

Orange County Council, Inc., Boy Scouts of America

Financial Statements

December 31, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Orange County Council, Inc., Boy Scouts of America (a California corporation) (the "Council"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange County Council, Inc., Boy Scouts of America as of December 31, 2021 and 2020, 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 of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Orange County Council, Inc., 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.

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Orange County Council, Inc., 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orange County Council, Inc., 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Council has agreed to participate in the National Council of the Boy Scouts of America's bankruptcy plan of reorganization by contributing certain real property to the settlement with a net book value of \$2,118,000, which it has accrued as a liability as of December 31, 2020. No change to this accrued liability was made during the year ended December 31, 2021.



Armanino^{LLP}
Irvine, California

June 10, 2022

Orange County Council, Inc., Boy Scouts of America
 Statements of Financial Position
 December 31, 2021 and 2020

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Totals</u>	
	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS								
Current assets								
Cash and cash equivalents	\$ 651,318	\$ 580,851	\$ 283,214	\$ (40,260)	\$ 325,474	\$ 65,640	\$ 1,260,006	\$ 606,231
Restricted cash	-	500,000	-	-	-	-	-	500,000
Accounts receivable, net	37,123	132,580	801	-	2,437	2,064	40,361	134,644
Pledges receivable, net	145,267	65,740	31,599	34,915	40,044	84,219	216,910	184,874
Employee retention credit receivable (see Note 15)	1,724,271	-	-	-	-	-	1,724,271	-
Inventories	95,268	31,392	-	-	-	-	95,268	31,392
Prepaid expenses	211,032	248,825	3,102	5,987	-	-	214,134	254,812
Interfund loans	-	1,000	-	(179,630)	-	178,630	-	-
Total current assets	<u>2,864,279</u>	<u>1,560,388</u>	<u>318,716</u>	<u>(178,988)</u>	<u>367,955</u>	<u>330,553</u>	<u>3,550,950</u>	<u>1,711,953</u>
Property and equipment, net	-	-	25,569,590	31,360,258	-	-	25,569,590	31,360,258
Other assets								
Investments	-	-	3,987,141	-	11,634,826	10,366,447	15,621,967	10,366,447
Other noncurrent assets	-	-	-	-	49,357	44,286	49,357	44,286
Total other assets	<u>-</u>	<u>-</u>	<u>3,987,141</u>	<u>-</u>	<u>11,684,183</u>	<u>10,410,733</u>	<u>15,671,324</u>	<u>10,410,733</u>
Total assets	<u>\$ 2,864,279</u>	<u>\$ 1,560,388</u>	<u>\$ 29,875,447</u>	<u>\$ 31,181,270</u>	<u>\$ 12,052,138</u>	<u>\$ 10,741,286</u>	<u>\$ 44,791,864</u>	<u>\$ 43,482,944</u>

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

Orange County Council, Inc., Boy Scouts of America
 Statements of Financial Position
 December 31, 2021 and 2020

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS								
(DEFICIT)								
Current liabilities								
Line of credit	\$ -	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750,000
Accounts payable	48,118	57,452	5,457	2,048	-	-	53,575	59,500
Accrued expenses	212,760	323,216	7,784	-	-	-	220,544	323,216
Custodial accounts	712,332	804,563	-	-	-	-	712,332	804,563
Current portion of notes payable	-	-	-	113,431	-	-	-	113,431
Deferred income	<u>525,193</u>	<u>604,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>525,193</u>	<u>604,936</u>
Total current liabilities	<u>1,498,403</u>	<u>2,540,167</u>	<u>13,241</u>	<u>115,479</u>	<u>-</u>	<u>-</u>	<u>1,511,644</u>	<u>2,655,646</u>
Non-current liabilities								
Notes payable, net of current portion	-	-	-	3,288,285	-	-	-	3,288,285
Accrued settlement contribution (Note 16)	<u>-</u>	<u>-</u>	<u>2,118,000</u>	<u>2,118,000</u>	<u>-</u>	<u>-</u>	<u>2,118,000</u>	<u>2,118,000</u>
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>2,118,000</u>	<u>5,406,285</u>	<u>-</u>	<u>-</u>	<u>2,118,000</u>	<u>5,406,285</u>
Total liabilities	<u>1,498,403</u>	<u>2,540,167</u>	<u>2,131,241</u>	<u>5,521,764</u>	<u>-</u>	<u>-</u>	<u>3,629,644</u>	<u>8,061,931</u>
Net assets (deficit)								
Without donor restrictions	1,209,008	(1,002,018)	23,244,361	21,272,299	10,105,535	8,837,249	34,558,904	29,107,530
With donor restrictions	<u>156,868</u>	<u>22,239</u>	<u>4,499,845</u>	<u>4,387,207</u>	<u>1,946,603</u>	<u>1,904,037</u>	<u>6,603,316</u>	<u>6,313,483</u>
Total net assets (deficit)	<u>1,365,876</u>	<u>(979,779)</u>	<u>27,744,206</u>	<u>25,659,506</u>	<u>12,052,138</u>	<u>10,741,286</u>	<u>41,162,220</u>	<u>35,421,013</u>
Total liabilities and net assets (deficit)	<u>\$ 2,864,279</u>	<u>\$ 1,560,388</u>	<u>\$ 29,875,447</u>	<u>\$ 31,181,270</u>	<u>\$ 12,052,138</u>	<u>\$ 10,741,286</u>	<u>\$ 44,791,864</u>	<u>\$ 43,482,944</u>

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

Orange County Council, Inc., Boy Scouts of America
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2021 and 2020

	Operating Fund		Capital Fund		Endowment Fund		Totals	
	2021	2020	2021	2020	2021	2020	2021	2020
<u>Change in net assets without donor restrictions</u>								
Direct support								
Friends of Scouting	\$ 689,364	\$ 468,320	\$ -	\$ -	\$ -	\$ -	\$ 689,364	\$ 468,320
Special fundraising events, net	256,923	377,317	-	-	-	-	256,923	377,317
Foundations and trusts	18,484	62,050	43,266	-	-	-	61,750	62,050
Legacies and bequests	-	23,926	-	-	-	-	-	23,926
Other direct support	215,577	281,360	-	(14,550)	-	-	215,577	266,810
Donated materials and services	-	7,330	-	-	-	-	-	7,330
Conditional grant revenue -								
Paycheck Protection Program	1,242,110	1,182,895	-	-	-	-	1,242,110	1,182,895
Employee retention credit	1,724,271	-	-	-	-	-	1,724,271	-
Total direct support	<u>4,146,729</u>	<u>2,403,198</u>	<u>43,266</u>	<u>(14,550)</u>	<u>-</u>	<u>-</u>	<u>4,189,995</u>	<u>2,388,648</u>
Other revenue								
Product sales - net	272,423	137,036	-	-	-	-	272,423	137,036
Camping revenue	3,197,245	1,987,293	-	-	-	-	3,197,245	1,987,293
Activity revenue	195,392	149,171	-	-	-	-	195,392	149,171
Council program fees	600,005	721,755	-	-	-	-	600,005	721,755
Other income (loss)	(25,722)	134,205	8,090	-	-	-	(17,632)	134,205
Sales of supplies	110,457	59,337	-	-	-	-	110,457	59,337
Rental income	111,133	206,517	-	-	-	-	111,133	206,517
Investment income, net of fees	88,120	106,961	(12,060)	-	1,680,628	1,208,577	1,756,688	1,315,538
Gain on sales of property and equipment (Note 5)	-	-	3,945,669	-	-	-	3,945,669	-
Total other revenue	<u>4,549,053</u>	<u>3,502,275</u>	<u>3,941,699</u>	<u>-</u>	<u>1,680,628</u>	<u>1,208,577</u>	<u>10,171,380</u>	<u>4,710,852</u>

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

Orange County Council, Inc., Boy Scouts of America
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2021 and 2020

	Operating Fund		Capital Fund		Endowment Fund		Totals	
	2021	2020	2021	2020	2021	2020	2021	2020
Net assets released from restriction								
Release from purpose restriction	2,300	132,593	7,500	27,850	-	-	9,800	160,443
Release from time restriction	-	33,703	-	-	-	-	-	33,703
Total net assets released from restriction	<u>2,300</u>	<u>166,296</u>	<u>7,500</u>	<u>27,850</u>	<u>-</u>	<u>-</u>	<u>9,800</u>	<u>194,146</u>
Total revenues	<u>8,698,082</u>	<u>6,071,769</u>	<u>3,992,465</u>	<u>13,300</u>	<u>1,680,628</u>	<u>1,208,577</u>	<u>14,371,175</u>	<u>7,293,646</u>
Functional expenses								
Program services	<u>5,492,674</u>	<u>6,272,132</u>	<u>1,845,064</u>	<u>2,010,153</u>	<u>-</u>	<u>19,873</u>	<u>7,337,738</u>	<u>8,302,158</u>
Supporting services								
Management and general	1,022,055	1,085,445	43,032	63,640	463	27,633	1,065,550	1,176,718
Fundraising	<u>412,507</u>	<u>419,161</u>	<u>14,006</u>	<u>30,713</u>	<u>-</u>	<u>9,457</u>	<u>426,513</u>	<u>459,331</u>
Total supporting services	<u>1,434,562</u>	<u>1,504,606</u>	<u>57,038</u>	<u>94,353</u>	<u>463</u>	<u>37,090</u>	<u>1,492,063</u>	<u>1,636,049</u>
Total functional expenses	<u>6,927,236</u>	<u>7,776,738</u>	<u>1,902,102</u>	<u>2,104,506</u>	<u>463</u>	<u>56,963</u>	<u>8,829,801</u>	<u>9,938,207</u>
Non-operating								
Charter and national service fees	90,000	110,030	-	-	-	-	90,000	110,030
Settlement contribution expense (Note 16)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,118,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,118,000</u>
Total non-operating expenses	<u>90,000</u>	<u>110,030</u>	<u>-</u>	<u>2,118,000</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>2,228,030</u>
Total expenses	<u>7,017,236</u>	<u>7,886,768</u>	<u>1,902,102</u>	<u>4,222,506</u>	<u>463</u>	<u>56,963</u>	<u>8,919,801</u>	<u>12,166,237</u>
Change in net assets without donor restrictions	<u>1,680,846</u>	<u>(1,814,999)</u>	<u>2,090,363</u>	<u>(4,209,206)</u>	<u>1,680,165</u>	<u>1,151,614</u>	<u>5,451,374</u>	<u>(4,872,591)</u>

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

Orange County Council, Inc., Boy Scouts of America
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2021 and 2020

	Operating Fund		Capital Fund		Endowment Fund		Totals	
	2021	2020	2021	2020	2021	2020	2021	2020
<u>Change in net assets with donor restrictions</u>								
Direct support								
Friends of Scouting	500	2,300	-	-	-	-	500	2,300
Foundations and trusts	113,496	50,100	-	1,000	-	-	113,496	51,100
Other direct support	22,933	7,399	120,138	114,477	42,566	20,791	185,637	142,667
Total direct support	<u>136,929</u>	<u>59,799</u>	<u>120,138</u>	<u>115,477</u>	<u>42,566</u>	<u>20,791</u>	<u>299,633</u>	<u>196,067</u>
Net assets released from restrictions	<u>(2,300)</u>	<u>(166,296)</u>	<u>(7,500)</u>	<u>(27,850)</u>	<u>-</u>	<u>-</u>	<u>(9,800)</u>	<u>(194,146)</u>
Change in net assets with donor restrictions	<u>134,629</u>	<u>(106,497)</u>	<u>112,638</u>	<u>87,627</u>	<u>42,566</u>	<u>20,791</u>	<u>289,833</u>	<u>1,921</u>
Change in net assets	1,815,475	(1,921,496)	2,203,001	(4,121,579)	1,722,731	1,172,405	5,741,207	(4,870,670)
Net assets (deficit), beginning of year	(979,779)	(163,389)	25,659,506	29,228,085	10,741,286	11,226,987	35,421,013	40,291,683
Board authorized transfers	<u>530,180</u>	<u>1,105,106</u>	<u>(118,301)</u>	<u>553,000</u>	<u>(411,879)</u>	<u>(1,658,106)</u>	<u>-</u>	<u>-</u>
Net assets (deficit), end of year	<u>\$ 1,365,876</u>	<u>\$ (979,779)</u>	<u>\$ 27,744,206</u>	<u>\$ 25,659,506</u>	<u>\$ 12,052,138</u>	<u>\$ 10,741,286</u>	<u>\$ 41,162,220</u>	<u>\$ 35,421,013</u>

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

Orange County Council, Inc., Boy Scouts of America
Statement of Functional Expenses
For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Functional expenses				
Employee compensation				
Salaries and wages	\$ 2,582,803	\$ 508,458	\$ 165,488	\$ 3,256,749
Employee benefits	418,119	123,078	40,058	581,255
Payroll taxes	204,069	45,022	14,655	263,746
Total employee compensation	<u>3,204,991</u>	<u>676,558</u>	<u>220,201</u>	<u>4,101,750</u>
Other expenses				
Legal and professional fees	299,927	168,887	29,848	498,662
Supplies	470,700	2,486	2,557	475,743
Telephone and communications	88,450	25,999	8,460	122,909
Postage and shipping	3,029	690	7,785	11,504
Occupancy and Utilities	720,382	47,637	15,505	783,524
Equipment maintenance and rental	469,190	38,691	12,592	520,473
Printing and publications	4,876	248	10,794	15,918
Travel and living	107,340	15,140	13,462	135,942
Conferences, meetings & national events	26,984	4,597	2,887	34,468
Specific assistance to individuals	6,023	643	212	6,878
Recognition and awards	36,202	4,242	39,373	79,817
Insurance	120,673	31,393	10,218	162,284
Interest expense	39,513	11,651	3,792	54,956
Miscellaneous	117,224	28,265	46,084	191,573
Special event direct benefit costs	-	-	35,677	35,677
Charter and national service fees	90,000	-	-	90,000
Total other expenses	<u>2,600,513</u>	<u>380,569</u>	<u>239,246</u>	<u>3,220,328</u>
Expenses before depreciation and amortization	5,805,504	1,057,127	459,447	7,322,078
Depreciation and amortization	<u>1,622,234</u>	<u>8,423</u>	<u>2,743</u>	<u>1,633,400</u>
Total expenses	7,427,738	1,065,550	462,190	8,955,478
Less: expenses not included within functional expenses on the statements of activities				
Special event direct benefit costs	-	-	(35,677)	(35,677)
Charter and national service fees	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>
Total functional expenses	<u>\$ 7,337,738</u>	<u>\$ 1,065,550</u>	<u>\$ 426,513</u>	<u>\$ 8,829,801</u>

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

Orange County Council, Inc., Boy Scouts of America
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Functional expenses				
Employee compensation				
Salaries and wages	\$ 3,594,254	\$ 574,559	\$ 187,003	\$ 4,355,816
Employee benefits	479,591	98,963	32,210	610,764
Payroll taxes	466,143	89,601	29,162	584,906
Employee related expenses	20,377	6,008	1,956	28,341
Total employee compensation	4,560,365	769,131	250,331	5,579,827
Other expenses				
Legal and professional fees	202,999	144,098	19,804	366,901
Supplies	255,269	2,015	5,780	263,064
Telephone and communications	93,844	27,670	9,006	130,520
Postage and shipping	1,531	341	9,795	11,667
Office rent	595,194	44,465	14,472	654,131
Equipment maintenance and rental	234,493	23,254	7,569	265,316
Printing and publications	12,074	1,115	19,879	33,068
Travel and living	122,468	23,126	7,527	153,121
Conferences, meetings & national events	17,823	3,850	1,356	23,029
Specific assistance to individuals	5,309	268	88	5,665
Recognition and awards	13,060	906	39,660	53,626
Insurance	145,721	37,421	12,180	195,322
Interest expense	101,573	29,949	9,748	141,270
Miscellaneous	123,353	36,615	41,560	201,528
Special event direct benefit costs	-	-	6,534	6,534
Charter and national service fees	110,030	-	-	110,030
Settlement contribution expense	-	2,118,000	-	2,118,000
Total other expenses	2,034,741	2,493,093	204,958	4,732,792
Expenses before depreciation and amortization	6,595,106	3,262,224	455,289	10,312,619
Depreciation and amortization	1,817,082	32,494	10,576	1,860,152
Total expenses	8,412,188	3,294,718	465,865	12,172,771
Less: expenses not included within functional expenses on the statements of activities				
Special event direct benefit costs	-	-	(6,534)	(6,534)
Charter and national service fees	(110,030)	-	-	(110,030)
Settlement contribution expense	-	(2,118,000)	-	(2,118,000)
Total functional expenses	\$ 8,302,158	\$ 1,176,718	\$ 459,331	\$ 9,938,207

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

Orange County Council, Inc., Boy Scouts of America
 Statements of Cash Flows
 For the Years Ended December 31, 2021 and 2020

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Cash flows from operating activities								
Change in net assets	\$ 1,815,475	\$ (1,921,496)	\$ 2,203,001	\$ (4,121,579)	\$ 1,722,731	\$ 1,172,405	\$ 5,741,207	\$ (4,870,670)
Adjustments to reconcile change in net assets to net cash used in operating activities								
Allowance for doubtful pledges receivable	(12,765)	(32,926)	-	-	-	(1,928)	(12,765)	(34,854)
Depreciation and amortization	-	-	1,633,400	1,860,152	-	-	1,633,400	1,860,152
Gain on sales of property and equipment	-	-	(3,945,669)	-	-	-	(3,945,669)	-
Investment income, net	(88,120)	(106,961)	12,060	-	(1,680,628)	(1,208,577)	(1,756,688)	(1,315,538)
Contributions restricted for noncurrent purposes	-	-	-	-	(42,566)	(20,791)	(42,566)	(20,791)
Changes in operating assets and liabilities								
Accounts receivable	95,457	(536)	(801)	-	(373)	20,436	94,283	19,900
Pledges receivable	(66,762)	191,584	3,316	62,747	44,175	51,499	(19,271)	305,830
Employee retention credit receivable	(1,724,271)	-	-	-	-	-	(1,724,271)	-
Other receivables	-	119,772	-	-	-	-	-	119,772
Inventories	(63,876)	(4,855)	-	-	-	-	(63,876)	(4,855)
Prepaid expenses	37,793	(115,656)	2,885	(5,987)	-	-	40,678	(121,643)
Interfund loans	1,000	293,057	(179,630)	-	178,630	(293,057)	-	-
Other noncurrent assets	-	7,471	-	-	(92,822)	42,142	(92,822)	49,613
Accounts payable	(9,334)	(141,910)	3,409	1,006	-	-	(5,925)	(140,904)
Accrued expenses	(22,336)	226,262	8,153	-	-	-	(14,183)	226,262
Custodial accounts	(92,231)	(71,113)	-	-	-	-	(92,231)	(71,113)
Deferred income	(79,743)	(247,132)	-	-	-	-	(79,743)	(247,132)
Other current liabilities	-	(214)	-	-	-	-	-	(214)
Accrued settlement contribution	-	-	-	2,118,000	-	-	-	2,118,000
Net cash used in operating activities	<u>(209,713)</u>	<u>(1,804,653)</u>	<u>(259,876)</u>	<u>(85,661)</u>	<u>129,147</u>	<u>(237,871)</u>	<u>(340,442)</u>	<u>(2,128,185)</u>

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

Orange County Council, Inc., Boy Scouts of America
 Statements of Cash Flows
 For the Years Ended December 31, 2021 and 2020

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Cash flows from investing activities								
Purchases of property and equipment	-	-	(227,702)	(401,225)	-	-	(227,702)	(401,225)
Proceeds from sale of property and equipment	-	-	8,330,639	-	-	-	8,330,639	-
Proceeds from sales of investments	-	-	-	-	500,000	3,823,782	500,000	3,823,782
Purchases of investments	-	-	(3,999,570)	-	-	(1,893,157)	(3,999,570)	(1,893,157)
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>4,103,367</u>	<u>(401,225)</u>	<u>500,000</u>	<u>1,930,625</u>	<u>4,603,367</u>	<u>1,529,400</u>
Cash flows from financing activities								
Contributions restricted for noncurrent purposes	-	-	-	-	42,566	20,791	42,566	20,791
Principal payments on long-term debt	-	-	(3,401,716)	(106,374)	-	-	(3,401,716)	(106,374)
Draws on line of credit	-	750,000	-	-	-	-	-	750,000
Payments on line of credit	(750,000)	-	-	-	-	-	(750,000)	-
Interfund transfers	<u>530,180</u>	<u>1,105,106</u>	<u>(118,301)</u>	<u>553,000</u>	<u>(411,879)</u>	<u>(1,658,106)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(219,820)</u>	<u>1,855,106</u>	<u>(3,520,017)</u>	<u>446,626</u>	<u>(369,313)</u>	<u>(1,637,315)</u>	<u>(4,109,150)</u>	<u>664,417</u>
Net increase in cash and cash equivalents and restricted cash	(429,533)	50,453	323,474	(40,260)	259,834	55,439	153,775	65,632
Cash and cash equivalents and restricted cash, beginning of year	<u>1,080,851</u>	<u>1,030,398</u>	<u>(40,260)</u>	<u>-</u>	<u>65,640</u>	<u>10,201</u>	<u>1,106,231</u>	<u>1,040,599</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 651,318</u>	<u>\$ 1,080,851</u>	<u>\$ 283,214</u>	<u>\$ (40,260)</u>	<u>\$ 325,474</u>	<u>\$ 65,640</u>	<u>\$ 1,260,006</u>	<u>\$ 1,106,231</u>

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

Orange County Council, Inc., Boy Scouts of America
 Statements of Cash Flows
 For the Years Ended December 31, 2021 and 2020

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Total Funds</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents and restricted cash consisted of the following:								
Cash and cash equivalents	\$ 651,318	\$ 580,851	\$ 283,214	\$ (40,260)	\$ 325,474	\$ 65,640	\$ 1,260,006	\$ 606,231
Restricted cash	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
	<u>\$ 651,318</u>	<u>\$ 1,080,851</u>	<u>\$ 283,214</u>	<u>\$ (40,260)</u>	<u>\$ 325,474</u>	<u>\$ 65,640</u>	<u>\$ 1,260,006</u>	<u>\$ 1,106,231</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	<u>\$ 3,362</u>	<u>\$ 10,267</u>	<u>\$ 51,594</u>	<u>\$ 131,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,956</u>	<u>\$ 141,270</u>
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The accompanying notes are an integral part of these financial statements.

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

1. NATURE OF OPERATIONS

Orange County Council, Inc., Boy Scouts of America (the "Council") operates in Orange County, California. The Council is an independent not-for-profit organization devoted to promoting, within the territory covered by the charter from the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys and young men and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts of America.

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

The Council's programs are classified as follows:

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

Scouts BSA - Scouts BSA is a year-round program for youth 11-17 years old that provides fun, adventure, learning, challenge, and responsibility to help them become the best version of themselves.

Venturing - Provides experiences to help young men and women, ages 13 or 14 with completion of the eighth grade through age 20, become mature, responsible, and caring adults. Young people learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scout camping properties, a recognition program, and Youth Protection training.

Sea Scouts - Provides experiences to help young men and women, ages 13 or 14 with completion of the eighth grade through age 20, become mature, responsible, caring adults. Young people learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scout camping properties, a recognition program, and Youth Protection training.

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

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

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

1. NATURE OF OPERATIONS (continued)

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

- A. Schoepe Scout Reservation at Lost Valley ("Lost Valley") - The Council purchased a 1,400-acre property located in San Diego County in 1959. The first summer camp was in 1964. This property is operated year-round and serves as the Council's Scouts BSA Resident Camp. In addition to traditional Scouts BSA summer camp programs, Lost Valley also hosts programs for Cub Scout-age youth and their families. Youth and adults who attend Lost Valley can camp in the outdoors and experience a wide variety of program elements, including shooting sports, rock climbing, challenge courses, swimming, horseback riding, nature studies, Scout skills, and mountain biking.

- B. Newport Sea Base - The Newport Sea Base is constructed on approximately 1.15 acres of land, which is located in Newport Beach. The property has been leased from the County of Orange since 1937, and the current lease continues through 2030 at no cost to the Council. A remodel of the facilities was completed in 2005. The Newport Sea Base is operated year-round and serves all youth (boys and girls ages six and up) directly and through numerous community partnerships. Youth experience learning opportunities on the water and in the classroom, including sailing, environmental studies, rowing, paddle sports, and various merit badge classes. In addition, three Sea Scout ships and their members are based there. The Council has no information as to the value of the property at the lease inception and therefore no asset was recorded. Management believes such value will be immaterial to these financial statements.

- C. Oso Lake Scout Camp - In June 2007, the Council entered into a 25-year lease with an option for a 15-year extension with the Rancho Santa Margarita Water District. This property, located on the Oso Reservoir in South Orange County, serves as an outdoor educational and recreational facility. The property consists of 15 acres of land and 100 acres of lake. Youth and adults who attend can participate in camping, shooting sports, nature programs, boating, and fishing.

- D. Irvine Ranch Outdoor Education Center ("IROEC") - The Council received a special-use deeded land gift of 210 acres from the Irvine Company in August 2005, which is located in Orange, California. The Council completed construction of buildings and facilities on a 52-acre portion of the property and began year-round operations in August 2009. This property includes themed camps that focus on mining, ranching, and astronomy. The IROEC provides educational and recreational programs for all youth (boys and girls) of the community. Facilities include overnight outdoor camping areas, bunkhouse residential halls, shooting sports, swimming, challenge courses, zip lines, full-service dining hall, training center, conference facilities, and hiking into the surrounding wilderness areas.

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

1. NATURE OF OPERATIONS (continued)

E. William Lyon Homes Center for Scouting - The Council's office headquarters was owned and operated by the Council and was located in Santa Ana, California. This facility was opened in November 2004. This 40,000-square-foot facility was available for use by all community organizations and served as the location for primary program delivery management and support of the Council's Scouting units and youth. This facility was also used for volunteer, professional, and community organization meetings. A portion of the building was subleased. As of December 31, 2021, the William Lyon Homes Center for Scouting has been sold and some of the proceeds from the sale were used to retire the remaining debt on the Irvine Ranch Outdoor Education Center.

F. Trading Posts - The Council leases Trading Posts in Santa Ana, Anaheim, and Laguna Hills, California, which supply Scouts with items needed for participation in daily activities, including uniforms, outdoor gear, and handbooks. The trading post in Laguna Hills was closed April of 2021 and the Anaheim location was closed in November 2021.

In February 2019, the Council began admitting young women to Scouting. While the other program names retained their names, the Boy Scouts program has been renamed to Scouts BSA. This is the traditional Scouting experience for youth in the fifth grade through high school. Young women will be qualified to earn Scouting's highest rank, Eagle Scout.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Council reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - Consist of all resources of the Council which have not been restricted by a donor. At December 31, 2021 and 2020, included in net assets without donor restrictions are Board-designated net assets totaling \$10,105,535 and \$8,837,249, respectively, and are included as part of the Endowment Fund.

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets with donor restrictions* - The Council reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets either by time or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from purpose or time restriction. Donor restricted contributions whose restrictions have been met in the same reporting period are reported as net assets without donor restrictions in the statement of activities. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets are released from purpose or time restriction. Net assets that are received from donors who stipulate that resources are to be maintained permanently, but permit the Council to expend all of the income (or other economic benefits) derived from the donated assets are included as net assets with donor restrictions.

Fund accounting

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Council are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The accounts of the Council are maintained in three self-balancing fund groups according to their nature and purposes as follows:

Operating Fund - The operating fund is used to account for the Council's operating activities.

Capital Fund - The capital fund is used to account for property, buildings, equipment, and legally restricted cash that is to be expended for property, buildings, and equipment and related debt payments. Revenues and expenses related to the capital fundraising campaign are also included in this fund.

Endowment Fund - The endowment fund is normally used to account for amounts of gifts and bequests accepted with legal restrictions based on donor stipulations that the principal be maintained intact in perpetuity, or until the occurrence of a specified event or for a specified period, and that only income from the investment thereof be expended either for general purposes or for purposes specified by the donor. Investment funds without donor restrictions that have been designated by the Board are also included in the endowment fund.

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the financial statements in accordance with generally accepted accounting principles of the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

Cash, restricted cash and cash equivalents

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

Custodial accounts

Custodial accounts represent amounts held by the Council as custodian for registration fees for member units, amounts on deposit for affiliated Scouting associations for their future use, and amounts on deposit by member units.

Concentration of risk

Occasionally, the Council's cash balances exceed Federal Deposit Insurance Corporation insured limits. The Council has not experienced and does not anticipate any losses related to these balances.

Accounts receivable

Accounts receivable are recorded primarily for product sales and facility rentals and are stated at estimated net realizable value if the amounts are due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. At December 31, 2021 and 2020, accounts receivable are deemed fully collectible, and therefore no allowance for doubtful accounts has been provided.

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable, net

Pledges receivable are recorded at net realizable value and are recognized as revenues when the pledge is received. The Council reports unconditional pledges as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. Pledges receivable with donor-imposed restrictions that are met in the same period as received are reported as net assets without donor restrictions. The Council evaluated the collectability of pledges receivable and established an allowance for uncollectible pledges of \$18,335 and \$31,100 at December 31, 2021 and 2020, respectively.

Property and equipment, net

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

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets ranging from 10 to 30 years for buildings and improvements and 3 to 10 years for furniture and equipment.

Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful lives.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment annually, or whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. No impairment was recognized during the years ended December 31, 2021 and 2020.

Investments

Investments are stated at fair value. Interest and dividends are recognized as earned. Net realized and unrealized gains or losses, and interest and dividends, are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or law.

Inventories

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

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gift annuities receivable

The Council is the beneficiary of a number of split-interest agreements with donors, whereby the National Council controls and invests the donated assets and shares with the donor or the donor's designee income generated from these assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee). At December 31, 2021 and 2020, values of the Council's split-interest agreements were \$49,357 and \$44,287, respectively, and are included within other noncurrent assets in the accompanying statements of financial position.

Legacies and bequests

The Council has been designated as the beneficiary in numerous wills. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator, the amount of bequest is known, and the Council is certain that, based on the estate net assets, the amount bequeathed is realizable.

Deferred income

Fees for camps and training courses to be held in subsequent periods are recognized as a liability in deferred income and recognized in the period in which the related services are rendered or events held.

Donated materials and services

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council reports the donations as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

For the years ended December 31, 2021 and 2020, the Council recognized \$7,458 and \$7,330, respectively, in the operating fund as noncash contributions revenue and corresponding expenses for donated materials and services.

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from Exchange Transactions - The Council recognizes revenue from contracts with customers in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 which applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Council records exchange transaction revenue in its statements of activities and changes in net assets for the years ended December 31, 2021 and 2020, as stated below.

Trading Post sales - The Council operates various Trading Posts at its summer camps, which sell Scouting-related merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Council based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Council recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Council estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2021 and 2020. Trading post sales are included within camping and activity revenue in the statement of activities.

Product sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of 35% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASC 606, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the Council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail's End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents in its statements of activities and changes in net assets revenues from popcorn sales net of cost of goods sold and unit commissions (retained by or paid to the unit). Scout units have the right to return to the Council any unsold product, subject to a return-by date of November 15. As of December 31, 2021 and 2020, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

Special Fundraising Event Revenue - The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASC 606 requires allocation of the transaction price to the performance obligation. Accordingly, the Council separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of the events are initially recognized as liabilities (deferred income) and are recognized as special event revenue after the event.

Functional expenses

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

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Council is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions. The Council is subject to federal income tax on any unrelated business taxable income. The Council evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussion with outside experts. No uncertain tax positions were identified by the Council as of December 31, 2021 and 2020.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising costs for the years ended December 31, 2021 and 2020, totaled \$33,678 and \$41,690, respectively.

Reclassification

Certain December 31, 2021 balances were reclassified to conform with the current year presentation. There was no impact to net assets or the changes in net assets.

Subsequent events

The Council has evaluated events subsequent to December 31, 2021, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 10, 2022, the date the financial statements were available to be issued. Based upon the evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, other than as disclosed in Note 14.

3. PLEDGES RECEIVABLE, NET

The pledges receivable, net at December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Friends of Scouting	\$ 163,602	\$ 96,840
Restricted to capital fund	31,599	34,915
Restricted to endowment fund	<u>40,044</u>	<u>84,219</u>
	235,245	215,974
Less: Allowance for doubtful pledges receivable	<u>(18,335)</u>	<u>(31,100)</u>
	<u>\$ 216,910</u>	<u>\$ 184,874</u>

All pledges receivable are due in less than one year.

Orange County Council, Inc., Boy Scouts of America
Notes to Financial Statements
December 31, 2021 and 2020

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2021	2020
Land	\$ 4,480,822	\$ 6,981,906
Land improvements	13,467,883	13,467,883
Leasehold improvements	1,221,199	1,234,366
Buildings	28,204,076	31,915,178
Furniture and fixtures	4,054,365	4,742,427
Construction-in-progress	247,645	408,522
	51,675,990	58,750,282
Accumulated depreciation and amortization	(26,106,400)	(27,390,024)
	\$ 25,569,590	\$ 31,360,258

Depreciation and amortization expense related to property and equipment was \$1,633,400 and \$1,860,152 for the years ended December 31, 2021 and 2020, respectively.

5. SALE OF PROPERTY

In April 2021, the Council sold a property to an unrelated party for \$8,700,000. At the time of sale, the book value of the property was \$4,263,113 and the Council recognized a gain on sale of \$3,924,928 (net of selling expenses of \$511,959) which has been included within gain on sale of property and equipment in the accompanying statements of activities and changes in net assets. Proceeds from the sale were used to liquidate Council debt in the amount of \$4,114,092 and the remainder was transferred to investments.

6. FAIR VALUE MEASUREMENT

The Council has implemented the fair value accounting standard for those assets (and liabilities) that are remeasured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. The standard applies to fair value measurements already required or permitted by existing standards.

In general, Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

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6. FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level, within the fair value hierarchy, the Council's assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income bonds	\$ 3,737,532	\$ 2,793,857	\$ -	\$ 6,531,389
Common stock	8,750,277	-	-	8,750,277
Money market	<u>340,301</u>	<u>-</u>	<u>-</u>	<u>340,301</u>
	<u>\$ 12,828,110</u>	<u>\$ 2,793,857</u>	<u>\$ -</u>	<u>\$ 15,621,967</u>

The following table sets forth by level, within the fair value hierarchy, the Council's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income bonds	\$ 233,543	\$ 3,100,577	\$ -	\$ 3,334,120
Common stock	6,853,087	-	-	6,853,087
Money market	<u>179,240</u>	<u>-</u>	<u>-</u>	<u>179,240</u>
	<u>\$ 7,265,870</u>	<u>\$ 3,100,577</u>	<u>\$ -</u>	<u>\$ 10,366,447</u>

7. INVESTMENTS

Investment income and expenses consisted of the following:

	<u>2021</u>	<u>2020</u>
Net realized and unrealized gains on investments	\$ 1,712,358	\$ 1,272,409
Reinvested interest and dividends	120,115	116,973
Investment fees	<u>(75,785)</u>	<u>(73,844)</u>
Net investment earnings	<u>\$ 1,756,688</u>	<u>\$ 1,315,538</u>

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments is recorded initially in the endowment fund. Distributions of investment income, gains, and losses from the endowment fund are recorded as income by the operating and capital funds in the period in which the distributions are made in accordance with the Council's spending policy.

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	2021	2020
Operating fund		
Scouting activities	\$ 9,515	\$ 2,800
Grants/Foundations	68,265	100
Building, equipment, and maintenance	79,088	19,339
	156,868	22,239
Capital fund		
Capital Campaign	299,845	187,207
Capital improvement - perpetual	4,200,000	4,200,000
	4,499,845	4,387,207
Endowment fund		
Donor-restricted endowment funds (Note 9)	1,946,603	1,904,037
	\$ 6,603,316	\$ 6,313,483

9. ENDOWMENTS

The Council's endowment consists of several individual investment funds and other assets and liabilities established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

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

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9. ENDOWMENTS (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

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

The following are the investment objectives of the Council:

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

Orange County Council, Inc., Boy Scouts of America
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9. ENDOWMENTS (continued)

Interpretation of relevant law (continued)

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

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds, perpetual in duration - original gift amount	\$ -	\$ 1,835,273	\$ 1,835,273
Donor-restricted endowment funds restricted to program services	-	111,330	111,330
Board-designated endowment funds	10,105,535	-	10,105,535
	\$ 10,105,535	\$ 1,946,603	\$ 12,052,138

Endowment net asset composition by type of fund as of December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds, perpetual in duration - original gift amount	\$ -	\$ 1,792,707	\$ 1,792,707
Donor-restricted endowment funds restricted to program services	-	111,330	111,330
Board-designated endowment funds	8,837,249	-	8,837,249
	\$ 8,837,249	\$ 1,904,037	\$ 10,741,286

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9. ENDOWMENTS (continued)

Interpretation of relevant law (continued)

Changes in endowment net assets for the fiscal years ended December 31, 2021 and 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, December 31, 2019	\$ 9,343,741	\$ 1,883,246	\$ 11,226,987
Investment income, net	1,208,577	-	1,208,577
Contributions	-	20,791	20,791
Appropriation for expenditures	<u>(1,715,069)</u>	<u>-</u>	<u>(1,715,069)</u>
Balance, December 31, 2020	\$ 8,837,249	\$ 1,904,037	\$ 10,741,286
Investment income, net	1,680,628	-	1,680,628
Contributions	-	42,566	42,566
Appropriation for expenditures	<u>(412,342)</u>	<u>-</u>	<u>(412,342)</u>
Balance, December 31, 2021	<u>\$ 10,105,535</u>	<u>\$ 1,946,603</u>	<u>\$ 12,052,138</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Council to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2021 and 2020. The Council has interpreted UPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

10. SCOUT SHOP

The National Council operates three Scout shops within the Orange County area. The National Council manages the Scout shops and pays the Council an 8% rent commission on gross sales of up to \$750,000 and 13% on sales in excess of \$750,000. The rent commissions earned (before expenses) by the Council during the years ended December 31, 2021 and 2020 amounted to \$110,457 and \$59,337, respectively, which are included in sales of supplies in the statements of activities.

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11. EMPLOYEE BENEFIT PLAN

BSA Retirement Plan

The National Council has a qualified defined benefit pension plan ("the Plan") administered at the National Service Center that covers employees of the National Council and local councils, including the 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 Plan was frozen to employees with less than 15 years of vesting service, and whose age plus vesting service equaled less than 60 as of December 31, 2018 (non-grandfathered employees). From January 1, 2020 through July 31, 2020, employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018 (grandfathered employees) contributed 4.25% of compensation to the Plan. Effective August 1, 2020, the Plan was frozen to grandfathered employees, thereby freezing the Plan for all BSA employees. Prior to February 2021, the Council contributed 7.75% of eligible employees' compensation to the BSA retirement program. After February 2021, the Council contributed 12%. Pension expense (excluding the contributions made by employees) was approximately \$238,000 and \$109,000 for the years ended December 31, 2021 and 2020, respectively, and covered current service cost. The actuarial information for the Plan as of February 1, 2021, indicates that it is in compliance with ERISA regulations regarding funding.

BSA Match Savings Plan

The Council participates in a defined contribution plan established by the National Council of the Boy Scouts of America. The plan name is the BSA Match Savings Plan, which covers substantially all of the employees of the Council. Participants in the BSA Match Savings Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended.

Council Match

The Council matches employee contributions to the BSA Match Savings Plan up to 50% of contributions from each participant, limited to 6% of each employee's gross pay. The Council contributed approximately \$59,000 and \$136,000 to the BSA Match Savings Plan during the years ended December 31, 2021 and 2020, respectively.

Health Care Plan

The Council's employees participate in a health care plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2021 and 2020, the Council incurred expenses of approximately \$257,000 and \$331,000, respectively, on behalf of its employees to the National Council related to the health care plan.

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12. COMMITMENTS

Line of credit

The Council has an unsecured revolving line of credit agreement with a commercial bank for \$750,000, which matures October 2027 and bears an interest rate 0.5% below the prime rate (2.75% and 4.75% at December 31, 2021 and 2020, respectively). At December 31, 2021 there was no outstanding balance.

Long-term debt

Notes payable are detailed as follows:

	2021	2020
Note payable to a bank, payable in monthly principal and interest payments of \$18,094, accruing interest at 3.75%, secured by property as collateral, maturing October 10, 2027. The note includes a prepayment penalty unless repaid from internally generated funds.	\$ -	\$ 3,221,150
Note payable to a trust for the purchase of equipment, payable in monthly principal and interest payments of \$2,025, accruing interest at 4.0%, secured by property as collateral, maturing August 1, 2029.	-	180,566
	-	3,401,716
Less current portion	-	(113,431)
	\$ -	\$ 3,288,285

During the year ended December 31, 2021, all long-term debt was paid off (See Note 5).

Donations

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

Operating leases

The Council has entered into several leases for offices, equipment, and vehicles, which expire through December 2032. Total rent expense related to such operating leases amounted to approximately \$116,000 and \$111,000, respectively, for the years ended December 31, 2021 and 2020.

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12. COMMITMENTS (continued)

Operating leases (continued)

The Council subleased a portion of its office facility to an unrelated party under a noncancelable lease agreement that exceeded 12 months. The sublease agreement expired in January 2021 and was not renewed. Total rental income for the years ended December 31, 2021 and 2020, under this agreement was approximately \$43,000 and \$147,000, respectively.

Minimum future net rental payments under noncancelable operating leases having remaining terms in excess of one year as of December 31, 2021, and in aggregate are as follows:

Year ending December 31,

2022	\$	77,836
2023		53,331
2024		23,521
2025		23,521
2026		21,846
Thereafter		<u>115,379</u>
		<u>\$ 315,434</u>

Service agreements

The Council has entered into an accounting services agreement which automatically renews each September until terminated by either party with written notice. The agreement includes a minimum annual fee of approximately \$97,000.

The Council has entered into a telecommunications service agreement for a period of five years expiring in June 2023. The agreement includes a minimum annual fee of approximately \$74,000.

13. LIQUIDITY AND AVAILABILITY

The Council's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows as of December 31, 2021 and 2020:

	<u>2021</u>		<u>2020</u>
Cash and cash equivalents - operating fund	\$ 651,318	\$	580,851
Accounts receivable, net - operating fund	37,123		132,580
Pledges receivable, net - operating fund	<u>145,267</u>		<u>65,740</u>
	<u>\$ 833,708</u>	\$	<u>779,171</u>

Orange County Council, Inc., Boy Scouts of America
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13. LIQUIDITY AND AVAILABILITY (continued)

Included in cash and cash equivalents - operating fund at December 31, 2021 and 2020, are amounts on deposit by member units totaling \$448,717 and \$230,902, respectively. These amounts may not be available for general expenditures by the Council if drawn upon by the member units. Also, as described in Note 12, the Council has a line of credit for \$750,000, which it can draw upon in the event of an unanticipated liquidity need.

The Council's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments may be designated by the Board of Directors for general expenditure. Board-designated endowment funds of \$10,105,535 and \$8,837,249 as of December 31, 2021 and 2020, respectively, may be made available for general expenditures within the next 12 months if designated by the Board of Directors (also see Note 9).

14. PAYCHECK PROTECTION PROGRAM

During 2021 and 2020, the Council received loan proceeds totaling \$1,242,110 and \$1,182,895, respectively from promissory notes issued by a bank under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). The term on the PPP loans is two years and the annual interest rate was 1.00%. Payments of principal and interest are deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

As of December 31, 2021 and 2020, the Council has used the full amount of received proceeds to fund eligible payroll, rent, and utility expenses. The Council has accounted for the PPP Loans in accordance with ASC 958-605 as a conditional contribution. The Council initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions were substantially met. Accordingly, the Council has recognized the full amount of PPP loan proceeds as conditional grant revenue and is included in 'conditional grant revenue - Paycheck Protection Program' in the accompanying statements of activities for the years ended December 31, 2021 and 2020.

In July 2021, the Council's loan forgiveness application for the \$1,182,895 of loan proceeds received in 2020 was fully approved by the SBA. In April 2022, the Council's loan forgiveness application for the \$1,242,110 of loan proceeds received in 2021 was fully approved by the SBA.

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15. EMPLOYEE RETENTION CREDIT

The CARES Act, as modified and clarified by the Consolidated Appropriations Act of 2021 ("CAA"), contains a relief provision for businesses known as the Employee Retention Credit ("ERC"). This provision provides for a refundable payroll tax credit for "qualified wages" paid to employees after March 12, 2020, and before January 1, 2022 (the "Covered Period"). The provision of the CARES Act intends to provide a refundable payroll tax credit to employers who continue to pay employees despite COVID-19 business difficulties and interruptions that either render certain non-essential employees unproductive or cause a significant decline in receipts.

The Council has evaluated the qualification criteria for the ERC and determined that it is eligible for the program and has submitted amended payroll tax returns for quarters ending in 2020 and 2021 totaling \$1,724,271 in payroll tax credits. The Council believes it is probable it will receive these payroll tax credits and therefore has recorded revenue and a corresponding receivable for the entire amount which is included within prepaid expenses and other current assets in the accompanying consolidated financial statements.

16. RISKS AND UNCERTAINTIES

COVID-19

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and on March 11, 2020, the World Health Organization characterized COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter-in-place orders. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which includes significant provisions to provide relief and assistance to affected organizations. The Council has obtained funding under the CARES Act through the Paycheck Protection Program (see Note 14) and Employee Retention Credit relief provision (see Note 15). Currently, the Council's operations are not being disrupted by mandated and voluntary closings of businesses and shelter-in-place orders. However, the Council's operations could be disrupted if these measures are re-implemented.

Potential impacts to the Council's operations include disruptions or restrictions on the Council's employees' ability to work. In addition, the Council's programs, camping operations, and fundraising efforts have been and continue to be affected by the COVID-19 outbreak. Member enrollment may be delayed, for example, due to travel restrictions imposed by governments, and the inability to access schools for recruitment. Also, some of the Council's suppliers of certain materials used in program delivery are located in areas impacted by COVID-19 which could limit the ability to obtain sufficient materials for the Council's programs. COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for the Council's programs, camping operations, and fundraising efforts. Any of the foregoing could harm the Council's operations and it is impossible to anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact the Council's operations.

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16. RISKS AND UNCERTAINTIES (continued)

National Council Bankruptcy

On February 18, 2020, the National Council filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The National Council continues to operate its business in the ordinary course and received bankruptcy court approval to continue its relationship with local councils, which includes the Orange County Council. The Orange County Council is not a party to the bankruptcy proceeding.

On September 15, 2021, the National Council submitted an Amended Plan of Reorganization (the "Plan") to the bankruptcy court calling for payment to the Victim's Trust Fund (the "Trust") in full satisfaction of the claims made by the alleged victims of abuse in Scouting through November 16, 2020. The Plan includes contributions to the Trust by local Councils that elect to participate.

As of June 10, 2022, the National Council's Plan has not yet been approved and the National Council completed a court hearing on April 14, 2022 and is awaiting a ruling.

The Orange County Council's Board of Directors has approved the Orange County Council's participation in the Plan by contributing certain real property to the Trust. As a result, if the Plan is approved, the Council will be relieved of all potential liabilities that may exist from claimants that have alleged they were abused during their participation in Scouting units chartered by the Council through November 16, 2020.

The net book value of the certain real property the Council has committed to contribute as of December 31, 2020 was \$2,118,000, which the Council has accrued as a liability as of December 31, 2020. No change to this accrued liability was made during the year ended December 31, 2021.

BSA Retirement Plan Contingent Liability

If the National Council's Amended Plan of Reorganization is not approved, it is possible that the Orange County Council and other local councils could be required to fund the BSA Retirement Plan. The amount of liability, if any, to the Orange County Council cannot be estimated at this time and therefore management has not included any amount in its financial statements for the year ended December 31, 2021.