

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

WITH INDEPENDENT AUDITORS' REPORT

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
TABLE OF CONTENTS
DECEMBER 31, 2019 AND 2018**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	7
Statements of Functional Expenses	8
Notes to Financial Statements	10

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Orange County Council, Inc.,
Boy Scouts of America
Santa Ana, California

We have audited the accompanying financial statements of Orange County Council, Inc., Boy Scouts of America (a nonprofit organization) (the "Council"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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 audits. 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 audits 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 auditors consider 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange County Council, Inc., Boy Scouts of America as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Orange County Council, Inc., Boy Scouts of America adopted new accounting guidance for revenue recognition under Financial Accounting Standards Board Accounting Standards Codification Topic 606 and Financial Accounting Standards Board Accounting Standards Update 2018-08. Our opinion is not modified with respect to that matter.

White Nelson Dick Evans LLP

Irvine, California

May 22, 2020

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Total All Funds</u>	
	2019	2018	2019	2018	2019	2018	2019	2018
Current Assets:								
Cash and cash equivalents	\$ 530,398	\$ 1,052,458	\$ -	\$ 415,158	\$ 10,201	\$ 343,106	\$ 540,599	\$ 1,810,722
Restricted cash	500,000	500,000	-	-	-	-	500,000	500,000
Accounts receivable, net	132,044	121,525	-	-	22,500	-	154,544	121,525
Other receivables	119,772	-	-	-	-	-	119,772	-
Insurance claim receivable	-	127,119	-	-	-	-	-	127,119
Pledges receivable, net	224,398	164,281	97,662	823,963	60,950	51,383	383,010	1,039,627
Inventories	26,537	23,722	-	-	-	-	26,537	23,722
Interfund loans	294,057	265,372	(179,630)	(987,921)	(114,427)	722,549	-	-
Prepaid expenses	133,169	118,056	-	-	-	-	133,169	118,056
Total Current Assets	1,960,375	2,372,533	(81,968)	251,200	(20,776)	1,117,038	1,857,631	3,740,771
Property, Plant, and Equipment:								
Land and land improvements	-	-	20,449,790	20,381,216	-	-	20,449,790	20,381,216
Buildings	-	-	31,915,177	29,820,392	-	-	31,915,177	29,820,392
Improvements	-	-	1,234,366	1,234,366	-	-	1,234,366	1,234,366
Furniture and equipment	-	-	4,706,870	4,346,442	-	-	4,706,870	4,346,442
Construction in progress	-	-	42,853	1,836,594	-	-	42,853	1,836,594
Total Property, Plant, and Equipment	-	-	58,349,056	57,619,010	-	-	58,349,056	57,619,010
Less: Accumulated depreciation	-	-	(19,209,427)	(17,956,258)	-	-	(19,209,427)	(17,956,258)
Property, Plant, and Equipment, at Net Book Value	-	-	39,139,629	39,662,752	-	-	39,139,629	39,662,752
Other Assets:								
Pledges receivable, net	-	48,077	-	77,691	72,840	95,763	72,840	221,531
Note receivable - related party	-	-	-	-	-	40,947	-	40,947
Investments	-	-	-	-	11,088,495	10,203,371	11,088,495	10,203,371
Other noncurrent assets	7,471	13,859	-	-	86,428	41,450	93,899	55,309
Total Other Assets	7,471	61,936	-	77,691	11,247,763	10,381,531	11,255,234	10,521,158
Total Assets	\$ 1,967,846	\$ 2,434,469	\$ 39,057,661	\$ 39,991,643	\$ 11,226,987	\$ 11,498,569	\$ 52,252,494	\$ 53,924,681

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018**

LIABILITIES AND NET ASSETS

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Total All Funds</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Liabilities:								
Accounts payable	\$ 199,628	\$ 164,974	\$ 1,042	\$ 76,930	\$ -	\$ -	\$ 200,670	\$ 241,904
Accrued employee compensation	203,649	146,780	-	-	-	-	203,649	146,780
Custodian accounts	875,676	832,574	-	5,000	-	-	875,676	837,574
Current portion - long-term debt, net of deferred finance costs	-	-	108,828	941,527	-	-	108,828	941,527
Deferred income	852,068	528,625	-	-	-	-	852,068	528,625
Other current liabilities	214	135	-	10,000	-	-	214	10,135
Total Current Liabilities	<u>2,131,235</u>	<u>1,673,088</u>	<u>109,870</u>	<u>1,033,457</u>	<u>-</u>	<u>-</u>	<u>2,241,105</u>	<u>2,706,545</u>
Long-Term Liabilities:								
Long-term debt - net of current portion	-	-	3,399,262	3,314,797	-	-	3,399,262	3,314,797
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>3,399,262</u>	<u>3,314,797</u>	<u>-</u>	<u>-</u>	<u>3,399,262</u>	<u>3,314,797</u>
Total Liabilities	<u>2,131,235</u>	<u>1,673,088</u>	<u>3,509,132</u>	<u>4,348,254</u>	<u>-</u>	<u>-</u>	<u>5,640,367</u>	<u>6,021,342</u>
Net Assets:								
Without donor restrictions	(292,125)	274,372	31,248,949	30,901,292	9,343,741	9,965,711	40,300,565	41,141,375
With donor restrictions	128,736	487,009	4,299,580	4,742,097	1,883,246	1,532,858	6,311,562	6,761,964
Total Net (Deficit) Assets	<u>(163,389)</u>	<u>761,381</u>	<u>35,548,529</u>	<u>35,643,389</u>	<u>11,226,987</u>	<u>11,498,569</u>	<u>46,612,127</u>	<u>47,903,339</u>
Total Liabilities and Net Assets	<u>\$ 1,967,846</u>	<u>\$ 2,434,469</u>	<u>\$ 39,057,661</u>	<u>\$ 39,991,643</u>	<u>\$ 11,226,987</u>	<u>\$ 11,498,569</u>	<u>\$ 52,252,494</u>	<u>\$ 53,924,681</u>

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	2018	2019	2018	2019	2018	2019	2018
<u>Changes in Net Assets without Donor Restrictions</u>								
Support and Revenue:								
Direct Support:								
Friends of Scouting	\$ 778,840	\$ 957,658	\$ -	\$ -	\$ -	\$ -	\$ 778,840	\$ 957,658
Noncash contributions	3,099	16,161	-	18,743	-	-	3,099	34,904
Special fundraising events - gross	1,094,022	727,005	-	-	-	-	1,094,022	727,005
Less: Costs of direct benefit to participants	(214,312)	(132,840)	-	-	-	-	(214,312)	(132,840)
Net Special Events	879,710	594,165	-	-	-	-	879,710	594,165
Pledge receivables discount	-	-	2,308	3,427	-	-	2,308	3,427
Bequests	-	1,350,000	-	-	-	-	-	1,350,000
Foundations and trusts	59,798	45,450	-	-	-	-	59,798	45,450
Other direct support	116,137	103,071	192,890	45,675	-	-	309,027	148,746
Total Direct Support	1,837,584	3,066,505	307,844	67,845	-	-	2,145,428	3,134,350
Indirect Support:								
Grants and foundations	-	55,813	-	-	-	-	-	55,813
Total Indirect Support	-	55,813	-	-	-	-	-	55,813
Revenues:								
Product sales - gross	1,660,645	1,528,139	-	-	-	-	1,660,645	1,528,139
Less: Cost of product sold	(491,915)	(352,923)	-	-	-	-	(491,915)	(352,923)
Less: Commissions earned and retained by units	(628,337)	(576,862)	-	-	-	-	(628,337)	(576,862)
Net Product Sales	540,393	598,354	-	-	-	-	540,393	598,354
Camping - gross	5,254,896	4,577,003	-	27,191	-	-	5,254,896	4,604,194
Camping - insurance reimbursement income	486,000	83,610	-	-	-	-	486,000	83,610
Less: Cost of resale items	(53,020)	(72,098)	-	-	-	-	(53,020)	(72,098)
Net Camping	5,687,876	4,588,515	-	27,191	-	-	5,687,876	4,615,706
Activities	589,288	762,558	-	-	-	-	589,288	762,558
Less: Cost of product and commissions	(146,939)	(162,353)	-	-	-	-	(146,939)	(162,353)
Net Activities	442,349	600,205	-	-	-	-	442,349	600,205
Income from rent	194,205	217,484	-	-	-	-	194,205	217,484
Investment return (loss) - net	316,244	340,661	-	2	1,261,908	(548,560)	1,578,152	(207,897)
Miscellaneous	530,499	346,805	6,878	18,555	-	-	537,377	365,360
Total Revenues	7,711,566	6,692,024	6,878	45,748	1,261,908	(548,560)	8,980,352	6,189,212
Net Assets Released from Restrictions:								
Satisfaction of program restrictions	288,413	189,533	482,617	18,919	-	-	771,030	208,452
Expiration of time restrictions	164,556	158,477	-	-	-	-	164,556	158,477
Total Net Assets Released from Restrictions	452,969	348,010	482,617	18,919	-	-	935,586	366,929
Total Support and Revenue	10,002,119	10,162,352	797,339	132,512	1,261,908	(548,560)	12,061,366	9,746,304

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	2018	2019	2018	2019	2018	2019	2018
<u>Changes in Net Assets without Donor Restrictions (Continued)</u>								
Expenses:								
Program services	\$ 9,071,536	\$ 8,096,419	\$ 1,558,777	\$ 1,754,441	\$ 265,869	\$ 237,211	\$ 10,896,182	\$ 10,088,071
Support services:								
Management and general	1,033,529	833,992	84,495	108,231	44,233	29,043	1,162,257	971,266
Fundraising	432,913	582,801	30,659	79,507	19,974	29,168	483,546	691,476
Total Support Services	1,466,442	1,416,793	115,154	187,738	64,207	58,211	1,645,803	1,662,742
Total Functional Expenses	10,537,978	9,513,212	1,673,931	1,942,179	330,076	295,422	12,541,985	11,750,813
Loss on disposal of assets	-	-	255,207	199,520	-	-	255,207	199,520
Payments to National Office	104,984	95,349	-	-	-	-	104,984	95,349
Total Expenses	10,642,962	9,608,561	1,929,138	2,141,699	330,076	295,422	12,902,176	12,045,682
Increase (Decrease) in Net Assets without Donor Restrictions	(640,843)	553,791	(1,131,799)	(2,009,187)	931,832	(843,982)	(840,810)	(2,299,378)
<u>Changes in Net Assets with Donor Restrictions</u>								
Support and Revenue:								
Direct Support:								
Friends of Scouting	80,449	166,195	-	-	-	-	80,449	166,195
Special events - gross	500	-	-	-	-	-	500	-
Foundations and trusts	500	58,550	-	-	-	-	500	58,550
Other contributions	13,247	19,952	40,100	427,745	-	-	53,347	447,697
Other direct support	-	-	-	-	350,388	365,417	350,388	365,417
Total Direct Support	94,696	244,697	40,100	427,745	350,388	365,417	485,184	1,037,859
Total Support and Revenue	94,696	244,697	40,100	427,745	350,388	365,417	485,184	1,037,859
Net Assets Released from Restrictions	(452,969)	(348,010)	(482,617)	(18,919)	-	-	(935,586)	(366,929)
Increase (Decrease) in Net Assets with Donor Restrictions	(358,273)	(103,313)	(442,517)	408,826	350,388	365,417	(450,402)	670,930
Increase (Decrease) in Total Net Assets	(999,116)	450,478	(1,574,316)	(1,600,361)	1,282,220	(478,565)	(1,291,212)	(1,628,448)
Net Assets, Beginning of Year:								
Without donor restrictions	274,372	500,581	30,901,292	32,130,479	9,965,711	10,809,693	41,141,375	43,440,753
With donor restrictions	487,009	590,322	4,742,097	4,333,271	1,532,858	1,167,441	6,761,964	6,091,034
Total Net Assets, Beginning of Year	761,381	1,090,903	35,643,389	36,463,750	11,498,569	11,977,134	47,903,339	49,531,787
Board authorized transfers	74,346	(780,000)	1,479,456	780,000	(1,553,802)	-	-	-
Net Assets, End of Year:								
Without donor restrictions	(292,125)	274,372	31,248,949	30,901,292	9,343,741	9,965,711	40,300,565	41,141,375
With donor restrictions	128,736	487,009	4,299,580	4,742,097	1,883,246	1,532,858	6,311,562	6,761,964
Total Net (Deficit) Assets, End of Year	\$ (163,389)	\$ 761,381	\$ 35,548,529	\$ 35,643,389	\$ 11,226,987	\$ 11,498,569	\$ 46,612,127	\$ 47,903,339

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	2018	2019	2018	2019	2018	2019	2018
Cash Flows from Operating Activities:								
Increase (Decrease) in Total Net Assets	\$ (999,116)	\$ 450,478	\$ (1,574,316)	\$ (1,600,361)	\$ 1,282,220	\$ (478,565)	\$ (1,291,212)	\$ (1,628,448)
Noncash Items Included in Increase (Decrease) in Total Net Assets:								
Allowance for uncollectible promises/discount on pledges	(26,714)	(28,568)	(2,308)	(3,427)	-	-	(29,022)	(31,995)
Depreciation	-	-	1,236,616	1,122,479	-	-	1,236,616	1,122,479
Loss on disposal of fixed asset	-	-	255,207	199,520	-	-	255,207	199,520
Realized and unrealized (gains) losses on investments	-	-	-	-	(1,309,729)	496,842	(1,309,729)	496,842
Forgiveness of note receivable - related party	-	-	-	-	40,947	20,001	40,947	20,001
Changes in:								
Accounts and pledges receivable	4,155	140,324	806,300	4,186,126	(9,144)	(146,146)	801,311	4,180,304
Other receivables	(119,772)	-	-	-	-	-	(119,772)	-
Insurance claim receivable	127,119	149,053	-	132,014	-	-	127,119	281,067
Inventories	(2,815)	21,531	-	-	-	-	(2,815)	21,531
Interfund loans	(28,685)	(83,280)	(808,291)	771,148	836,976	(687,868)	-	-
Prepaid expenses	(15,113)	59,379	-	5,772	-	-	(15,113)	65,151
Other noncurrent assets	6,388	6,389	-	-	(44,978)	6,283	(38,590)	12,672
Accounts payable, accrued expenses, and other current liabilities	91,602	(142,882)	(85,888)	(295,665)	-	-	5,714	(438,547)
Custodian accounts	43,102	(172,089)	(5,000)	(27,190)	-	-	38,102	(199,279)
Deferred income	323,443	219,705	-	-	-	-	323,443	219,705
Net Cash, Restricted Cash, and Cash Equivalents Provided by (Used in) Operating Activities	(596,406)	620,040	(177,680)	4,490,416	796,292	(789,453)	22,206	4,321,003
Cash Flows from Investing Activities:								
Proceeds from investments	-	-	-	-	6,964,715	2,716,904	6,964,715	2,716,904
Payments for purchases of investments	-	-	-	-	(6,540,110)	(1,763,609)	(6,540,110)	(1,763,609)
Insurance settlement received for property and equipment destroyed	-	-	-	842,095	-	-	-	842,095
Purchase of property and equipment	-	-	(768,700)	(2,046,599)	-	-	(768,700)	(2,046,599)
Net Cash, Restricted Cash and Cash Equivalents Provided by (Used in) Investing Activities	-	-	(768,700)	(1,204,504)	424,605	953,295	(344,095)	(251,209)
Cash Flows from Financing Activities:								
(Payments) advances on line of credit, net	-	(22,300)	-	-	-	-	-	(22,300)
Payments on long-term debt	-	-	(948,234)	(4,090,973)	-	-	(948,234)	(4,090,973)
Transfers	74,346	(780,000)	1,479,456	780,000	(1,553,802)	-	-	-
Net Cash, Restricted Cash, and Cash Equivalents Provided by (Used in) Financing Activities	74,346	(802,300)	531,222	(3,310,973)	(1,553,802)	-	(948,234)	(4,113,273)
Net Increase (Decrease) in Cash, Restricted Cash, and Cash Equivalents	(522,060)	(182,260)	(415,158)	(25,061)	(332,905)	163,842	(1,270,123)	(43,479)
Cash, Restricted Cash, and Cash Equivalents, Beginning of Year	1,552,458	1,734,718	415,158	440,219	343,106	179,264	2,310,722	2,354,201
Cash, Restricted Cash, and Cash Equivalents, End of Year	<u>\$ 1,030,398</u>	<u>\$ 1,552,458</u>	<u>\$ -</u>	<u>\$ 415,158</u>	<u>\$ 10,201</u>	<u>\$ 343,106</u>	<u>\$ 1,040,599</u>	<u>\$ 2,310,722</u>
Supplemental Disclosure:								
Interest paid	<u>\$ 8,910</u>	<u>\$ 144</u>	<u>\$ 144,911</u>	<u>\$ 195,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,821</u>	<u>\$ 195,168</u>
Supplemental Disclosure of Noncash Investing and Financing Activities:								
Acquisition of property and equipment through issuance of note payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services	Supporting Services			Total Functional Expenses
		Management and General	Fundraising	Total	
Salaries and Related Expenses:					
Salaries	\$ 4,587,981	\$ 588,214	\$ 191,447	\$ 779,661	\$ 5,367,642
Employee benefits	659,614	115,953	37,739	153,692	813,306
Payroll taxes and compensation insurance	482,738	64,398	20,960	85,358	568,096
Employee-related expenses	44,523	3,692	1,202	4,894	49,417
Total Salaries and Related Expenses	5,774,856	772,257	251,348	1,023,605	6,798,461
Other Expenses:					
Professional fees	389,235	48,234	33,712	81,946	471,181
Supplies	963,312	2,835	2,574	5,409	968,721
Telephone	90,414	25,374	8,259	33,633	124,047
Postage and shipping	3,525	911	18,864	19,775	23,300
Occupancy	1,082,893	53,541	17,426	70,967	1,153,860
Rental and maintenance of equipment	416,834	28,862	9,996	38,858	455,692
Publications and media	47,245	3,254	32,468	35,722	82,967
Travel	209,243	33,317	11,820	45,137	254,380
Local conferences and meetings	71,539	12,085	4,834	16,919	88,458
Specific assistance to individuals	12,512	643	209	852	13,364
Recognition and awards	105,654	3,487	22,538	26,025	131,679
Insurance	214,299	57,439	18,695	76,134	290,433
Interest expense	118,893	35,056	11,410	46,466	165,359
Other expenses	204,096	51,024	28,347	79,371	283,467
Total Other Expenses	3,929,694	356,062	221,152	577,214	4,506,908
Expenses Before Depreciation	9,704,550	1,128,319	472,500	1,600,819	11,305,369
Depreciation of Property, Plant, and Equipment	1,191,632	33,938	11,046	44,984	1,236,616
Total Functional Expenses	\$ 10,896,182	\$ 1,162,257	\$ 483,546	\$ 1,645,803	\$ 12,541,985

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services	Supporting Services			Total Functional Expenses
		Management and General	Fundraising	Total	
Salaries and Related Expenses:					
Salaries	\$ 4,093,735	\$ 449,276	\$ 258,208	\$ 707,484	\$ 4,801,219
Employee benefits	493,980	78,769	45,270	124,039	618,019
Payroll taxes and compensation insurance	395,802	44,733	25,709	70,442	466,244
Employee-related expenses	11,438	888	511	1,399	12,837
Total Salaries and Related Expenses	4,994,955	573,666	329,698	903,364	5,898,319
Other Expenses:					
Professional fees	183,000	120,931	53,816	174,747	357,747
Supplies	869,943	1,899	7,219	9,118	879,061
Telephone	89,253	9,238	5,310	14,548	103,801
Postage and shipping	4,938	650	11,183	11,833	16,771
Occupancy	1,112,692	42,643	24,798	67,441	1,180,133
Rental and maintenance of equipment	501,164	26,946	15,997	42,943	544,107
Publications and media	57,926	2,239	46,480	48,719	106,645
Travel	256,269	26,652	15,749	42,401	298,670
Local conferences and meetings	60,760	7,366	4,411	11,777	72,537
Specific assistance to individuals	11,108	448	257	705	11,813
Recognition and awards	144,861	1,683	32,833	34,516	179,377
Insurance	204,931	42,828	24,614	67,442	272,373
Interest expense	197,984	45,703	26,267	71,970	269,954
Other expenses	314,658	43,703	78,665	122,368	437,026
Total Other Expenses	4,009,487	372,929	347,599	720,528	4,730,015
Expenses Before Depreciation	9,004,442	946,595	677,297	1,623,892	10,628,334
Depreciation of Property, Plant, and Equipment	1,083,629	24,671	14,179	38,850	1,122,479
Total Functional Expenses	\$ 10,088,071	\$ 971,266	\$ 691,476	\$ 1,662,742	\$ 11,750,813

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Orange County Council, Inc., Boy Scouts of America (the “Council”) operates in Orange County, California. The Council is an independent not-for-profit organization devoted to promoting, within the territory covered by the charter from 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 and 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, using the methods which are now in common use by the Boy Scouts of America.

The Council holds a charter to do business with the Boy Scouts of America, a national corporation, but the Orange County Council is separately incorporated in California, and its operations are separately held and locally governed.

The Council’s programs are classified as follows:

Cub Scouts - The Cub Scout programs comprise the following: Lion Cubs: kindergarten youth, Tiger Cubs: first grade youth, Cub Scouts: second through third grade youth, and Webelos Scouts: fourth and fifth grade youth. Cub Scouting is a family and community-oriented approach to learning citizenship, compassion, and courage through service projects, games, and other activities promoting character development and 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.

Venturing - Provides experiences to help young men and women, ages 14 or 13 with completion of the eighth grade through age 20, become mature, responsible, and 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.

Sea Scouts - Provides experiences to help young men and women, ages 14 or 13 with completion of the eighth grade through age 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.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Nature of Organization (Continued)

Exploring - A work-experience-based program, Exploring gives young men and women, ages 14-20, an opportunity to visit community organizations and explore the dynamics of various careers. Local community organizations initiate an Explorer Post by matching their people and program resources to the interests of young people in the community. The result is a program of activities that helps youth pursue their special interests. Exploring is a type of participation in the Learning of Life program.

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

In addition, the Council owns or leases the following Scout facilities in California:

- A. Schoepe Scout Reservation at Lost Valley ("Lost Valley") - The Council purchased a 1,400-acre property located in San Diego County in 1959. The first summer camp was in 1964. This property is operated year-round and serves as the Council's Scouts BSA Resident Camp. In addition to traditional Scouts BSA summer camp programs, Lost Valley also hosts programs for Cub Scout-age youth and their families. Youth and adults who attend Lost Valley can camp in the outdoors and experience a wide variety of program elements, including shooting sports, rock climbing, challenge courses, swimming, horseback riding, nature studies, Scout skills, and mountain biking.
- B. Newport Sea Base - The Newport Sea Base is constructed on approximately 1.15 acres of land, which is located in Newport Beach. The property has been leased from the County of Orange since 1937, and the current lease continues through 2039 at no cost to the Council. A remodel of the facilities was completed in 2005. The Newport Sea Base is operated year-round and serves all youth (boys and girls ages six and up) directly and through numerous community partnerships. Youth experience learning opportunities on the water and in the classroom, including sailing, environmental studies, rowing, paddle sports, and various merit badge classes. In addition, three Sea Scout ships and their members are based there.
- C. Oso Lake Scout Camp - In June 2007, the Council entered a 25-year lease with an option for a 15-year extension with the Rancho Santa Margarita Water District. This property, located on the Oso Reservoir in South Orange County, serves as an outdoor educational and recreational facility. The property consists of 15 acres of land and 100 acres of lake. Youth and adults who attend can participate in camping, shooting sports, nature programs, boating, and fishing.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Nature of Organization (Continued)

- D. Irvine Ranch Outdoor Education Center (“IROEC”) - The Council received a special-use deeded land gift of 210 acres from the Irvine Company in August 2005, which is located in Orange, California. The Council completed construction of buildings and facilities on a 52-acre portion of the property and began year-round operations in August 2009. This property includes themed camps that focus on mining, ranching, and astronomy. The IROEC provides educational and recreational programs for all youth (boys and girls) of the community. Facilities include overnight outdoor camping areas, bunkhouse residential halls, shooting sports, swimming, challenge courses, zip lines, full-service dining hall, training center, conference facilities, and hiking into the surrounding wilderness areas.
- E. William Lyon Homes Center for Scouting - The Council’s office headquarters is owned and operated by the Council and is located in Santa Ana, California. This facility was opened in November 2004. This 40,000-square-foot facility is available for use by all community organizations and serves as the location for primary program delivery management and support of the Council’s Scouting units and youth. This facility is also used for volunteer, professional, and community organization meetings. A portion of the building is subleased.
- F. Trading Posts - The Council leases Trading Posts in Santa Ana, Anaheim, and Laguna Hills, California, which supply Scouts with items needed for participation in daily activities, including uniforms, outdoor gear, and handbooks.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative US GAAP. Accordingly, the accounts of the Council are reported in the following net asset categories:

Net Assets without Donor Restrictions - The part of net assets of the Council that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets with Donor Restrictions - The part of net assets of the Council that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and 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 stipulations that the principal be maintained intact in perpetuity, or 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, Restricted Cash, and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include petty cash funds, bank checking accounts used for operating purposes, and investments with maturities of three months or less from the original purchase dates. Cash and cash equivalents held in the endowment investment fund are excluded from cash and cash equivalents and are included in the total for investments in the accompanying statements of financial position. Restricted cash consists of a cash reserve requirement required by the Council's lending institution.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Accounts Receivable

Accounts receivable are recorded primarily for product sales and facility rentals and are stated at estimated 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.

Contributions

Pledges and unconditional promises to give are recorded as pledges receivable in the year made. Contributions for support of current operations are recorded as revenues in the year made. In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give due in the next year are reflected as current portion of pledges receivable and are recorded at their net realizable value.

Although donor-restricted contributions typically are reported as support that increases net assets with donor restrictions, per FASB ASC 958-605-45-4A, they may be reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period. This policy has been consistently applied by the Council.

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 as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not either require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Council's program services and its fundraising campaigns, the value of which is not reasonably determinable and, as such, is not recorded in the accompanying financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Donated Materials and Services (Continued)

For the years ended December 31, 2019 and 2018, the Council recognized \$3,099 and \$16,161, respectively, in the operating fund as noncash contributions revenue and corresponding expenses for donated materials and services. For the year ended December 31, 2019, in the capital fund, there were no noncash contribution revenues or corresponding expenses for donated materials and services. For the year ended December 31, 2018, the Council recognized \$18,743 in the capital fund as noncash contributions revenue and corresponding expenses for donated materials and services. There were no capital fund noncash contributions for the year ended December 31, 2019.

Inventories

Inventories consist of Scouting and other items available for resale and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Donated property, plant, and equipment are recorded at the approximate fair market value of the asset on the date of donation. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to current operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 10 to 30 years for buildings and improvements and 3 to 10 years for furniture and equipment. Depreciation expense for the years ended December 31, 2019 and 2018, totaled \$1,236,616 and \$1,122,479, respectively.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Long-Lived Assets and Asset Impairment

The Council reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use and ultimate disposition of the asset and its fair value are less than the carrying amount of that asset. During 2017, there was a fire at the IROEC. Management performed an assessment of the losses and believed that the majority of assets would be restored through insurance proceeds. As such, any impairment on these long-lived assets would have been recovered through insurance proceeds. However, the Council identified fixed assets destroyed in the fire that were disposed of during 2017 and a loss was recognized. Additionally, the Council found that estimated costs to restore fire damaged assets exceeded insurance proceeds and recorded a loss on disposal of these assets during the years ended December 31, 2019 and 2018, of \$255,207 and \$199,520, respectively.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, commodities, and money market accounts. The Council accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Alternative investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to each investor's ownership percentage. The realized and unrealized gain or loss on investments is reflected in the statements of activities and changes in net assets.

Investments are exposed to various risks, such as significant world events, interest rates, 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 statements of financial position.

Custodian 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.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising costs for 2019 and 2018 amounted to approximately \$65,000 and \$71,000, respectively.

Income Taxes

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(a) as described under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Council currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Council has adopted the provisions of the FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Council does not believe that there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits. For the years ended December 31, 2019 and 2018, there were no interest or penalties recorded or included in the accompanying financial statements. The Council’s tax years from 2016 to 2019 are open to review for federal tax purposes, and tax years from 2015 to 2019 are open to review for state income tax purposes.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries, and benefits, and travel costs, which are allocated on the basis of estimates of time and effort. In accordance with the policy of the National Council of the Boy Scouts of America (the “National Council”), the payments of the charter and national service fees to the National Council are not allocated as functional expenses.

Estimates

The preparation of the financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Spending Policy

The Council has a board-approved total return spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund.

Investment Policy

The Council's investment policy intends for the Council to invest in assets that would produce results exceeding the investment's purchase price and realize a reasonable yield of return while assuming a moderate level of investment risk. The Council expects its endowment fund, over time, to provide a reasonable rate of return. To satisfy the long-term rate-of-return objective, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on marketable equity debt securities, and money market accounts to achieve its long-term return objectives within prudent risk constraints.

Interfund Loans

The interfund loans at December 31, 2019, resulted from the operating fund making advances of surplus cash funds to the capital and endowment funds for operating and cash flow purposes. The interfund loans at December 31, 2018, resulted from the operating and endowment funds making advances of surplus cash funds to the capital fund for operating purposes.

Revenue Recognition

Revenue from Exchange Transactions - The Council recognizes revenue from contracts with customers in accordance with FASB ASC 606 which 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 exchange transaction revenue in its statements of activities and changes in net assets for the years ended December 31, 2019 and 2018 as stated below.

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 financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2019 and 2018.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Revenue Recognition (Continued)

Product Sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of 35% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASC 606, 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 (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 November 15. As of December 31, 2019 and 2018, 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 (shooting 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 income) and are only recognized in the statements of activities after delivery of the program has occurred.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Revenue Recognition (Continued)

Special Fundraising Event Revenue - The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the 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 ASC 606 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. Special event fees collected by the Council in advance of the events are initially recognized as liabilities (deferred income) and are recognized as special event revenue after the event. For special event fees received before year-end, for an event to occur after year-end, the Council follows American Institute of Public Accounting guidance (if this is the case) where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Recent Accounting Pronouncements - Adopted

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

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

Recent Accounting Pronouncements - Adopted (Continued)

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

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020; however, early adoption is permitted. The Council is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, with subsequent corrections issued in ASU 2018-19. ASU 2016-13 requires that credit losses on most financial assets measured at amortized cost and certain other instruments, including trade receivables, be measured using an expected credit loss model. ASU 2016-13 also replaces the current accounting model for purchased credit-impaired loans and debt securities. Further, the ASU makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2022. The Council is currently evaluating the impact of the provisions of ASU 2016-13 on the presentation of its financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 2: Liquidity and Availability

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 as of December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents - operating fund	\$ 530,398	\$ 1,052,458
Accounts receivable - operating fund	132,044	121,525
Other receivables - operating fund	119,772	-
Insurance claim receivable - operating fund	-	127,119
Pledges receivable - operating fund	224,398	164,281
 Total Financial Assets Available to Meet General Expenditures within One Year	 \$ 1,006,612	 \$ 1,465,383

Included in cash and cash equivalents - operating fund at December 31, 2019 and 2018, are amounts on deposit by member units totaling \$201,700 and \$199,381, respectively. These amounts may not be available for general expenditures by the Council if drawn upon by the member units. Also, as described in Note 11, the Council has a line of credit for \$750,000, which it can draw upon in the event of an unanticipated liquidity need.

The Council’s endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments may be designated by the Board of Directors for general expenditure. Quasi-endowment funds of \$9,343,741 and 9,965,711 as of December 31, 2019 and 2018, respectively, may be made available for general expenditures within the next 12 months if designated by the Board of Directors (also see Note 16).

Note 3: Risks and Uncertainties

The Council maintains cash balances at multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At times, the Council maintains cash balances at certain financial institutions in excess of federally insured amounts. This risk is managed by maintaining deposits in high-quality financial institutions.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 4: Prepaid Expenses

Prepaid expenses in the operating fund consist principally of travel and other expenses paid in advance for various activities sponsored by the Council.

Note 5: Accounts Receivable

Accounts receivable consist primarily of amounts due from individuals or groups for various activities and from Scout units for popcorn sales and totaled \$132,044 and \$121,525 as of December 31, 2019 and 2018, respectively. Allowances for doubtful accounts are established based on prior collection experiences and current economic factors, which, in management's judgment, could influence the ability of customers to repay the amounts. No allowance for doubtful accounts was deemed necessary as of December 31, 2019. As of December 31, 2018, there was an allowance for doubtful accounts of \$5,067.

Note 6: Insurance Claim Receivable

As previously discussed in Note 1, there was a fire at the IROEC. The Council was insured for property loss and business interruption. The Council negotiated with its insurance company to identify the full extent of income and property losses. During the years ended December 31, 2019 and 2018, business interruption insurance reimbursement income recorded by the Council was \$486,000 and \$83,610, respectively. These amounts have been recorded as camping insurance reimbursement income in the accompanying statements of activities and changes in net assets. During the year ended December 31, 2018, the Council recorded insurance proceeds for reimbursement of property loss, restoration, and other related expenses totaling \$710,082. For the year ended December 31, 2018, insurance reimbursements received or confirmed totaled \$793,692. Total cumulative insurance reimbursements recorded but not yet received at December 31, 2018, were \$127,119 and are recorded as insurance claim receivable in the accompanying statements of financial position. There are no insurance claims receivable at December 31, 2019.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 7: Pledges Receivable

The unconditional promises to give at December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Friends of Scouting	\$ 288,424	\$ 305,021
Restricted to capital fund	97,662	1,023,962
Restricted to endowment fund	<u>135,713</u>	<u>147,146</u>
Subtotal	521,799	1,476,129
Less: Discount for present value of pledges receivable	(1,923)	(4,231)
Less: Allowance for uncollectible pledges receivable	<u>(64,026)</u>	<u>(210,740)</u>
Subtotal unconditional promises to give	455,850	1,261,158
Less: Current portion of pledges receivable, net	<u>(383,010)</u>	<u>(1,039,627)</u>
Long-Term Portion of Pledges Receivable, Net	<u>\$ 72,840</u>	<u>\$ 221,531</u>
Pledges receivable, due in:		
Less than one year	\$ 447,036	\$ 1,250,367
One to five years	<u>74,763</u>	<u>225,762</u>
Total	<u>\$ 521,799</u>	<u>\$ 1,476,129</u>

The discount risk-adjusted interest rate used to calculate the present value ranged from 1.58% to 1.98% for the years ended December 31, 2019 and 2018.

Note 8: Note Receivable - Related Party

The Council had a secured loan of \$100,000 to an officer of the Council. The loan bore interest at a rate of 5% and was secured by real property. During 2015, the Council accepted a motion to forgive the loan incrementally over a period of four years, beginning in December 2015, in the amount of \$25,000, and forgive all accrued interest in the fifth year. All accrued interest was forgiven in 2019, the fifth year. The balance due for principal and interest to the Council at December 31, 2018, was \$40,947 and is included in note receivable - related party in the accompanying statements of financial position.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 9: Charitable Gift Annuities Receivable

The Council is the beneficiary of a number of split-interest agreements with donors, whereby the National Council controls and invests the donated assets and shares with the donor or the donor's designee income generated from these assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee). At December 31, 2019 and 2018, values of the Council's split-interest agreements were \$86,428 and \$41,450, respectively.

Note 10: Deferred Income

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

	<u>Activities</u>	<u>Camps</u>	<u>Other</u>	<u>Total</u>
Balance at December 31, 2017	\$ 17,097	\$ 291,823	\$ -	\$ 308,920
Revenue recognized	(584,138)	(3,502,073)	(85,393)	(4,171,604)
Payments received for future performance obligations	<u>578,528</u>	<u>3,503,727</u>	<u>309,054</u>	<u>4,391,309</u>
Balance at December 31, 2018	11,487	293,477	223,661	528,625
Revenue recognized	(504,439)	(3,183,805)	(278,437)	(3,966,681)
Payments received for future performance obligations	<u>503,737</u>	<u>3,261,171</u>	<u>525,216</u>	<u>4,290,124</u>
Balance at December 31, 2019	<u>\$ 10,785</u>	<u>\$ 370,843</u>	<u>\$ 470,440</u>	<u>\$ 852,068</u>

Other deferred income includes deferred income for program fees of \$346,461 and \$0 at December 31, 2019, and 2018, respectively.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 11: Commitments and Contingencies

Line of Credit

The Council has an unsecured revolving line of credit agreement with a commercial bank for \$750,000, which matures January 2021 and bears an interest rate 0.5% below the prime rate at (4.75% and 5.00% at December 31, 2019 and 2018, respectively). At December 31, 2019 and 2018, there was no outstanding balance.

Long-Term Debt

At December 31, 2019 and 2018, long-term debt obligations consist of the following:

	2019	2018
Note payable to a bank, payable in monthly interest payments of 3.75% until the loan maturity date, secured by property as collateral, maturing June 30, 2019.	\$ -	\$ 853,476
Note payable to a bank, payable in monthly principal and interest payments of \$18,094, accruing interest at 3.75%, secured by property as collateral, maturing October 10, 2027. The note includes a prepayment penalty unless repaid from internally generated funds.	3,313,550	3,402,848
Note payable to a trust for the purchase of equipment, payable in monthly principal and interest payments of \$2,025, accruing interest at 4.00%, secured by property as collateral, maturing August 1, 2029.	194,540	-
Total long-term debt	3,508,090	4,256,324
Less: Current portion	(108,828)	(941,527)
Long-Term Debt, Net of Current Portion	\$ 3,399,262	\$ 3,314,797

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 11: Commitments and Contingencies (Continued)

Long-Term Debt (Continued)

The following table represents the maturities of long-term debt for the next five succeeding years and in the aggregate:

2020	\$ 108,828
2021	113,431
2022	117,865
2023	122,475
2024	126,957
Thereafter	<u>2,918,534</u>
Total	<u>\$ 3,508,090</u>

The bank loan agreement also contains certain financial and nonfinancial covenants. At December 31, 2019, the Council was in compliance with these financial covenants.

Donations

The Council is named from time to time as a beneficiary to certain estates that could be in various states of probate. The Council does not record income from future anticipated distributions until received.

Operating Leases

The Council has entered into several leases for offices, equipment, and vehicles, which expire through December 2032. Total rent expense related to such operating leases amounted to approximately \$149,000 and \$151,000, respectively, for the years ended December 31, 2019 and 2018.

The Council subleases a portion of its office facility to an unrelated party under a noncancelable lease agreement that exceeds 12 months. The lease agreement expires in January 2021 and provides for monthly rental income of approximately \$12,000. Total rental income for the years ended December 31, 2019 and 2018, under this agreement was approximately \$140,000 and \$136,000, respectively.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 11: Commitments and Contingencies (Continued)

Operating Leases (Continued)

Minimum future net rental payments under noncancelable operating leases having remaining terms in excess of one year as of December 31, 2019, and in aggregate are as follows:

	<u>Gross Lease Expense</u>	<u>Sublease Income</u>	<u>Net Lease Expense (Revenue)</u>
2020	\$ 152,517	\$ (143,756)	\$ 8,761
2021	150,408	(24,012)	126,396
2022	132,781	-	132,781
2023	91,811	-	91,811
2024	19,500	-	19,500
Thereafter	<u>156,000</u>	<u>-</u>	<u>156,000</u>
Total	<u>\$ 703,017</u>	<u>\$ (167,768)</u>	<u>\$ 535,249</u>

Consulting Agreement

The Council has entered into a consulting agreement for a period of two years expiring September 2020, after which the agreement will be automatically renewed for successive one-year periods unless terminated by either party with written notice. The consultants are guaranteed a minimum fee of \$97,260 annually, under this agreement.

Service Agreement

The Council has entered into a telecommunications service agreement for a period of five years expiring in June 2023. The agreement includes a minimum fee of approximately \$83,000 annually.

Litigation

The Council has been named as a defendant or has been made aware of personal injury claims against it arising out of the normal course of 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, management is unable to estimate a probable outcome of these matters and accordingly no provision for liabilities, if any, has been made in the accompanying financial statements.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 11: Commitments and Contingencies (Continued)

Litigation (Continued)

The National Council has been named as a defendant in lawsuits alleging sexual abuse, including claims for compensatory and punitive damages. The Council is a separate not-for-profit organization. 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 below. Neither the Council nor any other local councils are parties to the bankruptcy proceeding. The National Council has sought to stay 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 is unknown. 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 financial statements.

Note 12: Special Fundraising Events Revenue

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

	<u>2019</u>	<u>2018</u>
Contributions	\$ 879,710	\$ 594,165
Special event revenue	<u>214,312</u>	<u>132,840</u>
Special Fundraising Events - Gross	<u>\$ 1,094,022</u>	<u>\$ 727,005</u>

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 13: Employee Benefit Plans

Retirement Plan

The National Council has a qualified defined benefit pension plan (the “Retirement Plan”) administered at 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 (non-grandfathered employees). Employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 (grandfathered employees) contribute 4.25% of compensation to the Retirement Plan. The Council contributes 7.75% of eligible employees’ compensation to the Retirement Plan. Pension expense (excluding the contributions made by employees) was approximately \$119,000 and \$170,000 for the years ended December 31, 2019 and 2018, respectively, and covered current service cost. The actuarial information for the Retirement Plan as of February 1, 2019, indicates that it is in compliance with ERISA regulations regarding funding.

BSA Match Savings Plan

Effective January 1, 2019, the Boy Scouts of America 403(B) Thrift Plan (“Thrift Plan”) was amended by restatement to become the Boy Scouts of America Match Savings Plan (“Match Savings Plan”), whereby all Council employees who participated in the Thrift Plan were automatically enrolled in the Match Savings Plan. Non-grandfathered employees, as defined in the Retirement Plan, participating in the Match Savings Plan will receive an automatic non-elective contribution from the Council of 1.75% of eligible compensation and a matching contribution in the amount equal to 100% of each participant’s contribution that does not exceed 6% of eligible compensation. Grandfathered employees, as defined in the Retirement Plan, participating in the Match Savings Plan will receive a matching contribution in the amount equal to 50% of each participant’s contribution that does not exceed 6% of eligible compensation. The Council contributed approximately \$190,000 to the Match Savings Plan in 2019. The Council contributed approximately \$28,000, to the Thrift Plan in 2018.

Health-Care Plan

The Council’s employees participate in a health-care plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2019 and 2018, the Council remitted approximately \$461,000 and \$382,000, respectively, on behalf of its employees to the National Council related to the health-care plan.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 14: Scout Shop

The National Council operates three Scout shops within the Orange County area. The National Council manages the Scout shops and pays the Council an 8% rent commission on gross sales of up to \$750,000 and 13% on sales in excess of \$750,000. The rent commissions earned (before expenses) by the Council during the years ended 2019 and 2018, amounted to approximately \$194,000 and \$217,000, respectively, which are included in income from rent in the statements of activities and changes in net assets.

Note 15: Endowment Funds

The Council's Endowment Fund includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by US 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.

The Council has interpreted the State of California Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as donor-restricted endowment funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, 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 Council and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Council
- (7) The investment policies of the Council

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 15: Endowment Funds (Continued)

The Council’s investments are governed by a written investment policy, the principal objective of which is to make investments in a thoughtful and prudent manner so as to preserve and enhance the Council’s ability to provide for the benefits of Scouting. The oversight of the investment portfolio is the responsibility of the Investment Committee whose members are appointed by the Executive Committee of the Board of Directors, and which shall administer the investment portfolio in compliance with all written policies approved by the Board of Directors.

The Investment Committee has contracted with an independent trust company for the purpose of managing the investment and reinvestment of fund assets in a manner consistent with the overall investment policy as approved by the Board of Directors.

The following are the investment objectives of the Council:

- Preserve the investment portfolio’s corpus over the long term
- Ensure the investment portfolio’s long-term ability to distribute income
- Ensure that donor restricted donations are protected so that they are available for the target use

In achieving its objectives, the Council’s primary investment mission is to preserve principal and purchasing power in real dollar terms over time while supporting current income requirements.

The following is the endowment net asset composition by type of fund as of 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	\$ -	\$ 1,771,916	\$ 1,771,916
Donor-restricted endowment funds restricted to program services	-	111,330	111,330
Board-designated endowment funds	<u>9,343,741</u>	<u>-</u>	<u>9,343,741</u>
Endowment Fund Net Assets	<u>\$ 9,343,741</u>	<u>\$ 1,883,246</u>	<u>\$ 11,226,987</u>

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 15: Endowment Funds (Continued)

The following is the endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds, perpetual in duration - original gift amount	\$ -	\$ 1,421,528	\$ 1,421,528
Donor-restricted endowment funds restricted to program services	-	111,330	111,330
Board-designated endowment funds	<u>9,965,711</u>	<u>-</u>	<u>9,965,711</u>
Endowment Fund Net Assets	<u>\$ 9,965,711</u>	<u>\$ 1,532,858</u>	<u>\$ 11,498,569</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, December 31, 2017	\$ 10,809,693	\$ 1,167,441	\$ 11,977,134
Investment loss	(548,560)	-	(548,560)
Contributions	-	365,417	365,417
Appropriation of endowment assets for expenditure	<u>(295,422)</u>	<u>-</u>	<u>(295,422)</u>
Endowment fund net assets, December 31, 2018	9,965,711	1,532,858	11,498,569
Investment gain	1,261,908	-	1,261,908
Contributions	-	350,388	350,388
Appropriation of endowment assets for expenditure	<u>(1,883,878)</u>	<u>-</u>	<u>(1,883,878)</u>
Endowment Fund Net Assets, December 31, 2019	<u>\$ 9,343,741</u>	<u>\$ 1,883,246</u>	<u>\$ 11,226,987</u>

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 US GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2019 and 2018. The Council has interpreted SPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 16: Board-Designated Net Assets

The Council's Board of Directors has designated from net assets without donor restrictions of \$9,343,741 and \$9,965,711 as of December 31, 2019 and 2018, respectively, for the purpose of a quasi-endowment (see Note 2).

Note 17: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019 and 2018:

	2019			Total
	General Operating Fund	Capital Fund	Endowment Fund	
Subject to expenditure for specific purpose:				
Scouting activities	\$ 54,161	\$ -	\$ -	\$ 54,161
Grants/foundation	35,000	-	-	35,000
Building, equipment, and maintenance				
Lost Valley	5,872	-	-	5,872
Capital campaign projects:				
Outdoor Education Center	-	90,480	-	90,480
Oso Lake	-	9,100	-	9,100
Total purpose restrictions	<u>95,033</u>	<u>99,580</u>	<u>-</u>	<u>194,613</u>
Perpetual in nature:				
Capital improvement	<u>-</u>	<u>4,200,000</u>	<u>-</u>	<u>4,200,000</u>
Subject to the passage of time:				
Community campaign donations	<u>33,703</u>	<u>-</u>	<u>-</u>	<u>33,703</u>
Endowment:				
Subject to endowment spending policy and appropriation			<u>1,883,246</u>	<u>1,883,246</u>
Total Net Assets with Donor Restrictions	<u>\$ 128,736</u>	<u>\$ 4,299,580</u>	<u>\$ 1,883,246</u>	<u>\$ 6,311,562</u>

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 17: Net Assets with Donor Restrictions (Continued)

	2018			Total
	General Operating Fund	Capital Fund	Endowment Fund	
Subject to expenditure for specific purpose:				
Scouting activities	\$ 83,913	\$ -	\$ -	\$ 83,913
Grants/foundation	220,524	-	-	220,524
Building, equipment, and maintenance				
Newport Sea Base	2,487	-	-	2,487
Lost Valley	17,545	-	-	17,545
Oso Lake Scout Camp	840	-	-	840
Capital campaign projects:				
Outdoor Education Center	-	457,025	-	457,025
Lost Valley Scout Reservation	-	15,000	-	15,000
Oso Lake	-	70,072	-	70,072
Total purpose restrictions	<u>325,309</u>	<u>542,097</u>	<u>-</u>	<u>867,406</u>
Perpetual in nature:				
Capital improvement	<u>-</u>	<u>4,200,000</u>	<u>-</u>	<u>4,200,000</u>
Subject to the passage of time:				
Community campaign donations	<u>161,700</u>	<u>-</u>	<u>-</u>	<u>161,700</u>
Endowment:				
Subject to endowment spending policy and appropriation			<u>1,532,858</u>	<u>1,532,858</u>
Total Net Assets with Donor Restrictions	<u>\$ 487,009</u>	<u>\$ 4,742,097</u>	<u>\$ 1,532,858</u>	<u>\$ 6,761,964</u>

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 18: Investments

Investments at December 31, 2019 and 2018, are composed of the following:

	<u>2019</u>	<u>2018</u>
Fixed-income bonds	\$ 2,493,879	\$ 5,421,603
Common stock	4,259,439	2,934,660
International stock	-	577,798
Money market	2,370,733	401,186
Mutual funds	1,453,944	285,624
Preferred stock	<u>510,500</u>	<u>582,500</u>
Total	<u>\$ 11,088,495</u>	<u>\$ 10,203,371</u>

The following summarizes the investment return (loss) in the statements of activities and changes in net assets for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 332,360	\$ 355,057
Net realized and unrealized gain (loss)	1,309,729	(496,842)
Investment expenses	<u>(63,937)</u>	<u>(66,112)</u>
Total	<u>\$ 1,578,152</u>	<u>\$ (207,897)</u>

The investments above are classified in the December 31, 2019 and 2018, statements of financial position as follows:

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ 9,205,249	\$ 8,670,513
With donor restrictions	<u>1,883,246</u>	<u>1,532,858</u>
Total	<u>\$ 11,088,495</u>	<u>\$ 10,203,371</u>

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments is recorded initially in the endowment fund. Distributions of investment income, gains, and losses 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. For the years ended December 31, 2019 and 2018, investment expenses were \$63,937 and \$66,112, respectively, and are netted against return on investments in the statements of activities and changes in net assets.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 19: Summary of Fair Value Exposure

US GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Fair value measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants (i.e., an exit price).

To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs as follows:

Level 1: Quoted market prices in active markets for identical securities.

Corporate Common and Preferred Stocks and Fixed-Income Securities - Valued at the closing market price on the stock exchange where they are traded (primarily the New York Stock Exchange).

Money Market Accounts - Composed of funds invested in savings accounts at various financial institutions and a money market mutual fund. Funds invested in savings accounts are valued based on the value of deposited funds and net investment earnings less withdrawals and fees. The money market mutual fund consists primarily of domestic commercial paper and other cash management instruments, such as repurchase agreements and master notes, US government and corporate obligations, and other securities of foreign issuers. The fund seeks to maintain a stable net asset value of \$1.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Corporate Bonds - Valued at prices obtained from independent pricing services, without adjustment.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, the Council's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 19: Summary of Fair Value Exposure (Continued)

The following table provides fair value measurement information for financial assets 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>
Fixed-income bonds	\$ -	\$ 2,493,879	\$ -	\$ 2,493,879
Common stock	4,259,439	-	-	4,259,439
Money market	2,370,733	-	-	2,370,733
Mutual funds	1,453,944	-	-	1,453,944
Preferred stock	<u>510,500</u>	<u>-</u>	<u>-</u>	<u>510,500</u>
Total Investments	<u>\$ 8,594,616</u>	<u>\$ 2,493,879</u>	<u>\$ -</u>	<u>\$ 11,088,495</u>

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed-income bonds	\$ 1,951,758	\$ 3,469,845	\$ -	\$ 5,421,603
Common stock	2,934,660	-	-	2,934,660
International stock	577,798	-	-	577,798
Money market	401,186	-	-	401,186
Mutual funds	285,624	-	-	285,624
Preferred stock	<u>582,500</u>	<u>-</u>	<u>-</u>	<u>582,500</u>
Total Investments	<u>\$ 6,733,526</u>	<u>\$ 3,469,845</u>	<u>\$ -</u>	<u>\$ 10,203,371</u>

Generally, the fair value of such securities is determined by reference to quoted market prices and other relevant information generated by market transactions.

**ORANGE COUNTY COUNCIL, INC.,
BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 20: Subsequent Events

Adverse Effect of COVID-19

In December 2019, an outbreak of a novel strain of corona virus (“COVID-19”) has since spread to a number of countries, including the US. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the US, including California have declared a state of emergency.

Potential impacts to our operations include disruptions or restrictions on our employees’ ability to work. In addition, the Council’s programs, camping operations, and fundraising efforts may be affected by the COVID-19 outbreak. Member enrollment may be delayed, for example, due to travel restrictions imposed by governments, and the inability to access schools for recruitment. Also, some of our suppliers of certain materials used in program delivery are located in areas impacted by COVID-19 which could limit our ability to obtain sufficient materials for our programs. COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our programs, camping operations, and fundraising efforts. Any of the foregoing could harm our operations and we cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact our operations. Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on our operations, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Additionally, subsequent to year end the Council applied for and received a Paycheck Protection Program loan totaling \$1,182,895. These funds are to be used for payroll costs, interest on mortgages, rent and utilities. Loan payments will be deferred for six months and no collateral or personal guarantees are required. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. This loan has a maturity of 2 years and an interest rate of 1%. At this time, it is not determinable what amounts may need to be repaid.

Decline in Value of Investments

Subsequent to December 31, 2019, the stock market experienced a significant decline in value. As of May 18, 2020, the Council’s investments declined by approximately 4.3%. The Council will continue to monitor its investments as it has successfully done in the past, but has no immediate plans to change its investment portfolio.

Events occurring after December 31, 2019, have been evaluated for possible adjustments to or disclosure in the financial statements through May 22, 2020, the date the financial statements were available to be issued.