

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021

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LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Laurel Highlands Council,  
Boy Scouts of America

### *Opinion*

We have audited the accompanying consolidated financial statements of Laurel Highlands Council, Boy Scouts of America, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Laurel Highlands Council, Boy Scouts of America as of December 31, 2022 and 2021, 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Laurel Highlands Council, Boy Scouts of America and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis-of-Matter*

As discussed in Note 4 to the consolidated financial statements, we draw attention to the declaration of bankruptcy by the National Council of the Boy Scouts of America and litigation matters involving the National Council of the Boy Scouts of America, and the financial effect on Laurel Highlands Council, Boy Scouts of America. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

## INDEPENDENT AUDITOR'S REPORT

(continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Highlands Council, Boy Scouts of America's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Laurel Highlands Council, Boy Scouts of America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Highlands Council, Boy Scouts of America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sistersan & Co. LLP*

May 30, 2023

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
<u>ASSETS</u>				
Current assets				
Cash	\$ 238,202	\$ 2,042,383	\$ 1,935,962	\$ 4,216,547
Short-term investments (Note 5)	559,830	263,485	--	823,315
Pledges receivable, net (Note 2)	75,246	--	48,750	123,996
Other receivables (Note 2)	923,490	82,500	--	1,005,990
Inventories	329,060	--	--	329,060
Prepaid expenses and other assets	74,287	--	--	74,287
Total current assets	2,200,115	2,388,368	1,984,712	6,573,195
Non-current assets				
Pledges receivable, net (Note 2)	27,980	--	652,500	680,480
Land, buildings and equipment, net (Note 7)	--	12,043,752	--	12,043,752
Long-term investments (Notes 5 and 6)	73,979	2,125,447	14,049,836	16,249,262
Total non-current assets	101,959	14,169,199	14,702,336	28,973,494
Total assets	\$ 2,302,074	\$ 16,557,567	\$ 16,687,048	\$ 35,546,689
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities				
Accounts payable	\$ 185,778	\$ 42,052	\$ --	\$ 227,830
Accrued expenses	30,140	--	--	30,140
Custodian accounts (Note 8)	372,921	--	1,911,599	2,284,520
Deferred income	800,865	--	--	800,865
Other current liabilities	40,341	--	--	40,341
Total current liabilities	1,430,045	42,052	1,911,599	3,383,696
Net assets				
Without donor restrictions				
Board designated (Notes 3, 15 and 16)	--	--	558,397	558,397
Undesignated	397,091	15,700,188	2,773,162	18,870,441
	397,091	15,700,188	3,331,559	19,428,838
With donor restrictions (Notes 13 and 16)	474,938	815,327	11,443,890	12,734,155
Total net assets	872,029	16,515,515	14,775,449	32,162,993
Total liabilities and net assets	\$ 2,302,074	\$ 16,557,567	\$ 16,687,048	\$ 35,546,689

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
<u>ASSETS</u>				
Current assets				
Cash	\$ 1,200,173	\$ 1,584,290	\$ --	\$ 2,784,463
Short-term investments (Note 5)	559,611	262,278	--	821,889
Pledges receivable, net (Note 2)	99,383	--	97,500	196,883
Other receivables	284,925	--	--	284,925
Inventories	161,661	--	--	161,661
Prepaid expenses and other assets	42,733	--	--	42,733
Total current assets	2,348,486	1,846,568	97,500	4,292,554
Non-current assets				
Pledges receivable, net (Note 2)	136,250	--	603,750	740,000
Land, buildings and equipment, net (Note 7)	--	12,045,594	--	12,045,594
Long-term investments (Notes 5 and 6)	92,119	2,623,362	22,785,453	25,500,934
Total non-current assets	228,369	14,668,956	23,389,203	38,286,528
Total assets	\$ 2,576,855	\$ 16,515,524	\$ 23,486,703	\$ 42,579,082
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities				
Accounts payable	\$ 39,073	\$ 2,811	\$ --	\$ 41,884
Accrued expenses	47,082	259	--	47,341
Custodian accounts (Note 8)	529,415	--	2,389,715	2,919,130
Deferred income	401,842	--	--	401,842
Other current liabilities (Note 4)	84,520	--	5,972,147	6,056,667
Total current liabilities	1,101,932	3,070	8,361,862	9,466,864
Net assets				
Without donor restrictions				
Board designated (Notes 3, 4, 15 and 16)	--	--	5,615,720	5,615,720
Undesignated	1,062,202	15,595,210	(3,236,189)	13,421,223
	1,062,202	15,595,210	2,379,531	19,036,943
With donor restrictions (Notes 13 and 16)	412,721	917,244	12,745,310	14,075,275
Total net assets	1,474,923	16,512,454	15,124,841	33,112,218
Total liabilities and net assets	\$ 2,576,855	\$ 16,515,524	\$ 23,486,703	\$ 42,579,082

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2022

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
<b>Changes in net assets without donor restrictions</b>				
Support and revenue				
Direct support				
Friends of Scouting	\$ 233,250	\$ --	\$ --	\$ 233,250
Project sales	12	--	--	12
Special events, gross	239,127	--	--	239,127
Less: cost of direct benefit	(107,417)	--	--	(107,417)
Net special events	131,710	--	--	131,710
Legacies and bequests	12,500	--	1,506,498	1,518,998
Foundations and trusts	176,957	--	--	176,957
Other direct support	1,848	152,292	3,000	157,140
Total direct support	<u>556,277</u>	<u>152,292</u>	<u>1,509,498</u>	<u>2,218,067</u>
Indirect support				
United Way	105,139	--	--	105,139
Government grant (Note 2)	1,002,858	--	--	1,002,858
Total indirect support	<u>1,107,997</u>	<u>--</u>	<u>--</u>	<u>1,107,997</u>
Revenue				
Sale of supplies, gross	532,789	--	--	532,789
Less: cost of goods sold	(333,204)	--	--	(333,204)
Net sale of supplies	199,585	--	--	199,585
Product sales, gross	6,720	--	--	6,720
Less: cost of goods sold	(2,356)	--	--	(2,356)
Less: commissions paid to units	(852)	--	--	(852)
Net product sales	3,512	--	--	3,512
Investment return, net (Note 5)	885,762	404,226	(1,472,304)	(182,316)
Camping revenue	2,356,956	--	--	2,356,956
Activity revenue	149,232	--	--	149,232
Other revenue	379,059	266,409	--	645,468
Total revenue	<u>3,974,106</u>	<u>670,635</u>	<u>(1,472,304)</u>	<u>3,172,437</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(continued)

Year ended December 31, 2022

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
Net assets released from restrictions (Note 14)				
Satisfaction of program restrictions	\$ 146,475	\$ --	\$ --	\$ 146,475
Expiration of time restrictions	<u>129,946</u>	<u>--</u>	<u>--</u>	<u>129,946</u>
Total net assets released from restrictions	<u>276,421</u>	<u>--</u>	<u>--</u>	<u>276,421</u>
Total support and revenue	<u>5,914,801</u>	<u>822,927</u>	<u>37,194</u>	<u>6,774,922</u>
Expenses				
Program services	<u>5,228,813</u>	<u>702,978</u>	<u>--</u>	<u>5,931,791</u>
Support services				
Management and general	248,960	11,977	--	260,937
Fundraising	<u>78,800</u>	<u>2,994</u>	<u>--</u>	<u>81,794</u>
Total support services	<u>327,760</u>	<u>14,971</u>	<u>--</u>	<u>342,731</u>
Total functional expenses	5,556,573	717,949	--	6,274,522
Charter and national service fee (Note 11)	<u>108,505</u>	<u>--</u>	<u>--</u>	<u>108,505</u>
Total expenses	<u>5,665,078</u>	<u>717,949</u>	<u>--</u>	<u>6,383,027</u>
Increase in net assets without donor restrictions	<u>249,723</u>	<u>104,978</u>	<u>37,194</u>	<u>391,895</u>
<b>Changes in net assets with donor restrictions</b>				
Support and revenue				
Direct support				
Friends of Scouting	56,528	--	--	56,528
Special events	12,110	--	--	12,110
Foundations and trusts	270,000	--	425,839	695,839
Other direct support	<u>--</u>	<u>--</u>	<u>625</u>	<u>625</u>
Total direct support	<u>338,638</u>	<u>--</u>	<u>426,464</u>	<u>765,102</u>
Revenue				
Investment return, net (Note 5)	<u>--</u>	<u>(101,917)</u>	<u>(1,727,884)</u>	<u>(1,829,801)</u>
Total revenue	<u>--</u>	<u>(101,917)</u>	<u>(1,727,884)</u>	<u>(1,829,801)</u>

The accompanying notes are an integral part of this consolidated financial statement.



LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(continued)

Year ended December 31, 2022

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
Net assets released from restrictions (Note 14)				
Satisfaction of program restrictions	\$ (146,475)	\$ --	\$ --	\$ (146,475)
Expiration of time restrictions	<u>(129,946)</u>	<u>--</u>	<u>--</u>	<u>(129,946)</u>
Total net assets released from restrictions	<u>(276,421)</u>	<u>--</u>	<u>--</u>	<u>(276,421)</u>
Total support and revenue	<u>62,217</u>	<u>(101,917)</u>	<u>(1,301,420)</u>	<u>(1,341,120)</u>
Increase (decrease) in net assets with donor restrictions	<u>62,217</u>	<u>(101,917)</u>	<u>(1,301,420)</u>	<u>(1,341,120)</u>
Increase (decrease) in total net assets	<u>311,940</u>	<u>3,061</u>	<u>(1,264,226)</u>	<u>(949,225)</u>
<b>Net assets, beginning of year</b>				
Without donor restrictions	1,062,202	15,595,210	2,379,531	19,036,943
With donor restrictions	<u>412,721</u>	<u>917,244</u>	<u>12,745,310</u>	<u>14,075,275</u>
Total net assets, beginning of year	<u>1,474,923</u>	<u>16,512,454</u>	<u>15,124,841</u>	<u>33,112,218</u>
Board authorized transfers (Note 4)				
Without donor restrictions	<u>(914,834)</u>	<u>--</u>	<u>914,834</u>	<u>--</u>
Total adjustments to net assets	<u>(914,834)</u>	<u>--</u>	<u>914,834</u>	<u>--</u>
<b>Net assets, end of year</b>				
Without donor restrictions	397,091	15,700,188	3,331,559	19,428,838
With donor restrictions	<u>474,938</u>	<u>815,327</u>	<u>11,443,890</u>	<u>12,734,155</u>
Total net assets, end of year	<u>\$ 872,029</u>	<u>\$ 16,515,515</u>	<u>\$ 14,775,449</u>	<u>\$ 32,162,993</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2021

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
<b>Changes in net assets without donor restrictions</b>				
Support and revenue				
Direct support				
Friends of Scouting	\$ 290,459	\$ --	\$ --	\$ 290,459
Special events, gross	382,787	--	--	382,787
Less: cost of direct benefit	(115,977)	--	--	(115,977)
Net special events	266,810	--	--	266,810
Legacies and bequests	100,000	--	10,300	110,300
Foundations and trusts	394,577	--	--	394,577
Other direct support	861	84,056	4,000	88,917
Total direct support	1,052,707	84,056	14,300	1,151,063
Indirect support				
United Way	121,592	--	--	121,592
Government grant (Note 2)	293,147	--	--	293,147
Total indirect support	414,739	--	--	414,739
Revenue				
Sale of supplies, gross	83,172	--	--	83,172
Less: cost of goods sold	(58,505)	--	--	(58,505)
Net sale of supplies	24,667	--	--	24,667
Product sales, gross	525,955	--	--	525,955
Less: cost of goods sold	(171,016)	--	--	(171,016)
Less: commissions paid to units	(158,269)	--	--	(158,269)
Net product sales	196,670	--	--	196,670
Investment return, net (Note 5)	824,881	236,709	550,359	1,611,949
Camping revenue	1,851,770	--	--	1,851,770
Activity revenue	198,535	--	--	198,535
Other revenue	398,610	262,542	--	661,152
Total revenue	3,495,133	499,251	550,359	4,544,743

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(continued)

Year ended December 31, 2021

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
Net assets released from restrictions (Note 14)				
Satisfaction of program restrictions	\$ 100,000	\$ --	\$ --	\$ 100,000
Expiration of time restrictions	172,785	--	--	172,785
Total net assets released from restrictions	272,785	--	--	272,785
Total support and revenue	5,235,364	583,307	564,659	6,383,330
Expenses				
Program services	4,549,985	657,514	--	5,207,499
Support services				
Management and general	91,062	6,117	--	97,179
Fundraising	344,956	22,430	--	367,386
Total support services	436,018	28,547	--	464,565
Total functional expenses	4,986,003	686,061	--	5,672,064
Charter and national service fee (Note 11)	94,352	--	--	94,352
Total expenses	5,080,355	686,061	--	5,766,416
Increase (decrease) in net assets without donor restrictions	155,009	(102,754)	564,659	616,914
<b>Changes in net assets with donor restrictions</b>				
Support and revenue				
Direct support				
Friends of Scouting	63,695	--	--	63,695
Special events	8,750	--	--	8,750
Foundations and trusts	146,500	--	322,471	468,971
Other direct support	25	--	--	25
Total direct support	218,970	--	322,471	541,441
Indirect support				
United Way	25,000	--	--	25,000
Total indirect support	25,000	--	--	25,000
Revenue				
Investment return, net (Note 5)	--	102,201	890,527	992,728
Total revenue	--	102,201	890,527	992,728

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(continued)

Year ended December 31, 2021

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
Net assets released from restrictions (Note 14)				
Satisfaction of program restrictions	\$ (100,000)	\$ --	\$ --	\$ (100,000)
Expiration of time restrictions	<u>(172,785)</u>	<u>--</u>	<u>--</u>	<u>(172,785)</u>
Total net assets released from restrictions	<u>(272,785)</u>	<u>--</u>	<u>--</u>	<u>(272,785)</u>
Total support and revenue	<u>(28,815)</u>	<u>102,201</u>	<u>1,212,998</u>	<u>1,286,384</u>
Increase (decrease) in net assets with donor restrictions	<u>(28,815)</u>	<u>102,201</u>	<u>1,212,998</u>	<u>1,286,384</u>
Increase (decrease) in total net assets	<u>126,194</u>	<u>(553)</u>	<u>1,777,657</u>	<u>1,903,298</u>
<b>Net assets, beginning of year</b>				
Without donor restrictions	907,193	15,745,474	105,375	16,758,042
With donor restrictions	<u>441,536</u>	<u>2,477,030</u>	<u>11,532,312</u>	<u>14,450,878</u>
Total net assets, beginning of year	<u>1,348,729</u>	<u>18,222,504</u>	<u>11,637,687</u>	<u>31,208,920</u>
Board authorized transfers (Note 4)				
Without donor restrictions	--	(47,510)	47,510	--
With donor restrictions	<u>--</u>	<u>(1,661,987)</u>	<u>1,661,987</u>	<u>--</u>
Total adjustments to net assets	<u>--</u>	<u>(1,709,497)</u>	<u>1,709,497</u>	<u>--</u>
<b>Adjustments to net assets (Note 4)</b>				
Without donor restrictions	--	--	1,661,987	1,661,987
With donor restrictions	<u>--</u>	<u>--</u>	<u>(1,661,987)</u>	<u>(1,661,987)</u>
Total adjustments to net assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net assets, end of year</b>				
Without donor restrictions	1,062,202	15,595,210	2,379,531	19,036,943
With donor restrictions	<u>412,721</u>	<u>917,244</u>	<u>12,745,310</u>	<u>14,075,275</u>
Total net assets, end of year	<u>\$ 1,474,923</u>	<u>\$ 16,512,454</u>	<u>\$ 15,124,841</u>	<u>\$ 33,112,218</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

	Program Services	Management and General	Fundraising	Product Sales Cost of Sales	Cost of Direct Benefits to Donors	Total Expenses
Employee compensation						
Salaries	\$ 2,191,859	\$ 124,616	\$ 31,154	\$ --	\$ --	\$ 2,347,629
Employee benefits	360,295	31,382	7,846	--	--	399,523
Payroll taxes	156,832	8,656	2,164	--	--	167,652
Total employee compensation	<u>2,708,986</u>	<u>164,654</u>	<u>41,164</u>	<u>--</u>	<u>--</u>	<u>2,914,804</u>
Other expenses						
Supplies	926,971	2,548	9,101	--	--	938,620
Depreciation of buildings of equipment	640,129	6,390	1,598	--	--	648,117
Occupancy	515,409	11,495	2,874	--	--	529,778
Professional fees	410,955	34,783	16,792	--	--	462,530
Cost of goods sold - Scout Shop and Trading Posts	333,204	--	--	--	--	333,204
Travel	195,286	8,091	2,023	--	--	205,400
Insurance	135,611	12,054	3,014	--	--	150,679
Cost of direct benefit to donors	--	--	--	--	107,417	107,417
Specific assistance to individuals (Note 11)	77,663	--	--	--	--	77,663
Telephone	67,063	3,531	883	--	--	71,477
Conferences and meetings	62,483	4,777	1,194	--	--	68,454
Recognition awards	61,373	1,583	396	--	--	63,352
Printing and publications	56,225	4,998	1,249	--	--	62,472
Other expenses	55,304	4,733	1,181	--	--	61,218
Rent and maintenance of equipment	11,332	721	180	--	--	12,233
Postage and shipping	7,001	579	145	--	--	7,725
Cost of products sold and unit commissions	--	--	--	3,208	--	3,208
Total other expenses	<u>3,556,009</u>	<u>96,283</u>	<u>40,630</u>	<u>3,208</u>	<u>107,417</u>	<u>3,803,547</u>
Total functional expenses	6,264,995	260,937	81,794	3,208	107,417	6,718,351
Expenses included with revenue on the statement of activities:						
Cost of products sold and unit commissions	--	--	--	(3,208)	--	(3,208)
Cost of direct benefit of donors	--	--	--	--	(107,417)	(107,417)
Cost of goods sold - Scout Shop and Trading Posts	(333,204)	--	--	--	--	(333,204)
Total expenses included in the expense section on that statement of activities	<u>\$ 5,931,791</u>	<u>\$ 260,937</u>	<u>\$ 81,794</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,274,522</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	Program Services	Management and General	Fundraising	Product Sales Cost of Sales	Cost of Direct Benefits to Donors	Total Expenses
Employee compensation						
Salaries	\$ 2,073,279	\$ 47,806	\$ 175,287	\$ --	\$ --	\$ 2,296,372
Employee benefits	379,543	13,038	47,805	--	--	440,386
Payroll taxes	151,431	3,474	12,737	--	--	167,642
Employee related expenses	15,876	554	2,031	--	--	18,461
Total employee compensation	2,620,129	64,872	237,860	--	--	2,922,861
Other expenses						
Supplies	649,176	1,009	3,704	--	--	653,889
Depreciation of buildings and equipment	552,211	2,444	8,961	--	--	563,616
Occupancy	408,401	5,434	19,924	--	--	433,759
Professional fees	356,455	8,799	42,824	--	--	408,078
Cost of products sold and unit commissions	--	--	--	329,285	--	329,285
Insurance	180,949	6,312	23,145	--	--	210,406
Cost of direct benefit to donors	--	--	--	--	115,977	115,977
Travel	96,145	1,536	5,632	--	--	103,313
Specific assistance to individuals (Note 11)	82,462	--	--	--	--	82,462
Telephone	67,711	1,380	5,059	--	--	74,150
Other expenses	60,708	1,943	7,125	--	--	69,776
Cost of goods sold - Scout Shop and Trading Posts	58,505	--	--	--	--	58,505
Printing and publications	50,151	1,746	6,402	--	--	58,299
Recognition awards	33,478	262	1,460	--	--	35,200
Conferences and meetings	31,033	859	3,151	--	--	35,043
Rent and maintenance of equipment	9,367	272	997	--	--	10,636
Postage and shipping	9,123	311	1,142	--	--	10,576
Total other expenses	2,645,875	32,307	129,526	329,285	115,977	3,252,970
Total functional expenses	5,266,004	97,179	367,386	329,285	115,977	6,175,831
Expenses included with revenue on the statement of activities:						
Cost of products sold and unit commissions	--	--	--	(329,285)	--	(329,285)
Cost of direct benefit to donors	--	--	--	--	(115,977)	(115,977)
Cost of goods sold - Scout Shop and Trading Posts	(58,505)	--	--	--	--	(58,505)
Total expenses included in the expense section on the statement of activities	\$ 5,207,499	\$ 97,179	\$ 367,386	\$ --	\$ --	\$ 5,672,064

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2022

	<u>Operating Fund (Fund #1)</u>	<u>Capital Fund (Fund #2)</u>	<u>Endowment Fund (Fund #3)</u>	<u>Total All Funds</u>
Cash flows from operating activities				
Increase (decrease) in total net assets	\$ 311,940	\$ 3,061	\$ (1,264,226)	\$ (949,225)
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities				
Depreciation of buildings and equipment	--	648,117	--	648,117
Contribution of securities sold nearly immediately upon receipt	(59,520)	--	--	(59,520)
Proceeds from securities sold nearly immediately upon receipt	59,520	--	--	59,520
Loss on investments	--	497,915	3,200,188	3,698,103
Contributions restricted for long-term purposes	--	--	(426,464)	(426,464)
Increase (decrease) in cash from changes in				
Pledges receivable	132,407	--	--	132,407
Other receivables	(638,565)	(82,500)	--	(721,065)
Inventories	(167,399)	--	--	(167,399)
Prepaid expenses and other assets	(31,554)	--	--	(31,554)
Accounts payable	146,705	39,241	--	185,946
Accrued expenses	(16,942)	(259)	--	(17,201)
Custodian accounts	(156,494)	--	--	(156,494)
Deferred income	399,023	--	--	399,023
Other current liabilities	(44,179)	--	(5,972,147)	(6,016,326)
Net cash provided by (used in) operating activities	<u>(65,058)</u>	<u>1,105,575</u>	<u>(4,462,649)</u>	<u>(3,422,132)</u>
Cash flows from investing activities				
Purchase of land, buildings and equipment	--	(646,275)	--	(646,275)
Net decrease in short-term investments	(219)	(1,207)	--	(1,426)
Sales of investments	18,140	863,376	18,579,530	19,461,046
Purchases of investments	--	(863,376)	(13,522,217)	(14,385,593)
Net cash provided by (used in) investing activities	<u>17,921</u>	<u>(647,482)</u>	<u>5,057,313</u>	<u>4,427,752</u>
Cash flows from financing activities				
Board authorized transfers	(914,834)	--	914,834	--
Contributions restricted for long-term purposes	--	--	426,464	426,464
Net cash provided by (used in) financing activities	<u>(914,834)</u>	<u>--</u>	<u>1,341,298</u>	<u>426,464</u>
Net increase (decrease) in cash	(961,971)	458,093	1,935,962	1,432,084
Cash, beginning of year	<u>1,200,173</u>	<u>1,584,290</u>	<u>--</u>	<u>2,784,463</u>
Cash, end of year	<u>\$ 238,202</u>	<u>\$ 2,042,383</u>	<u>\$ 1,935,962</u>	<u>\$ 4,216,547</u>

The accompanying notes are an integral part of this consolidated financial statement.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2021

	Operating Fund (Fund #1)	Capital Fund (Fund #2)	Endowment Fund (Fund #3)	Total All Funds
Cash flows from operating activities				
Increase (decrease) in total net assets	\$ 126,194	\$ (553)	\$ 1,777,657	\$ 1,903,298
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities				
Depreciation of buildings and equipment	--	563,616	--	563,616
Contribution of securities sold nearly immediately upon receipt	(22,785)	--	--	(22,785)
Proceeds from securities sold nearly immediately upon receipt	22,785	--	--	22,785
Gain on investments	--	(223,302)	(1,767,603)	(1,990,905)
Contributions restricted for long-term purposes	--	--	(322,471)	(322,471)
Increase (decrease) in cash from changes in				
Pledges receivable	653,414	311,197	--	964,611
Other receivables	(283,850)	--	--	(283,850)
Inventories	73,573	--	--	73,573
Prepaid expenses and other assets	22,140	--	--	22,140
Accounts payable	25,150	(1,454)	--	23,696
Accrued expenses	17,676	(9,926)	--	7,750
Custodian accounts	(93,536)	--	--	(93,536)
Deferred income	189,855	--	--	189,855
Other current liabilities	37,897	--	--	37,897
Net cash provided by (used in) operating activities	<u>768,513</u>	<u>639,578</u>	<u>(312,417)</u>	<u>1,095,674</u>
Cash flows from investing activities				
Purchase of land, buildings and equipment	--	(867,644)	--	(867,644)
Net increase (decrease) in short-term investments	(59)	(38)	375,509	375,412
Sales of investments	--	134,865	5,355,331	5,490,196
Purchases of investments	(6,104)	(134,866)	(5,349,131)	(5,490,101)
Net cash used in investing activities	<u>(6,163)</u>	<u>(867,683)</u>	<u>381,709</u>	<u>(492,137)</u>
Cash flows from financing activities				
Board authorized transfers	--	430,610	(430,610)	--
Contributions restricted for long-term purposes	--	--	322,471	322,471
Net cash provided by financing activities	<u>--</u>	<u>430,610</u>	<u>(108,139)</u>	<u>322,471</u>
Net increase (decrease) in cash	762,350	202,505	(38,847)	926,008
Cash, beginning of year	<u>437,823</u>	<u>1,381,785</u>	<u>38,847</u>	<u>1,858,455</u>
Cash, end of year	<u>\$ 1,200,173</u>	<u>\$ 1,584,290</u>	<u>\$ --</u>	<u>\$ 2,784,463</u>
Supplemental disclosure of non-cash investing and financing activities				
Increase in accounts payable for the purchase of land, buildings and equipment	<u>\$ --</u>	<u>\$ 2,811</u>	<u>\$ --</u>	<u>\$ 2,811</u>
Non-cash Board authorized transfers	<u>\$ --</u>	<u>\$ (2,140,107)</u>	<u>\$ 2,140,107</u>	<u>\$ --</u>

The accompanying notes are an integral part of this consolidated financial statement.



LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF LAUREL HIGHLANDS COUNCIL, BOY SCOUTS OF AMERICA

Laurel Highlands Council, Boy Scouts of America (the "Council") is one of the largest Boy Scouts Councils in Pennsylvania. The Council operates in Pittsburgh, Pennsylvania, serving various counties in Pennsylvania (Allegheny, Beaver, Bedford, Cambria, Greene, Indiana, Somerset, Washington, portions of Armstrong, Clearfield, Fayette, Huntingdon and Westmoreland), Maryland (Alleghany and Garrett), and West Virginia (Hardy, Hampshire, Grant and Mineral). The Council also has service centers in Pittsburgh, Pennsylvania, Johnstown, Pennsylvania and Cumberland, Maryland, and has six camp facilities. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the National Council of the Boy Scouts of America (the "National Council") and in accordance with the 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 mission of the Council is to "Prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Law". The mission is principally achieved through Scouting activities, the objectives of which are character development, citizenship training, and physical and mental fitness throughout these counties in Pennsylvania, West Virginia and Maryland. The Council's website address is [www.lhscouting.org](http://www.lhscouting.org).

The Council's programs are classified as follows:

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

*Tiger Scouts* – One-year, family-oriented program for a group of teams, each consisting of a first-grade (or 7-year-old) boy or girl and an adult partner (usually a parent). A Tiger den is part of the Cub Scout pack.

*Cub Scouting* – Family-and community-centered approach to learning citizenship, compassion, and courage through service projects, ceremonies, games, and other activities promoting character development and physical fitness.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 1 - DESCRIPTION OF LAUREL HIGHLANDS COUNCIL, BOY SCOUTS OF AMERICA  
(continued)

*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 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.

*Learning for Life* – Program that enables young people to become responsible individuals by teaching positive character traits, career development, leadership, and life skills so they can make ethical choices and achieve their full potential.

Families can choose to sign up their sons and daughters who are ages 5-10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens or remain an all-boy pack. Cub Scout dens will be single gender - all boys or all girls. Using the same curriculum as the now former Boy Scouting program, Scouts BSA was launched in February 2019, enabling all eligible youth ages 11-17, to earn the Eagle Scout rank. Scouts BSA is single gender all-girl troops or all-boy troops. This unique approach allows the Council to maintain the integrity of the single-gender model while also meeting the needs of today's families.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The Council had voting control over and an economic interest in a trust fund, which resulted in the accounts of the trust fund being consolidated with those of the Council in the accompanying consolidated financial statements. The trust was liquidated during 2017, however, the entity has not yet been formally dissolved. All intercompany balances and transactions have been eliminated in consolidation. The Council and trust fund are collectively referred to as the "Council".

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America (“GAAP”), the consolidated financial statements of the Council have been prepared on the accrual basis of accounting, which is also in accordance with the National Council Accounting Manual. The Council is required to present consolidated statements of cash flows.

The Council also prepares financial statements in accordance with the Financial Accounting Standards Board (“FASB”) standards for not-for-profit organizations (Accounting Standards Codification (“ASC”) 958-205 and subsections). Under these standards, the Council is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In accordance with GAAP, the Council is required to report information regarding its consolidated financial position and activities as follows:

Without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed stipulations and are available for general use.

With donor restrictions

Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

In addition, net assets with donor restrictions may be subject to donor-imposed stipulations that they be maintained permanently with the use of all or part of the income earned on any related investments for general or specific purposes. Also, under current Pennsylvania nonprofit law, additional income up to specified limits may be allocated for general or designated purposes at the discretion of the Board of Directors. The Council's beneficial interest in various irrevocable trusts is included in net assets with donor restrictions.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - 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.

Separate accounts are maintained for each fund; however, in the accompanying consolidated financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Operating Fund (Fund #1): Day-to-day operations of the Council flow through this fund, primarily camping, unit and institutional services, and contributions without donor restrictions, including United Way.

Capital Fund (Fund #2): Reflects all activity associated with capital expenditures, depreciation, and repairs and maintenance. Recognizes contributions whereby the donors have restricted the use of the funds for capital expenditures. This fund also includes contributions from donors whereby the principal amount is nonexpendable (with donor restrictions), unless designated to this fund by the Board of Directors, and only the interest and dividends earned are expendable for capital purposes, as well as contributions from donors whereby the principal, interest and dividends earned are all expendable for capital purposes (with donor restrictions).

Endowment Fund (Fund #3): Recognizes contributions whereby the principal amount is nonexpendable (with donor restrictions), unless designated to this fund by the Board of Directors. Income and realized and unrealized gains and losses on certain funds in the endowment are either without donor restrictions or with donor restrictions as defined by the terms of the gift.

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

Contributions and pledges

Contributions receivable are recognized upon notification of a donor's unconditional promise to give to the Council. All contributions received are considered to be available for use without restriction unless specifically restricted by the donor. Pledges receivable, less an allowance for uncollectible amounts, are recorded as public support revenue in the year pledged. An allowance for uncollectible contributions is maintained for any pledge past due 90 days or more.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and pledges (continued)

Anticipated collections of pledges receivable are as follows as of December 31:

	2022	2021
Within one year	\$ 172,248	\$ 259,876
One to five years	265,480	260,000
More than five years	415,000	480,000
	852,728	999,876
Less: allowance for uncollectible pledges	48,252	62,993
	\$ 804,476	\$ 936,883

As of December 31, 2022 and 2021, one donor accounts for 95% and 93% of pledges receivable, respectively. Pledges receivable are not recorded at their present values using a discount rate commensurate with the risks involved because the present value is not materially less than the amounts expected to be received.

The Council has been awarded a promise to receive a grant totaling \$100,000 as of December 31, 2022, which is conditional upon the Council first incurring the costs relating to specific development project. Revenue from this grant was not recorded in the consolidated financial statements since the conditions upon which it is to be received were not yet satisfied.

The Council relies upon the participation and contributions of the communities it serves to support the majority of operations. These include numerous individuals, foundations, and area businesses. Donated property, marketable securities and other noncash donations are recorded as contributions at their fair value at the date of donation.

Contributions with restrictions met in the same year

Although contributions with donor restrictions typically are reported as support that increases net assets with donor restrictions, they may be reported as support without donor restrictions if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated materials and services

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair value at their date of donation. The Council reports the donations as increases to net assets 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 increases to net assets with donor restrictions. 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 require specialized skills or enhance nonfinancial assets are not recorded in the accompanying consolidated financial statements because no objective basis is available to measure the fair 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 recorded in the accompanying consolidated financial statements as it is impracticable to determine the fair value of all donated services by the volunteers of the Boy Scouts of America beyond those required to be recognized as income.

The Council received no donated services or donated materials in 2022 and 2021.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, and money market mutual funds. The Council accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations (ASC 958-320 and subsections). This standard requires that investments in equity securities and money market mutual funds with readily determinable fair values and all investments in debt securities be measured at fair value on the consolidated statements of financial position. Fair value of marketable equity and debt securities and money market mutual funds are based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the consolidated statements of activities and changes in net assets. Realized gains and losses on disposals of investments are determined by the specific identification method, except for mutual funds for which the cost of shares sold is determined by the average cost method. Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. 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 on the consolidated statements of financial position.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial interests

Beneficial interests in irrevocable trusts for which the trustee does not maintain “variance power” are recorded at the fair values of the Council’s interest in investments held within the trusts on the consolidated statements of financial position. Changes in fair values are reported as increases (decreases) to net assets with donor restrictions in the consolidated statements of activities and changes in net assets. Investment income received from the trusts is recorded as increases to net assets without donor restrictions in the consolidated statements of activities and changes in net assets.

Beneficial interests in irrevocable trusts for which the trustee does maintain “variance power” are not recorded on the Council’s consolidated statements of financial position. Income received from the trusts is recorded as foundation and other contributions and is reported as an increase in net assets without donor restrictions in the consolidated statements of activities and changes in net assets, unless such amounts are restricted by the donor.

Investment policy

The Council's investment policy, including the Endowment Fund, intends for the Council to invest in assets that would provide sufficient proceeds in the form of a total return from all dividends, income, earnings and appreciation to meet the Council's current budgetary requirements and maintain the endowment for future operational needs of the Council. The objective is to preserve the principal over time in real dollar purchasing power, after annual income distributions and costs of management are satisfied.

To meet the stated objectives, a portion of the portfolio is to be dedicated to an equity position in order to produce the long-term appreciation of principal. Another portion is committed to fixed income investments in order to provide a consistent level of income. The diversity of holdings reasonably attempt to reduce overall portfolio volatility while maintaining a total return investment concept for budgetary requirements. This policy is to maintain an overall asset allocation of 55% to 75% in equities, 25% to 45% in fixed income with limitations to small cap, mid cap, large cap and international funds, 0% to 20% in cash equivalents, and 0% to 10% in alternatives.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Spending policy

The Commonwealth of Pennsylvania has not adopted the *Uniform Management of Institutional Funds Act* (UMIFA) or the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). Rather, the *Pennsylvania Uniform Principal and Income Act* (“Pennsylvania Act”) governs the investment, use, and management of the Council’s endowment funds. The Pennsylvania Act does not require the preservation of the fair value of a donor’s original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, the Council considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Pennsylvania Act allows a nonprofit to elect to appropriate for expenditure between 2 and 7 percent of the endowment’s fair value, determined at least annually and averaged over a period of three or more preceding years.

The Council has interpreted that under current Pennsylvania nonprofit law, additional income up to specified limits may be allocated for general or designated purposes at the discretion of the Board of Directors. As of December 31, 2022 and 2021, the approved spending policy of the Council was 4% of the prior three years’ fair value, as of the end of the year, for certain investments held by the Council. The Council’s spending policy permits spending from those donor-restricted endowment funds where the fair value of assets associated with individual donor-restricted endowment funds have fallen below the level that the donor required the Council to retain as a fund of perpetual duration (see Note 16). During 2017, the spending policy was amended to state that income withdrawals shall be not greater than 4%, and shall remain as such, unless an adjustment is determined and approved by the Board of Directors.

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 average cost method through the Sellwise cash receipting system at the Flag Plaza, Johnstown, and Cumberland stores. The camps using point of sale registers state inventories at cost, determined on the first-in, first out method.



LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land, buildings and equipment

Land, buildings and equipment are carried at cost. Donated land, buildings and equipment are recorded at the approximate fair 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 operations currently. Land improvements, buildings and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and land improvements	10 - 25 years
Equipment	3 - 10 years

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. Depreciation will commence upon the asset being placed in service.

Cash

The Council maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Council does not believe it is exposed to any significant credit risk on cash.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of year-end and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized in the consolidated statements of activities and changes in net assets on a functional basis. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, including the Scout executive's, accounting, information technology personnel, and payroll taxes. The basis of allocation of these expenses is the result of a time study of staff every two years. For 2022, the time study percentages were: 90% program services, 8% management and general, and 2% fundraising based on the time study performed in 2022. For 2021, the time study percentages were: 86% program services, 3% management and general, and 11% fundraising based on the time study performed in 2017. The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of three separate studies and is applied to the expenses that are allocated. In accordance with the policy of the National Council, the payment of the charter fee to the National Council is not allocated as a functional expense. The consolidated financial statements report expenses by function in the consolidated statements of functional expenses.

Advertising costs

Advertising costs are expensed when incurred.

Income taxes

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue 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.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

FASB ASC 740 and subsections, clarifies the recognition, measurement, presentation and disclosure relating to uncertain tax positions. The Council does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. There was no interest or penalties recorded or included in the 2022 or 2021 consolidated financial statements.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the net assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded during the years ended December 31, 2022 and 2021.

Revenue recognition

*Revenue from Exchange Transactions* – The Council recognizes revenue in accordance with FASB Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, as amended (FASB ASC Topic 606). ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Council recorded the following exchange transaction revenue in its consolidated statements of activities and changes in net assets for the years ended December 31, 2022 and 2021:

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Scout Shop and Trading Post sales

The Council operates Scout Shops in its service centers in Pittsburgh, Pennsylvania, Johnstown, Pennsylvania, and Cumberland, Maryland and 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 the accounting period, the Council establishes and records in its consolidated financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2022 and 2021.

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 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 Boy Scouts of America ("BSA") units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the Council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail's End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is the delivery of the product, which is fulfilled by the Council at predetermined times and locations. The Council presents separately in its consolidated statements of activities and changes in net assets gross revenue from popcorn sales, cost of goods sold, and unit commissions (retained by or paid to the unit).

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Product sales (continued)

For the year ended December 31, 2021, revenue recognition occurred when the product was delivered. For the year ended December 31, 2022, the Council elected not to recognize gross popcorn sales, cost of goods sold, and unit commissions in the consolidated statement of activities and changes in net assets for budgetary and internal reporting purposes. Popcorn sales and related expenses are reported net and included in deferred income on the December 31, 2022 consolidated statement of financial position. Council management has determined the amount included in deferred income to be immaterial to the consolidated financial statements as a whole.

Scout units have the right to return to the Council any unsold product, subject to a return-by date of November 30 of each year. As of December 31, 2022 and 2021, 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 therefore are 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 revenue) and are only recognized in the consolidated statements of activities and changes in net assets after delivery of the program has occurred.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - 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 consolidated statements of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Council separately presents in its consolidated statements of activities and changes in net assets the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council follows American Institute of Certified Public Accountants guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance with the exchange component.

Other revenue

Other revenue consists primarily of rent revenue, royalties and certain camper fees and is recognized on a monthly or one-time basis as earned.

Reserve for unemployment claims

The Council records an accrual for the estimated amount of unemployment claims based on historical experience.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paycheck Protection Program

During the year ended December 31, 2020, the Council received proceeds under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (“SBA”) approved partner. Established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the PPP provided forgivable loans to qualifying organizations as long as the organization maintains its payroll levels and uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities, over a “covered period” (eight to 24 weeks, not to extend beyond December 31, 2020). Up to 100% of the loan was forgivable. The forgiveness amount would be reduced if the organization terminated employees or reduced salaries during the covered period. Any unforgiven portion of a PPP loan was payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. On August 11, 2021, the Council received full forgiveness of this loan from the SBA, under the provisions of the CARES Act. No revenue was recognized in 2022 or 2021 related to PPP loans.

Employee Retention Credit

The Council has filed quarterly tax returns under the Employee Retention Credit (“ERC”). The ERC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages that was established by the CARES Act and further amended by the Consolidated Appropriations Act and the American Rescue Plan. The Council expects to meet the ERC’s eligibility requirements and considers the payments per the filings as conditional grants. Accordingly, the Council will recognize the grants in the consolidated statements of activities and changes in net assets when there is no longer a measurable performance or other barrier.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Retention Credit (continued)

The Council has interpreted the condition of the grant to be filing the returns with the Internal Revenue Service (“IRS”) coupled with confirmation of receipt from the IRS. Accordingly, the Council has recognized revenue of \$1,002,858 and \$293,147 in 2022 and 2021, respectively, associated with the pending ERC payments as a government grant in the consolidated statements of activities and changes in net assets. As of December 31, 2022 and 2021, the Council recorded \$851,460 and \$293,147, respectively, as other receivables on the consolidated statements of financial position related to the government grant.

Adoption of Accounting Stands Update (“ASU”) 2016-02

The Council adopted FASB ASC Topic 842, *Leases* and related subsequent amendments as applicable, as of January 1, 2022. The new standard requires lessees to record a right-of-use asset and corresponding lease liability for most leasing arrangements, and has significantly enhanced required disclosures. The Council does not maintain any leases that were material to the consolidated financial statements as a whole, and therefore, has not recorded any right-of-use assets or lease liabilities under ASU 2016-02.

Adoption of Accounting Stands Update (“ASU”) 2020-07

The Council adopted FASB ASC Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* and related subsequent amendments as applicable as of January 1, 2022. The new standard requires the Council to present gifts-in-kind as a separate line item in the consolidated statements of activities and changes in net assets, apart from gifts of cash and other financial assets. Additional footnote disclosures are required under the ASU, including whether the gifts-in-kind were sold or used, among others. For the years ended December 31, 2022 and 2021, the Council did not receive any nonfinancial assets that were material to the consolidated financial statements as a whole, and therefore, has not recorded any nonfinancial contributions under ASU 2020-07.



LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Council evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through May 30, 2023, the date on which the consolidated financial statements were available to be issued.

During 2023, the Council entered into a secured line of credit with a financial institution, which is secured by a lien on certain assets of the Council, as defined in the executed agreement. Maximum allowable borrowings on the line of credit is \$500,000, with an interest rate of prime plus 0.92%. The line of credit expires on January 26, 2024. As of May 30, 2023, the Council did not have any borrowings on the line of credit.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FUNDS

The Council's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, are as follows:

	2022	2021
Cash – Operating Fund	\$ 238,202	\$ 1,200,173
Short-term investments – Operating Fund	559,830	559,611
Pledges receivable – Operating Fund	75,246	99,383
Other receivables – Operating Fund	923,490	284,925
Total financial assets as of end of year	1,796,768	2,144,092
Appropriation from investments per spending policy for general expenditures in subsequent year	572,275	669,005
Less: Purpose restricted net assets – Operating Fund	(238,202)	(146,525)
Less: Custodian accounts – Operating Fund	(372,921)	(529,415)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 1,757,920	\$ 2,137,157

The Council's endowment funds consist of donor-restricted endowments and a Board designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 2, as of December 31, 2022 and 2021, the endowment has a spending rate of 4% of the prior-three year's fair value of certain investments held by the Council. Appropriations from those investments of \$572,275 and \$699,005 will be available within the next twelve months as of December 31, 2022 and 2021, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council maintains a Board designated endowment of \$558,397 and \$5,615,720 as of December 31, 2022 and 2021, respectively. During, 2021, the Board of Directors designated and approved a portion of its Endowment Fund towards the payment of a voluntary contribution to the National Council's litigation settlement (see Note 4). This designation represents the entirety of the \$5,615,720 Board designated endowment as of December 31, 2021.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 4 - NATIONAL COUNCIL BANKRUPTCY

The National Council was named as a defendant in lawsuits alleging sexual abuse, including claims for compensatory and punitive damages. No claims have been made against the Council and the Council has not been named as a co-defendant with the National Council. The National Council has disclosed that in the event that its general liability insurance program (“GLIP”) 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 GLIP 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 continued to operate its business in the ordinary course and received bankruptcy court approval to continue its relationship with the councils including the benefit and insurance programs noted above. Neither the Council nor any other local council were parties to the bankruptcy proceeding. The National Council sought to stay litigation against both the National Council and local councils, through a channeling injunction, and proposed a plan of reorganization that protected local councils from any further legal exposure for abuse claims arising prior to February 18, 2020. Such plan required a contribution from local councils. In June 2021, The National Council estimated that a \$500 million cash and property contribution from local councils would be required to achieve settlement.

In June 2021, the Council’s Board of Directors approved the voluntary litigation contribution and signed a non-binding letter of intent to pay the voluntary litigation contribution in connection with the National Council’s bankruptcy and legal proceedings. Accordingly, the Council accrued a voluntary litigation contribution in the amount of \$5,972,147, as determined by the National Council, given the probable and estimable nature of the event. As such, this accrued amount was included in other current liabilities within the Endowment Fund on the consolidated statement of financial position as of December 31, 2021. As a result of the approved voluntary contribution, management and the Board of Directors identified amounts within the Endowment Fund to designate towards payment of this voluntary contribution.

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 4 - NATIONAL COUNCIL BANKRUPTCY (continued)

During 2021, the Board authorized and transferred \$2,140,107 from the Capital Fund to the Endowment Fund in order to designate the funds towards payment of the voluntary contribution. As of December 31, 2021, investments within the Endowment Fund with a total value of \$5,615,720 were Board designated towards payment of the voluntary contribution.

The Board authorized additional transfers during 2021 in the amount of \$1,709,497. Of this, \$47,510 was without donor restrictions and \$1,661,987 was with donor restrictions. Through review of historical documentation for these funds, the Board and Council management determined that the donor-restricted funds no longer had an applied restriction; therefore, the amounts were transferred to net assets without donor restrictions.

During 2022, the Board authorized and transferred \$914,834 from the Operating Fund to the Endowment Fund in order to designate the funds towards payment of the voluntary contribution.

Payment of the voluntary contribution occurred on September 26, 2022 in the amount of \$5,972,147. In March 2023, the Council received notice from a United States District Court upholding protections under the chapter 11 bankruptcy laws and the channeling injunction, absolving the Council from any further claims.

NOTE 5 - INVESTMENTS

The fair values of short-term investments approximate cost. The fair values of money market mutual funds, fixed income mutual funds, equity stocks and equity mutual funds are based on quoted market prices. Using the provisions within FASB ASC 820 and subsections, the Council has characterized its investments, based on the priority of the inputs used to value the investments, according to a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (“Level I”), and the lowest priority to unobservable inputs (“Level III”). All Council investments, including those held as custodian but with the exception of beneficial interests, fall in Level I as these investments are valued based on unadjusted quoted prices for identical assets in an active market. Beneficial interests fall in Level III as there is no market in which the beneficial interests trade and the fact that these assets are to remain in trust in perpetuity and not revert to the Council (see Note 6).

LAUREL HIGHLANDS COUNCIL,  
BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 5 - INVESTMENTS (continued)

The valuation of the Council's investments by the above fair value hierarchy levels are as follows as of December 31:

	2022		
	Level I	Level III	Total
Short-term investments	\$ 823,315	\$ --	\$ 823,315
Equity mutual funds	9,677,858	--	9,677,858
Fixed income mutual funds	4,058,007	--	4,058,007
Money market mutual funds	1,348,575	--	1,348,575
Beneficial interests (Note 6)	--	1,164,822	1,164,822
	<u>\$ 15,907,755</u>	<u>\$ 1,164,822</u>	<u>\$ 17,072,577</u>

  

	2021		
	Level I	Level III	Total
Short-term investments	\$ 821,889	\$ --	\$ 821,889
Equity mutual funds	13,010,628	--	13,010,628
Fixed income mutual funds	4,864,815	--	4,864,815
Money market mutual funds	6,085,059	--	6,085,059
Beneficial interests (Note 6)	--	1,540,432	1,540,432
	<u>\$ 24,782,391</u>	<u>\$ 1,540,432</u>	<u>\$ 26,322,823</u>

The long-term investment portfolio's historical cost and quoted fair values (carrying values) are as follows as of December 31:

	2022		2021	
	Cost	Fair value	Cost	Fair value
Equity mutual funds	\$ 8,337,470	\$ 9,677,858	\$ 8,882,366	\$ 13,010,628
Fixed income mutual funds	4,131,755	4,058,007	5,018,301	4,864,815
Money market mutual funds	1,348,575	1,348,575	6,085,059	6,085,059
	<u>\$ 13,817,800</u>	<u>\$ 15,084,440</u>	<u>\$ 19,985,726</u>	<u>\$ 23,960,502</u>

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 5 - INVESTMENTS (continued)

The following schedule summarizes the investment return, net in the consolidated statements of activities and changes in net assets for the years ended December 31:

	2022	2021
Interest and dividends	\$ 1,688,050	\$ 1,425,812
Net realized gains (losses)	(662,140)	167,224
Net unrealized gains (losses)	(2,967,432)	1,087,484
Investment expenses	(70,595)	(75,843)
Total investment return, net	\$ (2,012,117)	\$ 2,604,677

The above investment return, net is classified in the 2022 and 2021 consolidated statements of activities and changes in net assets as follows:

	2022	2021
Within net assets with donor restrictions	\$ (1,829,801)	\$ 992,728
Within net assets without donor restrictions	(182,316)	1,611,949
Total investment return, net	\$ (2,012,117)	\$ 2,604,677

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 6 - BENEFICIAL INTERESTS

The Council is the beneficiary of the income from certain irrevocable trust funds held by bank trustees who do not maintain “variance power.” Using the provisions within FASB ASC Topic 820 and subsections, the Council has characterized its beneficial interest in irrevocable trusts for which the trustee does not maintain variance power, as Level III investments as defined above, as there is no market in which the beneficial interests trade and the fact that these assets are to remain in trust in perpetuity and not revert to the Council. The Council has used the fair value of the underlying trust assets to determine the fair value of the beneficial interest, in addition to the Council's percentage interest in the trust. The Council has not adjusted any of the fair values provided by the trustees. All trust assets are Level I investments. See Note 5 for classification within the fair value hierarchy. Income received from the trusts was \$93,455 and \$90,244 in 2022 and 2021, respectively.

Following is a summary of the estimated fair value of the Council's beneficial interest in the trusts, which are reported on the consolidated statements of financial position as long-term investments as of December 31:

	2022	2021
Charles Brooks for Charities Trust	\$ 864,592	\$ 1,163,275
Trust of W.H. Davis	212,623	262,378
Trust of Louis Moses	27,949	38,513
Trust of R. Grier Muller	25,922	32,274
Trust of James H. Lockhart & Florence D. Lockhart	20,813	27,306
Trust of Frederick Hartman	12,923	16,686
	\$ 1,164,822	\$ 1,540,432

The following table sets forth the reconciliation of changes in the fair value of the beneficial interest investments classified as Level III in the fair value hierarchy noted above:

Balance as of January 1, 2021	\$ 1,462,595
Unrealized gain on investments included in investment return, net	77,837
Balance as of December 31, 2021	1,540,432
Unrealized loss on investments included in investment return, net	(375,610)
Balance as of December 31, 2022	\$ 1,164,822

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 6 - BENEFICIAL INTERESTS (continued)

There were no purchases or transfers in or out of Level 3 investments during 2022 and 2021.

The Council is also the beneficiary of an investment that was donated to and is held by The Pittsburgh Foundation on behalf of the Council. The Pittsburgh Foundation maintains variance power (as defined by GAAP) over these assets. Income from this investment approximated \$49,000 and \$48,000 for the years ended December 31, 2022 and 2021, respectively, and is without donor restrictions as to use.

The Council is named a beneficiary of Dietrich Foundation. The Council has a 1% interest in the investments held by Dietrich Foundation on behalf of the Council and other beneficiaries. Dietrich Foundation maintains "variance power" over these assets. The fair value of the Council's 1% interest in the trust as estimated by Dietrich Foundation was approximately \$15,090,000 and \$17,200,000 as of December 31, 2022 and 2021, respectively. Distributions from the Dietrich Foundation are with donor restrictions as to use. Income earned from these distributions will also be restricted as to use as determined by Dietrich Foundation. Distributions approximated \$426,000 and \$322,000 in 2022 and 2021, respectively.

In accordance with GAAP, the Council did not record the assets and related contributions from the beneficial interests held by The Pittsburgh Foundation and Dietrich Foundation due to these organizations maintaining variance power over the ultimate disposition of the funds. As such, distributions from these beneficial interests will be recognized as contributed support as they are received in the future.

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following as of December 31:

	2022	2021
Land	\$ 1,576,843	\$ 1,576,843
Buildings	19,889,708	19,748,985
Land improvements	3,974,447	3,968,922
Equipment	5,930,864	5,465,944
Construction in progress	35,107	--
	31,406,969	30,760,694
Less: accumulated depreciation	19,363,217	18,715,100
	\$ 12,043,752	\$ 12,045,594



LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT (continued)

During 2020, the Council sold Camp Twin Echo. As part of the sale, the purchaser and the Council agreed to transfer the entire oil and gas estate associated with the property to a newly established limited liability company ("LLC"). The purchaser and the Council each holds a 50% membership interest in the LLC with the Council as a non-voting member. As of December 31, 2022 and 2021, management has determined that there is no discernible value associated with this interest in the LLC.

NOTE 8 - CUSTODIAN FUNDS

The Council maintains various assets it does not own, and therefore records an offsetting liability. The custodian funds in the Operating Fund consists of the C.T. Koval Trust (fair value was \$73,979 and \$92,119 as of December 31, 2022 and 2021, respectively, included in long-term investments on the consolidated statements of financial position), membership registration fees, other funds due to the National Council, and funds held by the Council on behalf of local affiliated entities (total of \$298,942 and \$437,296 as of December 31, 2022 and 2021, respectively, and included in cash on the consolidated statements of financial position). The custodian funds in the Endowment Fund represent the William K. Fitch Boy Scouts Development Fund and amounts due to the Westmoreland-Fayette Council, Boy Scouts of America.

Prior to January 1, 2019, the William K. Fitch Boy Scouts Development Fund ("Fund") provided matching funds to all of the Council's full-time personnel who participated in the Council sponsored William K. Fitch Boy Scouts Savings and Incentive Plan ("Plan").

Effective January 1, 2019, the National Council implemented the *BSA Match Savings Plan* for all active employees, which was adopted by the Council (see Note 9). Participation in the Plan by employees was ceased effective December 31, 2018, and all employees were enrolled in the *BSA Match Savings Plan*. As a result of this new plan adoption, the investment income from the Fund is used to offset the cost of the *BSA Match Savings Plan*, and the investment income follows the Council spending policy. The fair value of the Fund was \$1,615,423 and \$2,017,414 as of December 31, 2022 and 2021, respectively, and is included in long-term investments on the consolidated statements of financial position. Investment income for the Fund was \$77,714 and \$70,692 in 2022 and 2021, respectively.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 8 - CUSTODIAN FUNDS (continued)

In 2000, the Council received an anonymous gift to be included in the Endowment Fund. In accordance with the donor's stipulations, 5% of the annual value of the endowment is to be withdrawn and used for specific purposes as established by the donor. Since one-third of this annual withdrawal must be remitted to the Westmoreland-Fayette Council, Boy Scouts of America, the fair value of those allocated assets are reported with an offsetting liability to the Westmoreland-Fayette Council, Boy Scouts of America. The fair value was \$296,176 and \$372,301 as of December 31, 2022 and 2021, respectively, and included in long-term investments on the consolidated statements of financial position.

NOTE 9 - PENSION PLAN AND BSA MATCH SAVINGS PLAN

The National Council has a qualified defined benefit pension plan ("pension plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Council. 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 pension plan was frozen to employees with less than 15 years of vesting service, and whose age plus vesting service equaled less than 60 as of December 31, 2018 (non-grandfathered employees). From January 1, 2020 through July 31, 2020, employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 (grandfathered employees) contributed 4.25% of compensation to the pension plan. Effective August 1, 2020, the pension plan was frozen to grandfathered employees, thereby freezing the pension plan for all employees. The Council contributes 7.75% of eligible employees' compensation to the BSA retirement program, which includes both the pension plan and the BSA Match Savings Plan. The actuarial information for the pension plan as of February 1, 2020 indicates that it is in compliance with ERISA regulations regarding funding.

The Council participates in a defined contribution plan established by the National Council. The plan name is the *BSA Match Savings Plan*, which covers substantially all of the employees of the Council. Participants in the *BSA Match Savings Plan* may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. Under the *BSA Match Savings Plan*, for grandfathered employees, the BSA matches 50% of contributions up to 6% per pay. Grandfathered employees are fully vested in the new plan. For the non-grandfathered employees, the BSA matches 100% of contributions up to 6%, with an additional 1.75% even if they do not contribute. There is a three-year vesting schedule that includes past service. In 2020, the Council cost for the plan was 7.75% of all eligible employees, regardless of participation levels. Effective February 1, 2021, the Council cost for the plan increased to 12% of all eligible employees. The first 0.50% is used to cover certain expenses. The remaining 11.50% will be used to cover matching contributions to the plan.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 9 - PENSION PLAN AND BSA MATCH SAVINGS PLAN (continued)

The Council's expense relative to the pension plan and the *BSA Match Savings Plan* was \$195,696 and \$202,731 for 2022 and 2021, respectively.

NOTE 10 - HEALTH CARE PLAN

Eligible Council employees are covered under a health care plan provided by the National Council, where the Council pays a portion of the cost for employees with the employees paying the remaining portion and any additional premiums for their dependents.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Council received rental income based on a percentage of gross sales from the Pittsburgh Scout Shop that is operated within its Flag Plaza premises. The Scout Shop was owned and operated by the National Council. Total rental income from the Scout Shop in 2022 and 2021 was \$46,555 and \$42,950, respectively. Effective May 1, 2022, the Council took over ownership and operation of the Pittsburgh Scout Shop.

The Council paid the National Council for the following during the years ended December 31:

	2022	2021
Employee benefits	\$ 445,508	\$ 464,697
Specific assistance to individuals	77,663	82,462
Purchases from the Scout Shop	433,813	46,394
Charter and national service fee	108,505	94,352
Computer service fees and support	21,192	12,137
General liability insurance	4,426	4,164
Conference fees	54	--

As discussed in Note 8, the Council has recorded a liability of \$77,129 and \$196,827 as of December 31, 2022 and 2021, respectively, for membership registration fees and other funds due to the National Council. Accounts payable and accrued expenses of \$18,358 and \$3,175 as of December 31, 2022 and 2021, respectively, was also due to the National Council representing the Council's costs, as well as employees' voluntary deductions, relating to insurance and retirement benefits. In addition, as discussed in Note 8, the Council has recorded a liability of \$221,813 and \$240,469 as of December 31, 2022 and 2021, respectively, for funds held on behalf of local affiliated entities.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 12 - ALLOCATION OF JOINT COSTS

The Council's operations include requests for contributions, as well as program and management and general components. Those operations include direct mail campaigns and special events. The costs of conducting those operations included a total of \$3,261,712 and \$3,239,313 of joint costs for 2022 and 2021, respectively, which are not specifically attributable to particular components of the operations (joint costs), as follows:

	2022	2021
Program services	\$ 2,935,541	\$ 2,785,810
Management and general	260,937	97,179
Fundraising	65,234	356,324
	\$ 3,261,712	\$ 3,239,313

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31:

	2022			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Foundations and trusts	\$ 270,000	\$ --	\$ --	\$ 270,000
Future capital expenditures	--	798,725	--	798,725
Camping and related expenditures	--	--	2,899,987	2,899,987
Maintenance of certain equipment	--	--	135,000	135,000
Total purpose restrictions	270,000	798,725	3,034,987	4,103,712
Subject to the passage of time:				
Friends of Scouting	56,578	--	--	56,578
Special events	12,110	--	--	12,110
Foundations and trusts	136,250	--	--	136,250
Total time restrictions	204,938	--	--	204,938
Perpetual in duration	--	16,602	8,408,903	8,425,505
Total net assets with donor restrictions	\$ 474,938	\$ 815,327	\$ 11,443,890	\$ 12,734,155

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

	2021			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Foundations and trusts	\$ 146,500	\$ --	\$ --	\$ 146,500
Scouting for Food	25	--	--	25
Future capital expenditures	--	798,725	--	798,725
Camping and related expenditures	--	--	2,899,987	2,899,987
Maintenance of certain equipment	--	--	135,000	135,000
Total purpose restrictions	<u>146,525</u>	<u>798,725</u>	<u>3,034,987</u>	<u>3,980,237</u>
Subject to the passage of time:				
Friends of Scouting	63,696	--	--	63,696
Special events	8,750	--	--	8,750
Foundations and trusts	168,750	--	--	168,750
United Way	25,000	--	--	25,000
Total time restrictions	<u>266,196</u>	<u>--</u>	<u>--</u>	<u>266,196</u>
Perpetual in duration	<u>--</u>	<u>118,519</u>	<u>9,710,323</u>	<u>9,828,842</u>
Total net assets with donor restrictions	<u>\$ 412,721</u>	<u>\$ 917,244</u>	<u>\$ 12,745,310</u>	<u>\$ 14,075,275</u>

NOTE 14 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2022 and 2021 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of program restrictions:		
Foundations and trusts	\$ <u>146,475</u>	\$ <u>100,000</u>
Expiration of time restrictions:		
Friends of Scouting	63,696	83,285
Special events	8,750	5,750
Foundations and trusts	32,500	16,250
United Way	<u>25,000</u>	<u>67,500</u>
Total expiration of time restrictions	<u>129,946</u>	<u>172,785</u>
Total net assets released from restrictions	<u>\$ 276,421</u>	<u>\$ 272,785</u>

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 15 - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated a portion of the net assets with donor restrictions as follows as of December 31:

	2022	2021
Endowment Fund		
General operations of the Council	\$ 558,397	\$ --
Voluntary litigation contribution (see Note 4)	--	5,615,720
	\$ 558,397	\$ 5,615,720

In February 2023, the Board authorized the release of the remaining Board designated net assets.

NOTE 16 - CAPITAL AND ENDOWMENT FUNDS

The Council has adopted the disclosure provisions of FASB ASC 958-205 and subsections. The Capital Fund includes \$815,237 and \$917,244 of donor-restricted funds as of December 31, 2022 and 2021, respectively. The Endowment Fund includes \$11,443,890 and \$12,745,310 of donor-restricted funds and \$558,397 and \$5,615,720 of endowment funds without donor restrictions established by the Board of Directors for a variety of purposes as of December 31, 2022 and 2021, respectively.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 16 - CAPITAL AND ENDOWMENT FUNDS (continued)

Changes in the Capital Fund net assets are as follows for the years ended December 31:

	2022		
	Without donor restrictions	With donor restrictions	Total
Capital Fund net assets - beginning of year	\$ 15,595,210	\$ 917,244	\$ 16,512,454
Investment return, net:			
Investment income	800,214	--	800,214
Net realized and unrealized losses	(395,988)	(101,917)	(497,905)
Total investment return, net	404,226	(101,917)	302,309
Contributions	152,292	--	152,292
Other revenue	266,409	--	266,409
Expenses	(717,949)	--	(717,949)
Capital Fund net assets - end of year	\$ 15,700,188	\$ 815,327	\$ 16,515,515
	2021		
	Without donor restrictions	With donor restrictions	Total
Capital Fund net assets - beginning of year	\$ 15,745,474	\$ 2,477,030	\$ 18,222,504
Investment return, net:			
Investment income	525,088	--	525,088
Net realized and unrealized gains (losses)	(288,379)	102,201	(186,178)
Total investment return, net	236,709	102,201	338,910
Contributions	84,056	--	84,056
Other revenue	262,542	--	262,542
Expenses	(686,061)	--	(686,061)
Board authorized transfers	(47,510)	(1,661,987)	(1,709,497)
Capital Fund net assets - end of year	\$ 15,595,210	\$ 917,244	\$ 16,512,454

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 16 - CAPITAL AND ENDOWMENT FUNDS (continued)

Changes in the Endowment Fund net assets are as follows for years ended December 31:

	2022		
	Without donor restrictions	With donor restrictions	Total
Endowment Fund net assets - beginning of year	\$ 2,379,531	\$ 12,745,310	\$ 15,124,841
Investment return, net:			
Net realized and unrealized losses	(1,472,304)	(1,727,884)	(3,200,188)
Contributions	1,509,498	--	1,509,498
Donor-restricted endowment funds, perpetual in duration	--	426,464	426,464
Board authorized transfers	914,834	--	914,834
Endowment Fund net assets - end of year	\$ 3,331,559	\$ 11,443,890	\$ 14,775,449



LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 16 - CAPITAL AND ENDOWMENT FUNDS (continued)

	2021		Total
	Without donor restrictions	With donor restrictions	
Endowment Fund net assets - beginning of year	\$ 105,375	\$ 11,532,312	\$ 11,637,687
Investment return, net:			
Net realized and unrealized gains	522,094	890,527	1,412,621
Net realized and unrealized gains on Board designated funds	<u>28,265</u>	<u>--</u>	<u>28,265</u>
Total investment return, net	<u>550,359</u>	<u>890,527</u>	<u>1,440,886</u>
Contributions	14,300	--	14,300
Donor-restricted endowment funds, perpetual in duration	--	322,471	322,471
Board authorized transfers	47,510	1,661,987	1,709,497
Adjustments to net assets	<u>1,661,987</u>	<u>(1,661,987)</u>	<u>--</u>
Endowment Fund net assets - end of year	\$ <u>2,739,531</u>	\$ <u>12,745,310</u>	\$ <u>15,124,841</u>

Net assets with donor restrictions are primarily restricted for general support of Council operations. 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 GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2022, donor-restricted endowment funds with a shortfall had an aggregated original gift amount of \$1,141,854 and current fair values totaling \$1,010,364 and deficiencies of \$131,490. These deficiencies resulted from unfavorable market fluctuations. These investments were included in the spending policy calculation for 2022. As of December 31, 2021, no donor-restricted endowment funds had a shortfall.

LAUREL HIGHLANDS COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 17 - LEASES

The Council leases office space, office production printers, office copiers, and a camp under non-cancelable operating leases, which, expire at various times through 2030. Total rent expense on operating leases amounted to \$46,358 and \$54,897 for the years ended December 31, 2022 and 2021, respectively. The Council has not recorded a right-of-use asset and corresponding lease liability for these leases under FASB ASC Topic 842, as the amounts are not material to the consolidated financial statements as a whole.

Future minimum rental payments for leases that have not been accounted for in accordance with FASB ASC Topic 842 are as follows:

Year ending December 31,

2023	\$ 19,845
2024	19,845
2025	19,312
2026	17,715
2027	11,357
Thereafter	<u>15,000</u>
	\$ <u>103,074</u>

NOTE 18 - COMMITMENTS

The Council has entered into various construction agreements. Total remaining commitments under these agreements were approximately \$284,000 and \$0 as of December 31, 2022 and 2021, respectively.