

**TWIN VALLEY COUNCIL, INC.,
BOY SCOUTS OF AMERICA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
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YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Twin Valley Council, Inc.,
Boy Scouts of America
Mankato, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Twin Valley Council, Inc., Boy Scouts of America (the Council), a nonprofit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Twin Valley Council, Inc.,
Boy Scouts of America

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Twin Valley Council, Inc., Boy Scouts of America as of December 31, 2019, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Council's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The adoption of this standard did not have a significant impact on the Organization's reported historical revenue. Our opinion is not modified with respect to that matter.

As described in Note 1, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

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



CliftonLarsonAllen LLP

Austin, Minnesota
June 8, 2020

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

ASSETS	Operating Fund	Capital Fund	Endowment Fund	Totals	
				2019	2018
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 353,525	\$ 58,209	\$ 83,262	\$ 494,996	\$ 358,907
Receivables:					
Contributions Receivable	44,550	1,000	-	45,550	108,550
Other	3,252	-	-	3,252	10,661
Inventories	30,018	-	-	30,018	22,781
Prepaid Expenses and Other Current Assets	18,468	-	-	18,468	21,079
Total Current Assets	<u>449,813</u>	<u>59,209</u>	<u>83,262</u>	<u>592,284</u>	<u>521,978</u>
LAND, BUILDINGS, AND EQUIPMENT					
Land, Buildings, and Equipment, Net of Accumulated Depreciation	-	1,392,165	-	1,392,165	1,454,333
INVESTMENTS					
Total Assets	<u>\$ 449,813</u>	<u>\$ 1,451,374</u>	<u>\$ 2,447,758</u>	<u>\$ 4,432,207</u>	<u>\$ 2,177,834</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 6,211	\$ 675	\$ -	\$ 6,886	\$ 25,258
Accrued Expenses	25,915	-	-	25,915	13,091
Custodial Accounts	79,304	-	-	79,304	55,892
Deferred Revenue	23,130	-	-	23,130	23,142
Total Current Liabilities	<u>134,560</u>	<u>675</u>	<u>-</u>	<u>135,235</u>	<u>117,383</u>
NET ASSETS					
Net Assets With Donor Restrictions	110,972	42,525	464,285	617,782	532,274
Net Assets Without Donor Restriction:					
Expended	-	1,392,165	-	1,392,165	1,454,333
Designated	-	-	2,066,735	2,066,735	1,836,842
Undesignated	204,281	16,009	-	220,290	213,313
Total Net Assets Without Donor Restrictions	<u>204,281</u>	<u>1,408,174</u>	<u>2,066,735</u>	<u>3,679,190</u>	<u>3,504,488</u>
Total Net Assets	<u>315,253</u>	<u>1,450,699</u>	<u>2,531,020</u>	<u>4,296,972</u>	<u>4,036,762</u>
Total Liabilities and Net Assets	<u>\$ 449,813</u>	<u>\$ 1,451,374</u>	<u>\$ 2,531,020</u>	<u>\$ 4,432,207</u>	<u>\$ 4,154,145</u>

See accompanying Notes to Financial Statements.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

	Operating Fund	Capital Fund	Endowment Fund	Totals	
				2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Support and Revenue:					
Direct Support:					
Friends of Scouting	\$ 80,575	\$ -	\$ -	\$ 80,575	\$ 114,077
Project Sales	36,882	-	-	36,882	-
Capital Campaign	-	1,044	-	1,044	-
Special Events - Gross	61,677	26,575	-	88,252	44,088
Less Cost of Direct Benefit	(20,194)	-	-	(20,194)	(11,966)
Net Special Events	41,483	26,575	-	68,058	32,122
Legacies and Bequests	-	-	-	-	25,603
Foundations and Trusts	34,579	-	-	34,579	62,606
Other Direct Support	46,938	9,011	-	55,949	20,097
Total Direct Support	240,457	36,630	-	277,087	254,505
Indirect Support:					
United Way	13,156	-	-	13,156	17,000
Total Support	253,613	36,630	-	290,243	271,505
Revenue:					
Sale of Supplies - Gross	54,359	-	-	54,359	60,500
Less Cost of Goods Sold	(30,521)	-	-	(30,521)	(38,598)
Net Sale of Supplies	23,838	-	-	23,838	21,902
Product Sales	510,345	-	-	510,345	458,596
Less Cost of Goods Sold	(151,511)	-	-	(151,511)	(124,795)
Less Commissions Paid to Units	(139,090)	-	-	(139,090)	(128,584)
Net Product Sales	219,744	-	-	219,744	205,217
Activities	22,216	-	-	22,216	21,299
Camp Revenues	185,755	-	-	185,755	188,631
Investment Income (Loss)	50,000	15,000	229,893	294,893	(98,104)
Gain on Sale of Land, Buildings, and Equipment	-	150	-	150	-
Miscellaneous	53,939	-	-	53,939	60,508
Net Assets Released from Restrictions Due to Satisfaction of Restrictions	111,555	-	2,209	113,764	144,000
Total Revenues	667,047	15,150	232,102	914,299	543,453
Total Support and Revenues	920,660	51,780	232,102	1,204,542	814,958
EXPENSES					
Program Services	817,163	110,565	2,209	929,937	918,011
Supporting Services:					
Management and General	13,419	974	-	14,393	22,470
Fundraising	70,531	3,985	-	74,516	56,893
Total Supporting Services	83,950	4,959	-	88,909	79,363
Total Program and Supporting Services	901,113	115,524	2,209	1,018,846	997,374
Unallocated Payments to National Organization	10,994	-	-	10,994	13,154
Total Expenses	912,107	115,524	2,209	1,029,840	1,010,528
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	8,553	(63,744)	229,893	174,702	(195,570)

See accompanying Notes to Financial Statements.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

	Operating Fund	Capital Fund	Endowment Fund	Totals	
				2019	2018
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Support and Revenue:					
Direct Support:					
Friends of Scouting	\$ 2,225	\$ -	\$ -	\$ 2,225	\$ 2,726
Capital Campaign	-	6,456	-	6,456	10,000
Special Events	28,100	25,000	-	53,100	2,150
Legacies and Bequests	4,940	-	-	4,940	(515)
Foundations and Trusts	15,000	-	-	15,000	-
Other Direct Support	54,773	-	10,000	64,773	6,619
Total Direct Support	105,038	31,456	10,000	146,494	20,980
Indirect Support:					
United Way	2,000	-	-	2,000	101,750
Total Support	107,038	31,456	10,000	148,494	122,730
Net Assets Released from Restrictions	(111,555)	-	(2,209)	(113,764)	(144,000)
Investment Income (Loss)	-	-	50,778	50,778	(33,181)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(4,517)</u>	<u>31,456</u>	<u>58,569</u>	<u>85,508</u>	<u>(54,451)</u>
INCREASE (DECREASE) IN NET ASSETS	4,036	(32,288)	288,462	260,210	(250,021)
Net Assets - Beginning of Year	313,717	1,480,487	2,242,558	4,036,762	4,286,783
OTHER CHANGES IN NET ASSETS					
Transfer for Equipment Purchases	(2,500)	2,500	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 315,253</u>	<u>\$ 1,450,699</u>	<u>\$ 2,531,020</u>	<u>\$ 4,296,972</u>	<u>\$ 4,036,762</u>

See accompanying Notes to Financial Statements.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

	Program Services	Management and General	Fundraising	Product Sales Cost of Sales	Cost of Direct Benefits to Donors	Total Expenses	
						2019	2018
Salaries	\$ 354,041	\$ 6,304	\$ 25,778	\$ -	\$ -	\$ 386,123	\$ 377,116
Employee Benefits	75,299	1,670	6,830	-	-	83,799	72,529
Payroll Taxes and Workers' Compensation Insurance	28,606	526	2,147	-	-	31,279	38,674
Employment Expense	1,059	24	97	-	-	1,180	2,010
Professional Fees	52,908	2,287	4,740	-	-	59,935	61,301
Supplies	59,419	97	4,793	-	-	64,309	57,061
Telephone	8,890	137	562	-	-	9,589	7,233
Postage and Freight	7,432	109	952	-	-	8,493	7,901
Occupancy	90,946	659	2,918	-	-	94,523	88,614
Equipment Maintenance	8,965	115	464	-	-	9,544	13,813
Printing	3,723	24	2,056	-	-	5,803	19,476
Travel	19,019	263	1,897	-	-	21,179	19,195
Conferences	12,344	79	478	-	-	12,901	10,596
Specific Assistance to Individuals	10,533	-	-	-	-	10,533	10,265
Recognition	32,378	35	9,311	-	-	41,724	49,356
Cost of Products Sold and Unit Commissions	-	-	-	290,601	-	290,601	253,379
Cost of Goods Sold - Scout Shop and Trading Posts	30,521	-	-	-	-	30,521	38,598
Cost of Direct Benefit to Donors	-	-	-	-	20,194	20,194	11,966
Insurance	44,200	506	2,073	-	-	46,779	45,821
Miscellaneous	27,702	584	5,435	-	-	33,721	19,188
Subtotal	867,985	13,419	70,531	290,601	20,194	1,262,730	1,204,092
Depreciation	92,473	974	3,985	-	-	97,432	97,225
Total	960,458	14,393	74,516	290,601	20,194	1,360,162	1,301,317
Expenses Included With Revenue on the Statement of Activities:							
Cost of Products Sold and Unit Commissions	-	-	-	(290,601)	-	(290,601)	(253,379)
Cost of Goods Sold - Scout Shop and Trading Posts	(30,521)	-	-	-	-	(30,521)	(38,598)
Cost of Direct Benefit to Donors	-	-	-	-	(20,194)	(20,194)	(11,966)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 929,937	\$ 14,393	\$ 74,516	\$ -	\$ -	\$ 1,018,846	\$ 997,374

See accompanying Notes to Financial Statements.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

	Operating	Capital	Endowment	Totals	
	Fund	Fund	Fund	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase (Decrease) in Net Assets	\$ 4,036	\$ (32,288)	\$ 288,462	\$ 260,210	\$ (250,021)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:					
Depreciation	-	97,432	-	97,432	97,225
Decrease (Increase) in Market Value of Investments	-	-	(303,338)	(303,338)	181,285
Gain on Sale of Fixed Assets	-	(150)	-	(150)	-
(Increase) Decrease in:					
Receivables	71,409	(1,000)	-	70,409	24,095
Inventories	(7,237)	-	-	(7,237)	7,414
Prepaid Expenses and Other Current Assets	2,611	-	-	2,611	(5,927)
Increase (Decrease) in:					
Accounts Payable	(18,814)	442	-	(18,372)	(22,554)
Accrued Expenses	12,824	-	-	12,824	2,331
Custodian Accounts	23,412	-	-	23,412	1,065
Deferred Revenue	(12)	-	-	(12)	(52,633)
Net Cash Provided (Used) by Operating Activities	<u>88,229</u>	<u>64,436</u>	<u>(14,876)</u>	<u>137,789</u>	<u>(17,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Land, Buildings, and Equipment	-	(35,264)	-	(35,264)	(11,168)
Proceeds from Sale of Fixed Assets	-	150	-	150	-
Purchase of Investments	-	-	(900,678)	(900,678)	(717,495)
Proceeds from Sale of Investments	-	-	934,092	934,092	675,954
Transfers for Purchase of Equipment	(2,500)	2,500	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>(2,500)</u>	<u>(32,614)</u>	<u>33,414</u>	<u>(1,700)</u>	<u>(52,709)</u>
NET INCREASE (DECREASE) IN CASH	<u>85,729</u>	<u>31,822</u>	<u>18,538</u>	<u>136,089</u>	<u>(70,429)</u>
Cash and Cash Equivalents - Beginning of Year	<u>267,796</u>	<u>26,387</u>	<u>64,724</u>	<u>358,907</u>	<u>429,336</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 353,525</u>	<u>\$ 58,209</u>	<u>\$ 83,262</u>	<u>\$ 494,996</u>	<u>\$ 358,907</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
In-Kind Contributions of Materials and Services	<u>\$ 33,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,368</u>	<u>\$ 27,267</u>

See accompanying Notes to Financial Statements.

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TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Twin Valley Council, Inc., Boy Scouts of America (the Council) is a nonprofit corporation organized to promote and carry on work of the Boy Scouts of America and the Learning for Life program. The mission of the Boy Scouts of America is to prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Law. The Council currently provides service to young men and women ages 7 – 21, in 15 counties of Minnesota.

Basis of Presentation

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, equipment and related debt payments. Revenues and expenses related to the capital fundraising campaign are also included in this fund.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

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

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

Concentration of Credit Risk

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

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost. Major additions and improvements greater than \$1,000 are charged to the property accounts, while replacements, maintenance, and repairs which do not improve or extend the life of the assets are expensed currently. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Donated materials of significant amounts are recorded at their fair market value when received. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Investments

The Council carries investments at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities and changes in net assets.

Investments are exposed to various risks such as significant world events, and interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments 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 statement of financial position.

Inventories

Inventories, which consist primarily of scouting supplies, are stated at the lower of average cost or net realizable value.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 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 statements of activities and changes in net assets for the year ending December 31, 2019.

Scout Shop and Trading Post Sales – The Council operates a Scout Shop in its Service Center and various Trading Posts at its summer camp(s), 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 financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 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 Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn an average commission of 29% 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 and services it provides the units. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the Council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail's End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its statements of activities and changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Scout units have the right to return to the Council any unsold product, subject to a return-by date of October 30. As of December 31, 2019, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

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

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. Accordingly, the Council separately presents in its notes to 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 follows AICPA guidance where the contribution is recorded as net assets with donor restrictions.

Other Revenue: Other revenue consists primarily of rent revenue which is recognized on a monthly basis as earned and popcorn advertising that is recognized on a monthly basis as earned.\

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional contributions receivable that are to be collected within one year are recorded at net realizable value. An allowance for uncollectible pledges is recorded when the Council determines, based on historical experience and collection efforts, that a contribution receivable carried over from a prior year is uncollectible. As of December 31, 2019, contributions receivable were net of an allowance for uncollectible pledges of \$5,416.

Functional Expenses

The costs of providing the Scouting program and supporting services have been summarized on the 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 three years. The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of three separate studies and is applied to the expenses that are allocated. In accordance with the policy of the national Council of the Boy Scouts of America (the National Council), the payment of the charter fee to the National Council is not allocated as a functional expense. The financial statements report expenses by function in the statement of functional expenses.

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 financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for the year ended December 31, 2019 totaled \$19,138. Advertising costs for 2019 include a contribution totaling \$8,975 for advertising services performed for the Council.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Income Tax Exemption

The Council is exempt from income taxes under Sections 501 (c)(3) of the Internal Revenue Code. However, the Council is subject to federal income tax on any unrelated business taxable income, and they do not have any, thus there is no provision for income taxes at December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The Council categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Council may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Council has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$ 2,447,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,447,758</u>

Comparative Data

The financial statements include certain prior year summarized comparative information in total, but not by fund balance. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements as of and for the year ended December 31, 2018, from which the summarized comparative information is derived.

Accounting Pronouncements Adopted

As of January 1, 2019, the Council adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

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

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Adopted

The financial statements reflect the application of ASU 2018-08 beginning January 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard resulted in a grant, previously classified as unconditional being recognized as conditional. Below is the impact of this amendment on the financial statements:

Operating Fund	Reported Under Old Guidance	Adjustments	Reported Under New Guidance
Assets:			
Pledges Receivable	\$ 134,850	\$ (90,300)	\$ 44,550
Changes in Net Assets With Donor Restrictions:			
Indirect Support:			
United Way	92,300	(90,300)	2,000

Recent Accounting Pronouncements

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. In 2019, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2020. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Subsequent Events

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through June 8, 2020, the date the financial statements were available to be issued.

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Council, COVID-19 may impact various parts of its 2020 operations and financial results. Management believes the Council is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated through June 8, 2020.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 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:

Cash - Operating Fund	\$ 353,525
Contributions Receivable - Operating Fund	44,550
Accounts Receivable - Operating Fund	3,252
Total Financial Assets as of Year End	401,327
Net Assets With Donor Restrictions - Operating Fund	(110,972)
Total Financial Assets Available to Meet General Expenditures Within the Next 12 Months	\$ 290,355

The Council's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from the donor restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 10, the quasi-endowment has a spending rate of 3%.

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 additions, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has committed lines of credit in the amount of \$145,000, which is could draw upon. Additionally, the Council has a quasi-endowment of \$2.1 million. Although the Council does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investment with lock-up provisions that would reduce total investments that could be made available.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2019 consist of the following:

United Way	\$ 4,000
Friends of Scouting	5,616
Foundations and Trusts	15,000
Sponsorships	26,350
Subtotal	50,966
Allowance for Uncollectible Promises to Give	(5,416)
Total	\$ 45,550

All contributions receivable are expected to be collected within one year. The Council has been notified of the 2020 allocation from United Way of \$84,000. The revenue from the allocation will be recorded in 2020 when a firm commitment is received.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at December 31, 2019 consist of the following:

Land		\$ 174,290
Land Improvements	10 to 50 Years	67,746
Buildings	5 to 50 Years	2,615,799
Equipment	3 to 50 Years	583,865
Subtotal		<u>3,441,700</u>
Accumulated Depreciation		<u>(2,049,535)</u>
Total		<u><u>\$ 1,392,165</u></u>

NOTE 5 INVESTMENTS

Investments as of December 31, 2019 are carried at the quoted market value of the investment.

Cost	\$ 2,118,219
Net Unrealized Gain	329,539
Total Investments	<u><u>\$ 2,447,758</u></u>

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 financial statements, especially as it relates to the impacts of COVID-19.

Investment return is summarized as follows:

Interest and Dividends	\$ 64,005
Realized and Unrealized Net Income	303,338
Trustee and Other Fees	<u>(21,672)</u>
Investment Income	<u><u>\$ 345,671</u></u>

The above investment return is classified in the 2019 statement of activities and changes in net assets as follows:

Investment Return Recorded:	
Within Net Assets Without Donor Restrictions	\$ 294,893
Within Net Assets With Donor Restrictions	50,778
Investment Income	<u><u>\$ 345,671</u></u>

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 INVESTMENTS (CONTINUED)

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 from the Endowment Fund are recorded as income by the Operating fund in the period in which the distributions are made in accordance with the Council's spending policy.

NOTE 6 LINE OF CREDIT

The Council has a line of credit with a bank in the amount of \$145,000, which matures in January 2021. The line of credit has an interest rate of 4.96%, and is collateralized by and investment fund. The Council had no outstanding balance on this line of credit at December 31, 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>Other</u>	<u>Total</u>
Balance at December 31, 2018	\$ 8,550	\$ 2,575	\$ 12,017	\$ 23,142
Revenue Recognized	(8,550)	(2,575)	(12,017)	(23,142)
Payments received for Future Performance Obligations	16,480	6,650	-	23,130
Balance at December 31, 2019	<u>\$ 16,480</u>	<u>\$ 6,650</u>	<u>\$ -</u>	<u>\$ 23,130</u>

NOTE 8 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.

Contributions	\$ 72,641
Special Event Revenue	15,611
Special Fundraising Events - Gross	<u>\$ 88,252</u>

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restriction for the following purposes at December 31, 2019:

	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to Expenditure for a Specific Purpose:				
Council General	\$ 2,000	\$ -	\$ 10,000	\$ 12,000
Development Director	50,413	-	-	50,413
Riverstone Scoutreach	1,998	-	-	1,998
Wood Badge	250	-	-	250
Camp Cuyuna	10,696	3,500	-	14,196
Camp Norseland	-	37,956	-	37,956
Camp Cedar Point	-	1,069	-	1,069
Total Purpose Restrictions	<u>\$ 65,357</u>	<u>\$ 42,525</u>	<u>\$ 10,000</u>	<u>\$ 117,882</u>
Subject to the Passage of Time:				
Council General	\$ 17,515	\$ -	\$ -	\$ 17,515
Bunnies on Belgrade	3,500	-	-	3,500
Sporting Clay Tournament	12,400	-	-	12,400
Friends of Scouting Council Values Event	12,200	-	-	12,200
Total Time Restrictions	<u>\$ 45,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,615</u>
Endowment:				
Subject to Endowment Spending Policy and Appropriation:				
General Use	\$ -	\$ -	\$ 370,629	\$ 370,629
Subject to Appropriate and Expenditure when a Specific Event Occurs				
Simonson Trust	-	-	83,656	83,656
Total Net Assets With Donor Restrictions	<u>\$ 110,972</u>	<u>\$ 42,525</u>	<u>\$ 464,285</u>	<u>\$ 617,782</u>

Net assets released from restriction during 2019 are as follows:

	Operating Fund	Capital Fund	Endowment Fund	Total
Satisfaction of Program Restrictions:				
Council General	\$ 2,601	\$ -	\$ -	\$ 2,601
River Stone Scoutreach	85	-	-	85
Camp Cuyuna	3,369	-	-	3,369
Wood Badge	875	-	-	875
Total Satisfaction of Program Restrictions	<u>6,930</u>	<u>-</u>	<u>-</u>	<u>6,930</u>
Expiration of Time Restrictions:				
Council General	102,475	-	-	102,475
Friends of Scouting Council Values Event	1,750	-	-	1,750
Sporting Clay Tournament	400	-	-	400
Total Expiration of Time Restrictions	<u>104,625</u>	<u>-</u>	<u>-</u>	<u>104,625</u>
Appropriation From Donor Endowment in Satisfaction of Donor and Legal Restrictions				
Total	<u>\$ 111,555</u>	<u>\$ -</u>	<u>\$ 2,209</u>	<u>\$ 113,764</u>

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 ENDOWMENT

The Council's endowment consists of both donor-restricted endowment funds and funds designated by the board of directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Council is subject to the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions. The Council's Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowments funds, 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 the 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 Council has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. Additionally, in accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the local council and the endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation or deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the local council.
- (7) The investment policies of the local council.

Endowment net assets consisted of the following at December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds, Perpetual in Duration - Original Gift Amount:			
Donor-Restricted Endowment	\$ -	\$ 144,781	\$ 144,781
Simonson Trust	-	79,144	79,144
Accumulated Investment Gains	-	230,360	230,360
Donor-Restricted, Purpose Restriction for Fairmont Activities	-	10,000	10,000
Board-Designated Endowment Funds	2,066,735	-	2,066,735
Total Funds	<u>\$ 2,066,735</u>	<u>\$ 464,285</u>	<u>\$ 2,531,020</u>

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2019	\$ 1,836,842	\$ 405,716	\$ 2,242,558
Investment Return:			
Investment Income	(17,218)	(3,803)	(21,021)
Net Realized and Unrealized Gains	247,111	54,581	301,692
Total Investment Return	229,893	50,778	280,671
Contributions	-	10,000	10,000
Appropriations of Endowment:			
Assets for Expenditures	-	(2,209)	(2,209)
Endowment Net Assets, December 31, 2019	\$ 2,066,735	\$ 464,285	\$ 2,531,020

Fund 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 requires the Council to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 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 as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that will achieve an average annual rate of total return such that the funds will allow an average disbursement of 3% per year under the provisions of the Council's Spending Policy. Asset allocations should be targeted to produce expected returns consistent with this target using one, three, and five year market cycles as a guide. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 ENDOWMENT (CONTINUED)

Spending Policy

The Council may expend or accumulate so much of an endowment fund as the Council determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established subject to the following:

- 1) Intent of donor expressed in a gift instrument and/or
- 2) An allocation minimum of 2% of average the fair market value of the endowment funds, calculated on the basis of market values determined at least quarterly and averaged over the three-year period immediately preceding the year in which the expenditure was made.

NOTE 11 EMPLOYEE BENEFIT PLANS

The National Council has a qualified defined benefit pension plan (the Plan) administered by the National Service Center that covers employees of the National Council and local councils. 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 (nongrandfathered employees). Employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 (grandfathered employees) contribute 4.25% of compensation to the plan. The Council contributes 7.75% of eligible employees' compensation to the BSA retirement program. Pension expense was \$16,223 for the year ended December 31, 2019 and covered current service cost. The actuarial information for the Plan as of February 1, 2019, indicates that it is in compliance with ERISA regulations regarding funding.

The Council participates in a defined contribution plan established by the National Council of the Boy Scouts of America. The plan name is the 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 100% of the contributions from each participant, limited to 6% of each employee's gross pay. The Council contributed \$9,319 to the BSA Match Savings Plan in 2019.

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 year ended December 31, 2019, the Council remitted \$54,101 on behalf of its employees to the National Council related to the health care plan.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 RENTAL INCOME

In February 2018, the Council entered into a lease agreement with monthly rent payments of \$2,718 to be received through April 2023. The Council received rent income of \$32,986 for the year ended December 31, 2019. The future minimum rental payments under this lease are as follows: 2020 through 2022 – \$32,610 annually; 2023 – \$10,870.

NOTE 13 RELATED PARTY TRANSACTIONS

The Council incurred expenses performed by members of the board of directors. Total expenses were \$19,824 for the year ended December 31, 2019. Included in these expenses were in-kind donations of materials and services of \$8,975.

NOTE 14 DONATED MATERIAL AND SERVICES

The Council is dependent upon donated materials from diverse groups to fulfill its mission. For the year ended December 31, 2019, donated materials recorded in the financial statements as in-kind contributions totaled \$33,368.

NOTE 15 COMMITMENTS

In February 2020, the Council entered into a major gift services agreement with the Boy Scouts of America Foundation (the Foundation), whereby the Foundation will provide mid-level and major gift fundraising support. The total cost of this commitment will be \$58,666 and is payable on a quarterly basis.

TWIN VALLEY COUNCIL, INC., BOY SCOUTS OF AMERICA
SCHEDULE OF EXPENSES BY FUND
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING FUND		
Salaries	\$ 386,123	\$ 377,116
Employee Benefits	83,799	72,529
Payroll Taxes and Workers' Compensation Insurance	31,279	38,674
Employment Expense	1,180	2,010
Professional Fees	59,935	61,301
Supplies	64,309	55,125
Telephone	9,589	7,233
Postage and Freight	8,493	7,901
Occupancy	77,682	77,135
Equipment Maintenance	8,390	12,713
Printing	5,803	19,476
Travel	21,082	19,195
Conferences	12,901	10,596
Specific Assistance to Individuals	8,324	10,058
Recognition	41,724	49,356
Insurance	46,779	45,821
Miscellaneous	33,721	19,188
Charter Fee	10,994	13,154
Total Operating Fund	<u>912,107</u>	<u>898,581</u>
CAPITAL FUND		
Supplies	-	1,936
Occupancy	16,852	11,479
Equipment Maintenance	1,154	1,100
Travel	97	-
Other Expenses	(11)	-
Depreciation	97,432	97,225
Total Capital Fund	<u>115,524</u>	<u>111,740</u>
ENDOWMENT FUND		
Specific Assistance to Individuals	<u>2,209</u>	<u>207</u>
Total Endowment Fund	<u>2,209</u>	<u>207</u>
 Total	 <u>\$ 1,029,840</u>	 <u>\$ 1,010,528</u>

