

AUDITED FINANCIAL STATEMENTS

**PEE DEE AREA COUNCIL, BOY SCOUTS OF AMERICA
Florence, South Carolina**

December 31, 2018 and 2017

**Pee Dee Area Council, Boy Scouts of America
December 31, 2018 and 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pee Dee Area Council, Boy Scouts of America
Florence, South Carolina

We have audited the accompanying financial statements of Pee Dee Area Council, Boy Scouts of America (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of changes in net assets, functional expenses and cash flows 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.

Auditor's 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 that 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 auditor's judgment, including the assessment of the risk 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 Pee Dee Area Council, Boy Scouts of America as of December 31, 2018 and 2017, 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.

Munn & Associates, PC

Munn & Associates, PC
Florence, South Carolina
June 6, 2019

Pee Dee Area Council, Boy Scouts of America
Statements of Financial Position
December 31, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
ASSETS:								
Current Assets:								
Cash and cash equivalents	\$ 109,885	\$ 173,619	\$ 542	\$ 30,000	\$ 30,011	\$ 1,500	\$ 140,438	\$ 205,119
Accounts receivable	22,259	13,970	-	-	-	-	22,259	13,970
Unconditional promises to give, net	13,285	14,959	-	-	173,770	174,270	187,055	189,229
Inventories	63,340	59,062	-	-	-	-	63,340	59,062
Deferred activities expenses	6,288	4,731	-	-	-	-	6,288	4,731
Prepaid expenses	2,000	800	-	-	-	-	2,000	800
Interfund loans	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	217,057	267,141	542	30,000	203,781	175,770	421,380	472,911
Non-Current Assets:								
Unconditional promises to give, net	-	27,500	-	-	22,570	131,142	22,570	158,642
Land, building and equipment, net	-	-	1,535,912	1,522,427	-	-	1,535,912	1,522,427
Long term investments	-	-	-	-	2,341,474	2,129,342	2,341,474	2,129,342
Beneficial interest in a perpetual trust	-	-	-	-	1,013,692	1,135,136	1,013,692	1,135,136
TOTAL NON-CURRENT ASSETS	-	27,500	1,535,912	1,522,427	3,377,736	3,395,620	4,913,648	4,945,547
TOTAL ASSETS	\$ 217,057	\$ 294,641	\$ 1,536,454	\$ 1,552,427	\$ 3,581,517	\$ 3,571,390	\$ 5,335,028	\$ 5,418,458
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Accounts payable	\$ -	\$ 5,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,917
Accrued expenses	9,827	241	-	-	-	-	9,827	241
Employee payroll deductions	2,297	2,035	-	-	-	-	2,297	2,035
Custodial accounts	52,272	87,261	-	-	-	-	52,272	87,261
Deferred camp income	-	4,833	-	-	-	-	-	4,833
Deferred special events income	1,200	1,200	-	-	-	-	1,200	1,200
Deferred direct benefits costs-special events	-	-	-	-	-	-	-	-
Deferred other income	-	-	-	-	-	-	-	-
Notes payable - short term	-	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	65,596	101,487	-	-	-	-	65,596	101,487
Non-Current Liabilities:								
Notes payable - long term	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	65,596	101,487	-	-	-	-	65,596	101,487
Net Assets:								
Without donor restrictions	143,912	136,378	1,489,102	1,520,687	57,451	52,491	1,690,465	1,709,556
With donor restrictions	7,549	56,776	47,352	31,740	3,524,066	3,518,899	3,578,967	3,607,415
TOTAL NET ASSETS	151,461	193,154	1,536,454	1,552,427	3,581,517	3,571,390	5,269,432	5,316,971
TOTAL LIABILITIES AND NET ASSETS	\$ 217,057	\$ 294,641	\$ 1,536,454	\$ 1,552,427	\$ 3,581,517	\$ 3,571,390	\$ 5,335,028	\$ 5,418,458

The accompanying Notes to the Financial Statements are an integral part of these statements.

Pee Dee Area Council, Boy Scouts of America
Statements of Changes in Net Assets
December 31, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
CHANGES IN NET ASSETS								
WITHOUT DONOR RESTRICTIONS:								
Support and Revenue								
Direct Support								
Friends of Scouting - Net	\$ 190,419	\$ 238,245	\$ -	\$ -	\$ -	\$ -	\$ 190,419	\$ 238,245
Project Sales	17,412	19,182	-	-	-	-	17,412	19,182
Capital Campaign	-	-	-	-	-	-	-	-
Special Events - Gross	16,487	14,558	-	-	-	-	16,487	14,558
Less: Cost of Direct Benefit	(7,241)	(8,392)	-	-	-	-	(7,241)	(8,392)
Net Special Events	9,246	6,166	-	-	-	-	9,246	6,166
Legacies and Bequests	500	100	-	-	7,096	-	7,596	100
Foundations and Trusts	111,306	136,874	-	-	-	-	111,306	136,874
Other Direct Support	9,590	3,013	-	-	-	-	9,590	3,013
TOTAL DIRECT SUPPORT	338,473	403,580	-	-	7,096	-	345,569	403,580
Indirect Support								
United Way	22,296	33,719	-	-	-	-	22,296	33,719
Unallocated Organizations	-	5,748	-	-	-	-	-	5,748
TOTAL INDIRECT SUPPORT	22,296	39,467	-	-	-	-	22,296	39,467
TOTAL SUPPORT	360,769	443,047	-	-	7,096	-	367,865	443,047
Revenue								
Sale of Supplies - Gross	69,605	73,665	-	-	-	-	69,605	73,665
Less: Cost of goods sold	(42,394)	(57,386)	-	-	-	-	(42,394)	(57,386)
Net Sale of Supplies	27,211	16,279	-	-	-	-	27,211	16,279
Product Sales - Gross	208,572	226,584	-	-	-	-	208,572	226,584
Less: Cost of Goods Sold	(61,841)	(69,632)	-	-	-	-	(61,841)	(69,632)
Less: Commissions Paid to Units	(89,195)	(90,128)	-	-	-	-	(89,195)	(90,128)
Net Product Sales	57,536	66,824	-	-	-	-	57,536	66,824
Investment Income	89,472	116,228	-	-	85,324	(22,502)	174,796	93,726
Realized Gain/Loss on Investing	-	-	-	-	-	-	-	-
Unrealized Gain/Loss on Investing	-	-	-	-	-	34,774	-	34,774
Camping	58,124	49,132	-	-	-	-	58,124	49,132
Activity	50,055	73,308	-	-	-	-	50,055	73,308
Other	12,747	3,090	(57)	-	-	-	12,690	3,090
TOTAL REVENUE	295,145	324,861	(57)	-	85,324	12,272	380,412	337,133
Net Assets Released - All								
Net Assets Released FOS	28,500	15,000	(20,000)	-	-	-	8,500	15,000
Net Assets Released Project Sales	22,910	-	-	-	-	-	22,910	-
Net Assets Released Capital	-	-	22,500	3,545	-	-	22,500	3,545
Net Assets Released Legacies and Bequests	-	-	-	36,110	-	(164)	-	35,946
Net Assets Released Foundations & Trusts	3,571	-	-	-	-	-	3,571	-
Net Assets Released United Way	150	-	-	-	-	-	150	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	55,131	15,000	2,500	39,655	-	(164)	57,631	54,491
TOTAL SUPPORT AND REVENUE	711,045	782,908	2,443	39,655	92,420	12,108	805,908	834,671
Expenses								
Program services	506,751	559,232	54,027	39,147	61,660	108,361	622,438	706,740
Support services								
Management and general	135,134	119,615	-	10,493	19,153	-	154,287	130,108
Fundraising	33,783	38,264	-	2,661	6,647	-	40,430	40,925
TOTAL FUNCTIONAL EXPENSES	675,668	717,111	54,027	52,301	87,460	108,361	817,155	877,773
Charter and National Service Fee	7,843	11,583	-	-	-	-	7,843	11,583
TOTAL EXPENSES	683,511	728,694	54,027	52,301	87,460	108,361	824,998	889,356
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 27,534	\$ 54,214	\$ (51,584)	\$ (12,646)	\$ 4,960	\$ (96,253)	\$ (19,090)	\$ (54,685)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Pee Dee Area Council, Boy Scouts of America
Statements of Changes in Net Assets
December 31, 2018 and 2017
(continued)

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
CHANGES IN NET ASSETS								
WITH DONOR RESTRICTIONS:								
Support and Revenue								
Direct Support								
Friends of Scouting	-	28,500	-	-	-	-	-	28,500
Project Sales	1,505	24,555	-	-	-	-	1,505	24,555
Special Events	3,000	-	-	-	-	-	3,000	-
Foundations and Trusts	-	3,571	-	26,740	-	-	-	30,311
Legacies & Bequests	-	-	-	-	175	37,268	175	37,268
Legacies & Bequests Discounted Value	-	-	-	-	25,023	-	25,023	-
Other Direct Support	1,141	-	-	-	12,920	5,550	14,061	5,550
Other Direct Camp	-	-	-	-	315,000	-	315,000	-
Capital Campaign	-	-	18,111	-	-	-	18,111	-
TOTAL DIRECT SUPPORT	5,646	58,626	18,111	26,740	353,118	42,818	376,875	126,184
Indirect Support								
United Way	258	150	-	-	-	-	258	150
TOTAL INDIRECT SUPPORT	258	150	-	-	-	-	258	150
TOTAL SUPPORT	5,904	58,776	18,111	26,740	353,118	42,818	377,133	126,334
Revenue								
Investment Income	-	-	-	-	11,716	16,456	11,716	16,456
Realized Gain/Loss on Investing	-	-	-	-	232,624	49,910	232,624	49,910
Unrealized Gain/Loss on Investing	-	-	-	-	(585,195)	202,428	(585,195)	202,428
TOTAL REVENUE	-	-	-	-	(340,855)	268,794	(340,855)	268,794
Net Assets Released - All								
Net Assets Released FOS	(28,500)	(20,000)	-	-	-	-	(28,500)	(20,000)
Net Assets Released Project Sales	(22,910)	-	20,000	-	-	-	(2,910)	-
Net Assets Released Capital	-	-	(22,500)	1,455	-	-	(22,500)	1,455
Net Assets Released Legacies and Bequests	-	-	-	-	(7,096)	(139,766)	(7,096)	(139,766)
Net Assets Released Foundations & Trusts	(3,571)	-	-	-	-	-	(3,571)	-
Net Assets Released United Way	(150)	-	-	-	-	-	(150)	-
Net Assets Released from Gain/Loss	-	-	-	-	-	-	-	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	(55,131)	(20,000)	(2,500)	1,455	(7,096)	(139,766)	(64,727)	(158,311)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(49,227)	36,776	15,611	28,195	5,167	171,846	(28,449)	236,817
INCREASE (DECREASE) IN TOTAL NET ASSETS	(21,693)	90,990	(35,973)	15,549	10,127	75,593	(47,539)	182,132
NET ASSETS, BEGINNING OF YEAR								
Without donor restrictions	136,378	46,130	1,520,686	1,519,330	52,491	167,875	1,709,555	1,733,335
With donor restrictions	56,776	20,000	31,741	3,545	3,518,899	3,276,140	3,607,416	3,299,685
Total net assets, beginning of year:	193,154	66,130	1,552,427	1,522,875	3,571,390	3,444,015	5,316,971	5,033,020
Board authorized transfers								
Without donor restrictions	(20,000)	36,034	20,000	50,113	-	(86,147)	-	-
With donor restrictions	-	-	-	-	-	-	-	-
Adjustments to net assets								
Without donor restrictions	-	-	-	(36,110)	-	67,016	-	30,906
With donor restrictions	-	-	-	-	-	70,913	-	70,913
NET ASSETS, END OF YEAR								
Without donor restrictions	143,912	136,378	1,489,102	1,520,687	57,451	52,491	1,690,465	1,709,556
With donor restrictions	7,549	56,776	47,352	31,740	3,524,066	3,518,899	3,578,967	3,607,415
Total net assets, end of year:	151,461	193,154	1,536,454	1,552,427	3,581,517	3,571,390	5,269,432	5,316,971

The accompanying Notes to the Financial Statements are an integral part of these statements.

**Pee Dee Area Council, Boy Scouts of America
Statement of Functional Expenses
Year Ended December 31, 2018 with 2017 Totals**

	Supporting Services				Total Expenses	
	Program Services	Management and General	Fund Raising	Total Supporting Services		
	2018	2018	2018	2018	2018	2017
EXPENSES						
Employee compensation	\$ 226,325	\$ 60,353	\$ 15,088	75,441	\$ 301,766	\$ 302,884
Employee benefits	51,445	13,719	3,430	17,149	68,594	\$ 59,145
Payroll taxes	19,063	5,083	1,271	6,354	25,417	\$ 31,957
Employee related expenses	297	79	20	99	396	\$ 16,343
	<u>297,130</u>	<u>79,234</u>	<u>19,809</u>	<u>99,043</u>	<u>396,173</u>	<u>410,329</u>
TOTAL EMPLOYEE COMPENSATION						
OTHER EXPENSES						
Travel	28,786	7,676	1,919	9,595	38,381	43,993
Telephone	4,391	1,171	293	1,464	5,855	8,383
Occupancy	37,992	10,131	2,533	12,664	50,656	55,763
Supplies	55,705	14,855	3,714	18,569	74,274	70,032
Postage	2,556	682	170	852	3,408	4,938
Conference	1,125	300	75	375	1,500	30,169
Recognition	5,777	1,540	385	1,925	7,702	1,856
Professional fees	20,868	5,565	1,391	6,956	27,824	19,220
Data processing	-	-	-	-	-	-
Insurance	26,276	7,007	1,751	8,758	35,034	33,031
Dues	-	-	-	-	-	-
Miscellaneous	44,039	13,405	4,491	17,896	61,935	2,456
Service charges & management fees	23,869	7,415	2,573	9,988	33,857	34,503
Printing	2,107	562	140	702	2,809	2,311
Interest	-	-	-	-	-	3,095
Assistance to individuals	3,633	969	242	1,211	4,844	9,937
Equipment rental and maintenance	14,157	3,775	944	4,719	18,876	20,344
Coker Trust donations to Boy Scouts	-	-	-	-	-	76,853
	<u>271,281</u>	<u>75,053</u>	<u>20,621</u>	<u>95,674</u>	<u>366,955</u>	<u>416,884</u>
TOTAL OTHER EXPENSES						
TOTAL EXPENSES BEFORE DEPRECIATION						
	<u>568,411</u>	<u>154,287</u>	<u>40,430</u>	<u>194,717</u>	<u>763,128</u>	<u>827,213</u>
Depreciation	54,027	-	-	-	54,027	50,560
	<u>54,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,027</u>	<u>50,560</u>
TOTAL FUNCTIONAL EXPENSES						
	<u>\$ 622,438</u>	<u>\$ 154,287</u>	<u>\$ 40,430</u>	<u>\$ 194,717</u>	<u>\$ 817,155</u>	<u>\$ 877,773</u>
Functional Expense Percentages	76.17%	18.88%	4.95%		100.00%	

The accompanying Notes to the Financial Statements are an integral part of these statements.

Pee Dee Area Council, Boy Scouts of America
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES								
Change in Total Net Assets	\$ (21,693)	\$ 90,990	\$ (35,973)	\$ 15,549	\$ 10,127	\$ 75,593	\$ (47,539)	\$ 182,132
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities								
Depreciation	-	-	54,027	50,560	-	-	54,027	50,560
(Gains)losses on sales of fixed assets	-	-	-	-	-	-	-	-
Requized (gains)losses on sales of investments	-	-	-	-	(232,624)	(49,910)	(232,624)	(49,910)
Unrealized (gains)losses on investments	-	-	-	-	585,195	-	585,195	-
Adjustments to Changes in Assets and Liabilities								
Unconditional promises to give	29,174	(18,089)	-	-	109,072	171,178	138,246	153,089
Other receivables	(8,289)	(13,674)	-	-	-	-	(8,289)	(13,674)
Inventories	(4,278)	(883)	-	-	-	-	(4,278)	(883)
Prepaid expenses	(2,757)	7,759	-	-	-	-	(2,757)	7,759
Accounts payable	3,931	(3,910)	-	-	-	-	3,931	(3,910)
Custodial accounts	(34,989)	(1,282)	-	-	-	-	(34,989)	(1,282)
Deferred income	(4,833)	(12,117)	-	-	-	-	(4,833)	(12,117)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	(43,734)	48,794	18,054	66,109	471,770	196,861	446,090	311,764
Cash Flow's from Investing Activities								
Cash restricted for long term purposes	-	-	-	-	(7,096)	(78,853)	(7,096)	(78,853)
Proceeds from sale of investments	-	-	-	-	910,916	147,166	910,916	147,166
Investment purchases	-	-	-	-	(1,347,079)	(315,456)	(1,347,079)	(315,456)
Fixed asset purchases	-	-	(67,512)	(50,112)	-	-	(67,512)	(50,112)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	-	-	(67,512)	(50,112)	(443,259)	(247,143)	(510,771)	(297,255)
Cash Flow's from Financing Activities								
Short-term note payments	-	-	-	-	-	-	-	-
Long-term note payments	-	(92,889)	-	-	-	-	-	(92,889)
Net Asset Adjustments	-	-	-	(36,110)	-	137,929	-	101,819
Interfund transfers	(20,000)	36,034	20,000	50,113	-	(86,147)	-	-
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(20,000)	(56,855)	20,000	14,003	-	51,782	-	8,930
NET INCREASE (DECREASE) IN CASH AND TEMP CASH INVESTMENTS	(63,734)	(8,061)	(29,458)	30,000	28,511	1,500	(64,681)	23,439
Cash and Temporary Cash Investments								
Beginning of Year	173,619	181,680	30,000	-	1,500	-	205,119	181,680
End of this Period	<u>\$ 109,885</u>	<u>\$ 173,619</u>	<u>\$ 542</u>	<u>\$ 30,000</u>	<u>\$ 30,011</u>	<u>\$ 1,500</u>	<u>\$ 140,438</u>	<u>\$ 205,119</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Pee Dee Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization. Pee Dee Area Council, Boy Scouts of America is a nonprofit corporation incorporated to provide scouting activities and service to the youth of the Pee Dee region of South Carolina. The Cub Scouting program is for boys and girls ages 8 to 10 years old and the Boy Scout program is for boys ages 11 to 18 years old. Starting in 2019, the Scouts BSA program will be launched that will enable both boys and girls ages 11 to 17 to earn the Eagle Scout rank. The mission of the Boy Scouts of America is to prepare young people to make ethical and moral choices over their lifetime by instilling in them the values of the Scout Oath and Law.

Principles of Consolidation. The Council has economic interests in an Endowment Trust Fund, which results in the accounts of the Endowment Trust Fund being consolidated with those of the Council in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in the consolidation. The Council and the Endowment Trust Fund are hereby collectively referred to as the "Council".

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. Using such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities and objectives. The accounts are maintained in three self-balancing funds groups according to their nature and purposes as follows:

General Operating Fund - The 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 repairs and improvements where income is either designated or restricted for those particular items. Revenue and expenses related to the capital fundraising campaign are also included in this fund.

Endowment Funds – Endowment funds are 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. Also, investment funds with or without donor restrictions are included in the endowment fund.

Basis of Presentation. The Council also prepares financial statements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Council adopted the provisions of Accounting Standards Update ("ASU") 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Council's liquidity, financial performance, and cash flows.

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior Year Summarized Comparative Information. The consolidated financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Council's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Cash and Cash Equivalents. Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less exclusive of restricted cash and cash held by brokers. The Council maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes the Council's deposits are not subject to significant credit risk. All certificates of deposit, regardless of maturity dates, are considered cash equivalents.

Accounts Receivable. Accounts receivable are recorded primarily for product sales and are reported at net realizable value if the amounts are due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2018 and 2017.

Concentration of 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.

Inventories. Inventory consists of Scouting and other items available for resale and is stated at lower of costs or market. Cost is determined using the average method. Shipping and handling costs are not included as cost of sales but charged to an inbound freight account.

Interfund Loans. There were no interfund loans at December 31, 2018 and 2017.

Investments. Investments consist primarily of assets invested in marketable equity and debt securities, alternative investments, and money-market accounts. The Council accounts for investments in accordance with 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 consolidated Statement 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 consolidated Statement of Changes in Net Assets.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility. Due to the level of risks associated with certain investments securities, it is reasonably possible that changes in fair value of investments will occur in the near term and that such changes could

Pee Area Dee Council, Boy Scouts of America
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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

materially affect the amounts reported in the consolidated Statement of Financial Position. See Notes 4 and 11.

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 incur a significant yield of return, while assuming a moderate level of investment risk. The Council expects its Endowment Trust 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 and debt securities and money market accounts to achieve its long-term return objectives within prudent risk constraints.

Spending Policy. The Pee Dee Area Council, Boy Scouts of America have three investment accounts. One for the general investments and two for permanently restricted assets.

For general investments, the Board may designate funds to be transferred to this account. Investments are made in dividend paying securities and approved spending is permitted from dividend distributions less management fees. The Board decides each year the amounts, in the form of a percentage of market value, that are to be transferred each month to the Operating Fund's checking account. This amount is computed by applying the set percentage to the market value of assets in the investment account at the end of the prior month. The amounts transferred are recorded as income from investments in the Operating Fund. Funds were transferred to the Operating Fund from the Capital Fund at the direction of the Board and recorded as a transfer between the two funds.

The permanently restricted asset account holds the assets of two trusts. They are the Myrtle Chaley Trust and the Camp Coker Trust. The assets of these trusts are permanently restricted. Based on a formula in the Trust Agreement of the Myrtle Chaley Trust, distributions of earnings are made by the trustee. The Board has no authority over any distributions. During 2018 and 2017 the annual amount to be distributed were made in four quarterly distributions each year. The amount transferred is recorded as income from investments in the Operating Fund. Currently, there are no provisions for distributions from the Camp Coker Trust.

Land, Buildings and Equipment. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Improvements or betterment 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 for the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently. Depreciation is computed using the straight-line method over the estimated useful life of the asset generally as follows:

Buildings and improvements	20 - 30 years
Land improvements	10 - 20 years
Furniture, fixtures and equipment	3 - 10 years

Construction in Progress. Construction in progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

Long-Lived Assets. 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

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of the asset and its fair value are less than the carrying amount of that asset. The Council has not recognized any impairment of long-lived assets during 2018 and 2017.

Contributions/Promises to Give. Contributions receivable are recognized upon notification of a donor's unconditional promise to give to the Council. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value in accordance with the Contributions Received section of FASB ASC. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Changes in Net Assets as assets released from restrictions.

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 donations as unrestricted support, 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 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 enhanced nonfinancial assets are not recorded in the accompanying consolidated 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 time to the Council's program services and its fundraising campaigns, the value of which is not recorded in the accompanying consolidated financial statements.

Functional Expenses. The costs of providing various programs and supporting services have been summarized on a functional basis in the consolidated Statement of Functional Expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Council providing those services. In accordance with the policy of the National Council of the Boy Scouts of America (the "National Council"), the payments of charter and national services fees to the National Council are not allowed as functional expenses.

Income Taxes. The Council is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Council is classified as a public charity. The Council is also exempt from state income tax. The Council currently has no unrelated business income.

The Council evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. No uncertain tax positions were identified by Council as of December 31, 2018 and 2017.

Federal returns for the years ended 2015 and thereafter remain subject to examination by the Internal Revenue Service.

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the years ended December 31, 2018 and 2017, no interest or penalties were recorded or included in its consolidated financial statements.

Custodial Accounts. Custodial accountants represent amounts held by the Council as custodian for registration fees for member units, amounts deposited for affiliated Scouting associations for their future use, and amounts on deposit by member units for purchases of uniforms and supplies.

Revenue Recognition. Camping and activity revenue is recognized in the period in which the service is provided. Funds received in advance of providing these services are recorded as deferred income until the services are provided.

Compensated Absences. Employees are entitled to paid vacation and sick days. The Council does not accrue the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Council's policy is to recognize the cost of compensated absences when actually paid to employees.

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

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

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

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for assets or liabilities; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of assets or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

degree of judgment exercised by the Council in determining fair value is greater for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair measurement in its entirety.

Recently Issued Accounting Standards. The following accounting pronouncements were recently issued by the FASB:

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash and restricted cash equivalents. The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In August 2019, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classifications, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions and net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosure about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses, the requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregated amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregated fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriations from underwater endowment funds. All underwater endowment funds will be classified as part of the net assets with donor restrictions rather than as a change to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among programs and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted with retrospective application required for all prior periods presented. The Council has adopted the provisions of ASU 2016-14 and has retrospectively

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
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NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

applied this standard to the consolidated financial statements as of and for the year ending December 31, 2017.

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

	Operating Fund	Capital Fund	Endowment Fund	Total of All Funds
As originally stated:				
			<u>2017</u>	
Net assets, beginning of year				
Unrestricted	\$ 46,130	\$ 1,519,329	\$ 167,875	\$ 1,733,334
Temporarily restricted	20,000	3,545	177,863	201,408
Permanently restricted	-	-	3,098,752	3,098,752
Total net assets, beginning of year	<u>\$ 66,130</u>	<u>\$ 1,522,874</u>	<u>\$ 3,444,490</u>	<u>\$ 5,033,494</u>
Net assets, end of year				
Unrestricted	\$ 136,378	\$ 1,520,687	\$ 52,491	\$ 1,709,556
Temporarily restricted	56,776	31,740	318,147	406,663
Permanently restricted	-	-	3,200,752	3,200,752
Total net assets, end of year	<u>\$ 193,154</u>	<u>\$ 1,552,427</u>	<u>\$ 3,571,390</u>	<u>\$ 5,316,971</u>
As restated:				
Net assets, beginning of year				
Without donor restrictions	\$ 46,130	\$ 1,519,329	\$ 167,875	\$ 1,733,334
With donor restrictions	20,000	3,545	3,276,615	3,300,160
Total net assets, beginning of year	<u>\$ 66,130</u>	<u>\$ 1,522,874</u>	<u>\$ 3,444,490</u>	<u>\$ 5,033,494</u>
Net assets, end of year				
Without donor restrictions	\$ 136,378	\$ 1,520,687	\$ 52,491	\$ 1,709,556
With donor restrictions	56,776	31,740	3,518,899	3,607,415
Total net assets, end of year	<u>\$ 193,154</u>	<u>\$ 1,552,427</u>	<u>\$ 3,571,390</u>	<u>\$ 5,316,971</u>

The Council has not elected early adoption of recent accounting pronouncements, where permitted, for the year ended December 31, 2018.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS

The Council's financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position date is as follows:

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS (continued)

	2018	2017
Cash - Operating Fund	\$ 109,855	\$ 173,619
Contributions receivable - Operation Fund	22,259	13,970
Accounts receivable - Operating fund	13,285	14,959
Total financial assets at end of year	<u>145,399</u>	<u>202,548</u>
Appropriation from endowment for general expenditures in subsequent year	<u>54,000</u>	<u>54,000</u>
Total financial assets available to meet general expenditures within next 12 months	<u>\$ 199,399</u>	<u>\$ 256,548</u>

The Council's endowment funds consist of board-designated endowment funds. Each year an amount is designated for transfer to the Operating Fund for unrestricted use.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Pledges receivable at December 31, 2018 and 2017 are as follows:

	2018	2017
Operating:		
Contributions receivable	\$ 22,205	\$ 23,381
Less allowance for doubtful accounts	(8,920)	(8,423)
	<u>\$ 13,285</u>	<u>\$ 14,958</u>
Endowment		
Receivable in a year	\$ 173,770	\$ 174,270
Receivable in one to five years	94,838	228,933
Less present value discount	(72,268)	(97,791)
	<u>\$ 196,340</u>	<u>\$ 305,412</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018 and 2017:

	2018	2017
Land	\$ 785,346	\$ 769,965
Land improvements	292,409	307,790
Buildings	1,346,822	1,303,711
Auto and trucks	27,076	27,076
Furniture, fixtures and equipment	206,301	259,426
Construction in progress	24,458	-
	<u>2,682,412</u>	<u>2,667,968</u>
Less accumulated depreciation	<u>(1,146,500)</u>	<u>(1,145,541)</u>
	<u>\$ 1,535,912</u>	<u>\$ 1,522,427</u>

Depreciation expenses for the years ended December 31, 2018 and 2017 are \$ 54,027 and \$50,560.

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 4 – PROPERTY AND EQUIPMENT (continued)

As of December 31, 2018, construction in progress consisted of various costs associated with the Eco Hut and Shelter. This project is expected to be completed during 2019. The costs are being funded through operating cash, investments, and donor contributions.

NOTE 5 – INVESTMENTS - ENDOWMENT

The Council invests endowment fund contributions and certain board designated amounts in various long-term investments. Long-term investments are stated at fair value and consist of equity investments in various mutual funds. Fair value and unrealized appreciation at December 31, 2018 and 2017 are summarized as follows:

The following schedule summarizes investment returns and its classification in the statement of changes in net assets for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Operating Fund		
Investment income from investments	\$ -	\$ -
Investment income from beneficial trust	89,472	116,228
	<u>\$ 89,472</u>	<u>\$ 116,228</u>
Endowment Fund		
Investment income from investments	\$ 174,796	\$ 93,726
Net realized gains (losses)	-	-
Net unrealized gains (losses)	-	34,774
	<u>174,796</u>	<u>128,500</u>
Investment income to Operating Fund	89,472	116,228
	<u>\$ 85,324</u>	<u>\$ 12,272</u>

Portfolio management fees for 2018 of \$33,857 and for 2017 of \$34,503 have been netted against investment income.

Under South Carolina law, appreciation and depreciation in the value of trust funds above and below original principal may, at the discretion of the trustees, be allocated to other than investment principal. At December 31, 2018 there was depreciation below and at December 31, 2017 there was depreciation above the original balances available. See Note 14 for information concerning the State Prudent Management of Institutional Funds Act (SPMIFA).

NOTE 6 – BENEFICIAL INTEREST IN PERPETUAL TRUST

Pee Dee Area Council, Boy Scouts of America has a 16.67% beneficiary interest in a perpetual trust whereby the investment principal remains part of the trust and is not the property of the Council. The trust is managed by a third-party trustee, Wells Fargo. Each year Pee Dee Area Council, Boy Scouts of America receives income distributions from the trust which can be used by the Council for any purpose. Distributions are recorded as unrestricted investment income in the statement of activities. The Council has no right to the investment principal. The annual fluctuation in the market value of the trust is included in the statement of activities as an increase or decrease in permanently restricted net assets. As of December 31, 2018, trust assets totaled \$529,627 and as of December 31, 2017, trust assets totaled \$598,510.

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 6 – BENEFICIAL INTEREST IN PERPETUAL TRUST (continued)

Pee Dee Area Council, Boy Scouts of America is the sole beneficiary of a perpetual trust whereby the investment principal remains part of the trust and is not the property of the Council. The trust is managed by trustees appointed by the Council's Board of Directors. As of December 31, 2018, trust assets totaled \$536,625 and as of December 31, 2017, trust assets totaled \$484,065.

NOTE 7 – NOTES PAYABLE

The Council had no notes payable at December 31, 2018 and 2017.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018			Total
	Operating Fund	Capital Fund	Endowment Fund	
<u>Subject to expenditure for a specific purpose</u>				
BBQ Sponsorship	\$ 3,000	\$ -	\$ -	\$ 3,000
Dining Hall repairs	1,645	-	-	1,645
Duffy-Turner Campership	1,505	-	-	1,505
Woodbagde Scholarship	923	-	-	923
Eagle Scout Scholarship	258	-	-	258
United Way	218	-	-	218
Swim Deck	-	45,612	-	45,612
Nature Lodge repairs	-	1,740	-	1,740
Office & Other upgrades	-	-	315,000	315,000
Camp Coker Trust	-	-	45,224	(371)
Camp Coker maintenance	-	-	(371)	45,224
Council General	-	-	(41,001)	(41,001)
	<u>7,549</u>	<u>47,352</u>	<u>318,852</u>	<u>373,753</u>
<u>Perpetual in nature</u>				
Council General	-	-	2,165,965	2,165,965
Myrtle Chaley Trust	-	-	564,854	564,854
Camp Coker Trust	-	-	462,845	462,845
East Carolina Foundation Coker	-	-	11,550	11,550
	<u>-</u>	<u>-</u>	<u>3,205,214</u>	<u>3,205,214</u>
Total net assets with donor restrictions	<u>\$ 7,549</u>	<u>\$ 47,352</u>	<u>\$ 3,524,066</u>	<u>\$ 3,578,967</u>

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

	2017			Total
	Operating Fund	Capital Fund	Endowment Fund	
<u>Subject to expenditure for a specific purpose</u>				
Friends of Scouting	\$ 28,500	\$ -	\$ -	\$ 28,500
Swim Deck	20,000	6,740	-	26,740
Camp Coker Trust	3,571	-	-	3,571
Dining Hall repairs	1,645	-	-	1,645
Scoutbook	1,260	-	-	1,260
Philmont Scholarship	1,000	-	-	1,000
Woodbagde Scholarship	650	-	-	650
Echo Hut	-	25,000	-	25,000
General Council	-	-	244,062	244,062
Camp Coker Trust	-	-	73,780	73,780
United Way	150	-	305	455
	<u>56,776</u>	<u>31,740</u>	<u>318,147</u>	<u>406,663</u>
<u>Perpetual in nature</u>				
Council General	-	-	2,135,347	2,135,347
Myrtle Chaley Trust	-	-	598,510	598,510
Camp Coker Trust	-	-	462,845	462,845
East Carolina Foundation Coker	-	-	4,050	4,050
	<u>-</u>	<u>-</u>	<u>3,200,752</u>	<u>3,200,752</u>
Total net assets with donor restrictions	<u>\$ 56,776</u>	<u>\$ 31,740</u>	<u>\$ 3,518,899</u>	<u>\$ 3,607,415</u>

NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2018 and 2017 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors by follows:

	2018	2017
<u>Satisfaction of program restrictions</u>		
Project sales	\$ 22,910	\$ -
Capital	22,500	3,545
Legacies and Bequests	3,571	36,110
Total satisfaction of program restrictions	<u>48,981</u>	<u>39,655</u>
<u>Expiration of time restrictions</u>		
Friends of Scouting	28,500	15,000
United Way	150	-
Total satisfaction of time restrictions	<u>28,650</u>	<u>15,000</u>
Total net assets released from restrictions	<u>77,631</u>	<u>54,655</u>

Pee Area Dee Council, Boy Scouts of America
Notes to Financial Statements
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NOTE 10 – EMPLOYEE BENEFIT PLANS

Retirement Plan The National Council has a qualified defined benefit pension plan (“the plan”) administered at the National Service Center that covers employees of the National Council and local councils, including the Pee Dee Area Council, Boy Scouts of America. The plan name is the *Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees* and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2 percent of compensation, and the council contributes an additional 7 percent to the plan. Plan expense (excluding the contributions made by employees) was approximately \$15,745 in 2018 and \$14,157 in 2017, and covered current service cost. The actuarial information for the plan as of February 1, 2018, indicates that it is in compliance with ERISA regulations regarding funding.

Deferred Annuity Plan The Council participates in a tax-deferred annuity plan qualifying under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Council. The Council contributes 3% of gross salaries for qualified employees to the plan. Employees make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. For the years ended December 31, 2018 and 2017, plan expenses were \$0 each year and employer contributions were \$4,448 and \$2,731, respectively.

Health Care and Dental Assistance Plan The Council’s employees participate in health care and dental assistance plans provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2018 and 2017, the Council remitted to the National Council approximately \$41,603 and \$35,298, respectively to the health care plan and \$3,121 and \$2,561, respectively to the dental assistance plan on behalf of its employees.

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

The Council paid no interest for the year ended December 31, 2018 and \$3,095 for the year ended December 31, 2017. No income taxes were paid by the Council at December 31, 2018 and 2017.

NOTE 12 – CREDIT RISK

Financial instruments that potentially subject the Council to credit risk consist principally of cash at financial institutions and investments. At times, the balances in cash accounts may be in excess of FDIC insurance limits. Management continuously monitors the Council’s balances at financial institutions and invests excess operation cash in short-term investments.

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NOTE 13 – FAIR VALUE MEASUREMENTS

The following provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017:

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to amounts presented in the statement of financial position.

2018					
<u>Description</u>	Assets Measured At Net Asset Value	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ -	\$ 30,153	\$ -	\$ -	\$ 30,153
Stocks	-	1,920,007	-	-	1,920,007
Registered Investment Companies	-	378,884	-	-	378,884
Foundations	-	12,430	-	-	12,430
Total investment	<u>\$ -</u>	<u>\$ 2,341,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,341,474</u>
Beneficial interest in perpetual trusts	\$ -	\$ 1,013,692	\$ -	\$ -	\$ 1,013,692

2017					
<u>Description</u>	Assets Measured At Net Asset Value (a)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ -	\$ 51,887	\$ -	\$ -	\$ 51,887
Stocks	-	1,923,798	-	-	1,923,798
Registered Investment Companies	-	148,302	-	-	148,302
Foundations	-	5,355	-	-	5,355
Total investment	<u>\$ -</u>	<u>\$ 2,129,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,129,342</u>
Beneficial interest in perpetual trusts	\$ -	\$ 1,135,135	\$ -	\$ -	\$ 1,135,135

NOTE 14 – ENDOWMENT FUND

The Council's endowment includes funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on the existence or absence of donor restrictions.

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NOTE 14 – ENDOWMENT FUND (continued)

Interpretation of relevant law. The Council is subject to the State Prudence Management of Institutional Funds Act (SPMIFA) 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 appropriate such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Council's Board of Directors has interpreted SPMIFA as not requiring 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 endowment funds, the Council considers a fund to be underwater if the fair value of the funds is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulation to the funds that are required to be maintained in perpetuity in accordance with the directions of the applicable donor gift instrument. The Council has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. Additionally, in accordance with SPMIFA, the Council considers the following determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization 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 organization; and
- (7) The investment policy of the Council.

NOTE 15 – SUBSEQUENT EVENTS

These consolidated financial statements considered subsequent events through June 6, 2019, the date the financial statements were available to be issued.