,054 and \$156,476, respectively, on behalf of its employees to the National Council related to the health care plan.

NOTE 17 - RELATED-PARTY TRANSACTIONS

The Council pays a service fee to the National Council of 3.5% of the previous year's wages. Total service fees paid were \$52,830 and \$53,384 for the years ended December 31, 2020 and 2019, respectively. The Council also purchases scouting-related goods and services from the National Council. Total expenses paid to the National Council, excluding service fees and employee benefits, were \$30,809 and \$103,614 for the years ended December 31, 2020 and 2019, respectively. For those transactions, \$5,648 and \$14,113 were the amounts included in accounts payable at December 31, 2020 and 2019, respectively.

NOTE 18 - 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 2020 and 2019 amounted to approximately \$19,548 and \$44,247, 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, 2020 and 2019

NOTE 19 - 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:

	<u>2020</u>	<u>2019</u>
Cash - Operating Fund	\$ 285,528	\$ 354,578
Accounts receivable - Operating Fund	36,027	16,887
Contributions receivable - Operating Fund	<u>95,420</u>	<u>208,490</u>
Total financial assets as of end of year	416,975	579,955
Endowment funds available for general expenditure in subsequent year	<u>183,876</u>	<u>163,742</u>
Financial assets available to meet cash needs for general expenditures within one year	600,851	743,697
Plus available lines of credit	<u>1,696,000</u>	<u>1,396,000</u>
Total financial assets and line of credit available to meet cash needs for general expenditures within one year	<u><u>\$ 2,296,851</u></u>	<u><u>\$ 2,139,697</u></u>

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, 2020 and 2019 are 4.95% and 4.87%, respectively; therefore, \$183,876 and \$163,742 of appropriations from the board-designated endowment will be available within the next 12 months as of December 31, 2020 and 2019, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has a board-designated endowment of \$2,175,047 as of December 31, 2020. 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.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 20 - LITIGATION AND CONTINGENCIES

From time to time, the Council is involved in routine litigation incidental to the conduct of its business. The Council has and will continue to vigorously defend these actions. The cost to defend the Council is covered by the National Council, Boy Scouts of America. At the present time, there are no material litigation claims asserted against the Council and accordingly, no provision for liabilities, if any, have been made in the accompanying consolidated financial statements.

The National Council has been named as a defendant in lawsuits alleging sexual abuse, including claims for compensatory and punitive damages. In the past, some lawsuits alleged claims that arose out of conduct occurring on Council property and/or were committed by Council employees or volunteers, and in some cases the Council was named in past lawsuits as a co-defendant with the National Council. Currently, the Council is not a defendant in any such sexual abuse litigation. The National Council has disclosed that in the event that its general liability insurance program or its reserves are insufficient to resolve such claims, it is their opinion that the total amount of payments to resolve current and future claims could have a significant impact on the financial position or results of operations of the National Council.

The National Council provides the Council with a charter, program materials, and support for administration as well as sponsoring certain benefit plans for Council employees. Since 1978, the National Council has operated a general liability insurance program in which the Council participates. On February 18, 2020, the National Council filed for protection under Chapter 11 of the United States Bankruptcy Code. The National Council continues to operate its business in the ordinary course and has received bankruptcy court approval to continue its relationship with the Councils including the benefit and insurance programs noted above. Neither the Council nor any other local council are parties to the bankruptcy proceeding. However, the Council is named in some bankruptcy proofs of claims alleging sexual abuse that have been filed against the National Council in its Chapter 11 case. The National Council has sought to stay sexual abuse litigation against both the National Council and local councils and has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020, subject to a to be determined contribution from local councils. The ability of the National Council to confirm such a plan and the size of the potential contribution from the Council remains uncertain. Management of the Council is unable to assess the effect, if any, the resolution of these matters by the National Council may have on the Council's operations or its consolidated financial statements.

MINSI TRAILS COUNCIL, INC., BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 21 - COVID-19 PANDEMIC

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

NOTE 22 - NEW ACCOUNTING PRONOUNCEMENT

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. In July 2019, the FASB deferred the effective date of ASU No. 2016-02 one year, making it effective for fiscal years beginning after December 15, 2021. The Council is evaluating the impact this standard will have on the consolidated financial statements.