



AND SUBSIDIARY

Phoenix, Arizona

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2020

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grand Canyon Council, Inc., Boy Scouts
of America and Subsidiary
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of Grand Canyon Council, Inc., Boy Scouts of America, Inc. (an Arizona not-for-profit corporation) and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

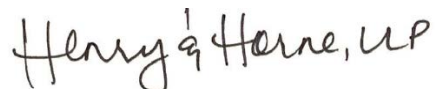
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Grand Canyon Council, Inc., Boy Scouts of America, Inc. and Subsidiary as of December 31, 2020, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Grand Canyon Council, Inc., Boy Scouts of America's 2019 consolidated financial statements, and our report dated May 29, 2019, expressed a qualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Henry & Horne, LLP".

Tempe, Arizona
June 22, 2021

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2020	2019
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,556,927	\$ 324,993	\$ -	\$ 1,881,920	\$ 2,084,814
Accounts receivable	-	-	-	-	19,462
Promises to give	4,200	-	-	4,200	60,000
Inventories	-	-	-	-	161,083
Prepaid expenses and supplies inventory	103,300	-	-	103,300	66,143
TOTAL CURRENT ASSETS	<u>1,664,427</u>	<u>324,993</u>	<u>-</u>	<u>1,989,420</u>	<u>2,391,502</u>
PROPERTY AND EQUIPMENT, net	<u>-</u>	<u>5,789,727</u>	<u>-</u>	<u>5,789,727</u>	<u>7,001,811</u>
ASSETS HELD IN TRUST					
Undesignated	-	1,954,336	-	1,954,336	-
Donor restricted endowments	-	-	2,784,076	2,784,076	2,502,735
Board designated endowment	-	-	1,646,640	1,646,640	2,446,640
TOTAL ASSETS HELD IN TRUST	<u>-</u>	<u>1,954,336</u>	<u>4,430,716</u>	<u>6,385,052</u>	<u>4,949,375</u>
TOTAL ASSETS	<u>\$ 1,664,427</u>	<u>\$ 8,069,056</u>	<u>\$ 4,430,716</u>	<u>\$ 14,164,199</u>	<u>\$ 14,342,688</u>

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2020	2019
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 114,150	\$ 112,628	\$ -	\$ 226,778	\$ 110,471
Accrued expenses	12,418	-	-	12,418	14,494
Custodian accounts	447,631	-	-	447,631	793,368
Deferred activity and camp revenue	47,714	-	-	47,714	17,643
Equipment loan payable, current portion	38,499	-	-	38,499	84,417
TOTAL CURRENT LIABILITIES	660,412	112,628	-	773,040	1,020,393
Equipment loan payable, net of current portion	-	-	-	-	42,549
TOTAL LIABILITIES	660,412	112,628	-	773,040	1,062,942
NET ASSETS					
Without donor restrictions	534,766	7,424,956	1,646,640	9,606,362	10,089,728
With donor restrictions	469,249	531,472	2,784,076	3,784,797	3,190,018
TOTAL NET ASSETS	1,004,015	7,956,428	4,430,716	13,391,159	13,279,746
TOTAL LIABILITIES AND NET ASSETS	\$ 1,664,427	\$ 8,069,056	\$ 4,430,716	\$ 14,164,199	\$ 14,342,688

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES WITHOUT DONOR RESTRICTIONS

Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2020	2019
PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS					
Direct public support:					
Sustaining membership enrollment, including project sales	\$ 778,918	\$ -	\$ -	\$ 778,918	\$ 1,544,854
Special events, net of direct donor benefit of \$17,185 for 2020 and \$18,502 for 2019	18,385	-	-	18,385	45,991
Foundation contributions	121,517	-	-	121,517	202,153
Government grant	451,453	-	-	451,453	
Other direct support	43,839	-	-	43,839	102,320
Total direct public support	1,414,112	-	-	1,414,112	1,895,318
Indirect public support:					
United Way allocations	50,892	-	-	50,892	71,845
Other indirect support	-	-	-	-	14,385
Total indirect public support	50,892	-	-	50,892	86,230
Revenue:					
Product sales	260,329	-	-	260,329	1,478,554
Less: product costs	(71,488)	-	-	(71,488)	(384,291)
Less: commissions to youth	(69,526)	-	-	(69,526)	(480,014)
	119,315	-	-	119,315	614,249
Scout shop income	34,673	-	-	34,673	148,889
Investment income	382,992	59,660	-	442,652	744,497
Camping revenue	263,981	36,968	-	300,949	1,609,197
Activity revenue	53,191	-	-	53,191	160,380
Other revenue	58,432	-	-	58,432	157,100
Total revenue	912,584	96,628	-	1,009,212	3,434,312

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES WITHOUT DONOR RESTRICTIONS (Continued)
Year Ended December 31, 2020
(with summarized comparative totals for the year ended December 31, 2019)

			Endowment	Total	
	Operating Fund	Capital Fund	Fund	2020	2019
Net assets released from restriction	194,632	16,330	-	210,962	421,080
TOTAL PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	2,572,220	112,958	-	2,685,178	5,836,940
EXPENSES AND NET (GAINS) LOSSES					
Program services	3,040,400	442,090	-	3,482,490	5,216,577
Supporting services:					
Management and general	162,557	4,741	-	167,298	323,752
Fundraising	218,869	4,672	-	223,541	310,564
	3,421,826	451,503	-	3,873,329	5,850,893
Charter and national service fee	60,000	-	-	60,000	81,262
Gain on disposal of assets	(2,281)	(762,504)	-	(764,785)	(58,464)
TOTAL EXPENSES AND NET (GAINS) LOSSES	3,479,545	(311,001)	-	3,168,544	5,873,691
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (907,325)	\$ 423,959	\$ -	\$ (483,366)	\$ (36,751)

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES WITH DONOR RESTRICTIONS

Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2020	2019
DONOR RESTRICTED PUBLIC SUPPORT AND REVENUE					
Direct public support:					
Foundation contributions	\$ -	\$ 34,493	\$ -	\$ 34,493	\$ -
Other direct support	461,375	24,332	103,000	588,707	280,319
Total direct public support	461,375	58,825	103,000	623,200	280,319
Indirect public support:					
United Way allocations	4,200	-	-	4,200	-
Total indirect public support	4,200	-	-	4,200	-
Revenue:					
Investment income	-	-	178,341	178,341	477,907
Total revenue	465,575	-	178,341	178,341	477,907
Net assets released from restriction					
United Way allocations	(99,274)	-	-	(99,274)	(48,000)
Other	(95,358)	(16,330)	-	(111,688)	(373,080)
Total net assets released from restriction	(194,632)	(16,330)	-	(210,962)	(421,080)
TOTAL DONOR RESTRICTED PUBLIC SUPPORT AND REVENUE	270,943	42,495	281,341	594,779	337,146
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	\$ 270,943	\$ 42,495	\$ 281,341	\$ 594,779	\$ 337,146

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2020	2019
SUMMARY OF CHANGES IN NET ASSETS					
Net assets, beginning of year					
Without donor restrictions	\$ 697,091	\$ 6,945,997	\$ 2,446,640	\$ 10,089,728	\$ 10,126,479
With donor restrictions	198,306	488,977	2,502,735	3,190,018	2,852,872
TOTAL NET ASSETS, BEGINNING OF YEAR	895,397	7,434,974	4,949,375	13,279,746	12,979,351
Change in net assets					
Without donor restrictions	(907,325)	423,959	-	(483,366)	(36,751)
With donor restrictions	270,943	42,495	281,341	594,779	337,146
Total change in net assets, prior to transfers	(636,382)	466,454	281,341	111,413	300,395
Transfers of assets between funds	745,000	55,000	(800,000)	-	-
TOTAL CHANGE IN NET ASSETS	108,618	521,454	(518,659)	111,413	300,395
NET ASSETS, END OF YEAR					
Without donor restrictions	534,766	7,424,956	1,646,640	9,606,362	10,089,728
With donor restrictions	469,249	531,472	2,784,076	3,784,797	3,190,018
TOTAL NET ASSETS, END OF YEAR	\$ 1,004,015	\$ 7,956,428	\$ 4,430,716	\$ 13,391,159	\$ 13,279,746

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

	Program Services	Support Services		Total	
		Management and General	Fundraising	2020	2019
OPERATING FUND					
Salaries and wages	\$ 1,302,096	\$ 80,391	\$ 77,886	\$ 1,460,373	\$ 1,967,334
Employee benefits	249,393	17,783	17,229	284,405	351,188
Payroll taxes	132,576	8,597	8,329	149,502	191,880
Employee related expenses	12,895	947	918	14,760	34,503
TOTAL EMPLOYEE COMPENSATION	1,696,960	107,718	104,362	1,909,040	2,544,905
Professional fees	301,816	15,604	40,472	357,892	293,795
Supplies	256,281	11,814	1,071	269,166	923,003
Telephone	59,059	2,548	2,468	64,075	88,464
Postage	8,385	600	14,044	23,029	12,782
Occupancy	351,695	7,484	7,251	366,430	400,487
Equipment rent and maintenance	119,371	5,740	5,885	130,996	153,966
Printing	6,338	117	15,209	21,664	11,111
Travel	95,192	5,444	4,876	105,512	174,520
Conferences and training	28,255	1,346	2,274	31,875	28,089
Assistance to individuals	9,795	289	280	10,364	31,866
Recognition expenses	18,590	271	17,206	36,067	102,919
Interest	2,171	160	155	2,486	8,934
Insurance	68,730	2,424	2,349	73,503	288,698
Other	17,762	998	967	19,727	121,346
OPERATING FUND FUNCTIONAL EXPENSES	3,040,400	162,557	218,869	3,421,826	5,184,885
CAPITAL FUND					
Depreciation	433,590	4,741	4,672	443,003	657,843
Other	8,500	-	-	8,500	8,165
CAPITAL FUND FUNCTIONAL EXPENSES	442,090	4,741	4,672	451,503	666,008
TOTAL FUNCTIONAL EXPENSES	\$ 3,482,490	\$ 167,298	\$ 223,541	\$ 3,873,329	\$ 5,850,893

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 108,618	\$ 521,454	\$ (518,659)	\$ 111,413	\$ 300,395
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Interfund receivables/payable	-	-	-	-	-
Transfers between funds	(745,000)	(55,000)	800,000	-	-
Depreciation	-	443,003	-	443,003	657,843
Realized and unrealized gain on investments	-	-	(401,872)	(401,872)	(1,030,937)
Gain on sale of assets held-for-sale	-	(764,785)	-	(764,785)	(58,464)
(Increase) decrease in					
Accounts receivable	19,462	-	-	19,462	38,588
Promises to give	55,800	-	-	55,800	526,509
Inventories	161,083	-	-	161,083	150,966
Prepaid expense and supplies inventory	(37,157)	-	-	(37,157)	(39,247)
Increase (decrease) in					
Accounts payable	8,238	163,067	-	171,305	43,725
Accrued payroll and related liabilities	(2,076)	-	-	(2,076)	(318,163)
Custodian accounts	(345,737)	-	-	(345,737)	(84,712)
Deferred activity and camp revenue	30,071	-	-	30,071	(58,666)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,698)	307,739	(920,531)	(614,490)	127,837
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment	-	(674,682)	-	(674,682)	(47,523)
Purchases of assets held-for-sale	-	(1,954,336)	-	(1,954,336)	7,013
Purchases of investments	-	-	(1,922,680)	(1,922,680)	(865,612)
Proceeds from sales of property and equipment	-	2,208,550	-	2,208,550	-
Proceeds from sales of investments	-	-	2,843,211	2,843,211	2,996,184
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	(420,468)	920,531	500,063	2,090,062

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2018, restated)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from equipment loan payable	-	-	-	-	171,669
Payments on equipment loan payable	(88,467)	-	-	(88,467)	(44,703.00)
Payments on line of credit	-	-	-	-	(375,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(88,467)	-	-	(88,467)	(248,034)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(90,165)	(112,729)	-	(202,894)	1,969,865
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,647,092	437,722	-	2,084,814	114,949
CASH AND CASH EQUIVALENTS, END OF YEAR	1,556,927	324,993	-	1,881,920	2,084,814
SUPPLEMENTAL DISCLOSURES					
Cash paid for interest	\$ 2,486	\$ -	\$ -	\$ 2,486	\$ 8,934

See accompanying notes.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Nature of Operations

The Grand Canyon Council, Inc., Boy Scouts of America (GCC) is a not-for-profit corporation which provides a service program for young men ages 7-21 and young women ages 7-21, as well as all youth grades one through twelve in the Learning for Life program based on character development, citizenship training, and personal health and fitness by instilling values and ideals that prepare young people to make lifelong ethical choices. GCC achieves these three objectives through partnerships with local schools, churches, and community-based organizations. GCC serves the majority of Central, Northern, Eastern and Southwestern Arizona.

Grand Canyon Council, Boy Scouts of America Outreach LLC (Outreach), is a wholly owned subsidiary of GCC. Outreach was established in 2013 to capitalize on the working poor tax credit.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of GCC and Outreach (collectively the "Council"). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Basis of Presentation

The accompanying consolidated financial statements of the Council have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

The assets, liabilities, and net assets of the Council are reported in self-balancing fund groups as follows:

- Operating fund – established to record transactions related to the Council's operating activities.
- Capital fund – established to accumulate the net investment in fixed assets used in the Council's operations and any related liabilities.
- Endowment fund – established to account for donor gifts restricting the use of principal and/or income in perpetuity, for a fixed period of time or until the occurrence of a specified event. In addition, this fund includes amounts held in trust by a third-party trustee.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Prior Year Summarized Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by fund balance. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's consolidated financial statements for the year ended December 31, 2019, from which with summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid instruments, with an original maturity of three months or less at date of acquisition to be cash equivalents. Cash held in accounts with stock brokerage firms are reported as investments as they represent accounts used for the purchases and sales of investments and are excluded from this definition.

Accounts Receivable

Accounts receivable arise in the normal course of business and are reported net of an allowance for doubtful accounts, if applicable. The Council evaluates the collectability of its accounts receivable based on individual balances and the amount management expects to collect under the terms of service contracts and agreements and based on history with the payer. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible. At December 31, 2019, accounts receivable are considered by management to be fully collectible and accordingly, an allowance for doubtful accounts has not been recorded. No interest is charged on accounts receivable.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the present value of their estimated future cash flows as of the date of the promise to give. The discount on those amounts is computed using risk-free interest rates as determined by management applicable to the years in which the promises are received. Amortization of the discount is reflected in contributions. Conditional promises to give are not recognized as support until the condition is substantially met.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Promises to Give (Continued)

In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, the Council records a specific reserve to reduce the amounts recorded to what it believes will be collected. At December 31, 2020 and 2019, all promises to give are considered to be fully collectible and, accordingly, an allowance for doubtful accounts has not been recorded.

Inventories

Inventories consist of merchandise sold in the scout shops and various scouting supplies used in operations. Inventories are carried at the lower of cost (determined on the first-in, first-out basis) or market.

Assets Held in Trust

Investments included in assets held in trust are measured at fair value in the consolidated statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends, less external investment expenses) is included in the change in net assets in the accompanying consolidated statement of activities, unless the income or loss is restricted by donor or law.

Fair Value Measurements

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

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Fair Value Measurements (Continued)

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Council's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Risks and Uncertainty

The Council invests in various types of investments which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment are recorded at cost, or if donated, at the estimated fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs which do not extend the useful lives are charged to expenses as incurred. When the assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any related gain or loss is included in operations.

Impairment of Long-Lived Assets

The Council reviews long-lived assets for impairment whenever events or changes in circumstances indicate 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 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 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.

Custodian Accounts

Custodian accounts represent amounts held by the Council as custodian for member units and are classified as liabilities of the operating fund. These amounts will generally be used to purchase supplies or for payment of fees during the re-chartering process.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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Year Ended December 31, 2020

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Endowment Funds

The Council's endowment funds are held in a trust account maintained at a financial institution. The endowment funds consist of donor-restricted funds established for a variety of purposes and a board designated endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Council follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Council to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continues in perpetuity.

The Council classifies net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified net assets with donor restrictions until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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) the Council's other resources, and (7) the Council's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The Council's primary object is to obtain the best possible return on investments with the appropriate degree of risk and to meet the priorities of the Council over time. Endowment assets are invested in a diversified asset mix that is intended to result in a consistent inflation-protected rate of return, while growing the funds if possible.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Endowment Funds (Continued)

Actual returns may vary from year to year. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risks.

Spending Policy. The Council has a policy of appropriating 5% of the average market value of the investment balance at the end of the previous 36 months ending in September (and adjusted for contributions during the 36-month period) to be transferred to the operating fund annually. In establishing this policy, the Council considered the long-term expected return on its investment assets (including net capital gains), the nature and duration of the individual endowment fund, which must be maintained in perpetuity because of the donor restriction, and the possible effects of inflation. The Council expects the current spending policy to allow its endowment funds to grow over the long term which is consistent with the Council's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Revenue Recognition

The Council operates a scout shop and trading post at its summer camps. The performance obligation is the delivery of the goods to the customer and 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.

Product sales primarily includes sales of popcorn through the Trail's End Popcorn program. 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 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. The performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Payment is due upon delivery. Revenue recognition occurs when the product has been delivered.

Fees for camping and program related activities are set by the Council and the performance obligation is delivery of these activities. Camping and activity revenue is recognized in the period to which the service or activity relates and payment is due in advance of the camp or activity occurring. Fees collected in advance of delivery of the camp or activity are initially recognized as deferred revenue and recognized as revenue after delivery of the service or activity.

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NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Revenue Recognition

The Council recognizes membership revenue ratably over the annual membership period of January 1 through December 31. Dues received in advance of the membership period are recognized as contract liabilities (deferred revenue) upon receipt and recognized on a prorated basis over the membership term.

Contributions

Contributions, grants and bequests, including promises to give, are received and recorded as either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends, or purpose 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 restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Council reports the support as net assets without donor restrictions.

Contributions of donated non-monetary assets (in-kind donations) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services, are recorded at their fair market values in the period received. The Council utilizes the services of numerous volunteers who support the programs and activities of the Council. This support has not been recorded in the accompanying consolidated financial statements as it does not meet the recognition criteria.

Net Assets

The Council reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, insurance, telephone, salaries and wages and related payroll costs. The basis of allocation of these expenses is the result of a time study of staff time devoted to each activity. Additionally, in accordance with the policy of the National Council, the payment of the charter and national service fees to the National Council are not allocated as functional expenses.

Income Taxes

GCC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, there is no provision for income taxes. In addition, GCC qualifies for the charitable contribution deduction under Section 170 of the code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be subject to income tax.

Outreach is treated as a disregarded entity for income tax purposes, and accordingly, all income and expenses are passed through to GCC.

The Council recognizes uncertain tax positions in the consolidated financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of December 31, 2020, the Council had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Council recognizes interest and penalties associated with income tax in operating expenses. During the year ended December 31, 2020, the Council did not have any income tax related interest and penalty expense.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Date of Management's Review

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through June 22, 2021, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following table shows the total financial assets held by the Council and the amounts of those financial assets that could readily be made available within one year of the consolidated statement of financial position sheet date to meet general obligations. Amounts available include the Board-approved appropriation from the endowment funds for the following year as well as donor-restricted amounts that are available for expenditure in the following year for program activities. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Council approves that action.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,881,920	\$ 2,084,814
Accounts receivable	-	19,462
Promises to give	<u>4,200</u>	<u>60,000</u>
Total financial assets as of year-end	1,886,120	2,164,276
Adjustments:		
Cash restricted for capital purchases	(542,972)	(488,977)
Endowment appropriation for expenditure	<u>380,000</u>	<u>371,550</u>
Financial assets available for general expenditures	<u>\$ 1,723,148</u>	<u>\$ 2,046,849</u>

The Council's endowment consists of both donor-restricted and board-designated funds. Income from donor-restricted portion of the endowment is available for general use by the Council. Donor-restricted endowment funds are not available for general expenditures. Board-designated funds held in the endowment are available for use of the Council with board direction. The Council has an investment and spending policy that is reviewed regularly by key board members and management. The Council plans for and strives to operate with a balanced budget, ensuring financial assets are available to cover general expenditures. On a regular basis the Council monitors liquidity to ensure operating needs are met. A reserve fund is maintained and available as needed to support cash flow needs.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Council to significant concentrations of credit risk consist principally of cash and cash equivalents.

The Council maintains its cash in bank accounts, which at times may exceed federally insured limits. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 5,448,491	\$ 5,959,431
Buildings and improvements	7,062,755	9,761,128
Furniture, fixtures and equipment	897,626	1,324,765
Automotive equipment	<u>261,671</u>	<u>240,080</u>
	13,670,543	17,285,404
Accumulated depreciation	<u>(8,288,652)</u>	<u>(10,410,464)</u>
	5,381,891	6,874,940
Construction in progress	<u>407,836</u>	<u>126,871</u>
	<u>\$ 5,789,727</u>	<u>\$ 7,001,811</u>

Depreciation expense was \$446,836 and \$657,843 for the years ended December 31, 2020 and 2019, respectively. Construction in progress consists of various renovations to facilities and camp sites that were not yet placed in service as of December 31, 2020 and 2019.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 5 ASSETS HELD IN TRUST AND FAIR VALUE MEASUREMENTS

Investments included in assets held in trust and property held-for-sale are measured at fair value by classification within the fair value hierarchy as of December 31 are as follows:

	2020			Total
	Level 1	Level 2	Level 3	
Measured at fair value on a recurring basis:				
Money market funds	\$ 626,206	\$ -	\$ -	\$ 626,206
Equity securities	5,620,294	-	-	5,620,294
Equity mutual funds	6,817	-	-	6,817
Limited liability company	-	-	131,735	131,735
	<u>\$ 6,253,317</u>	<u>\$ -</u>	<u>\$ 131,735</u>	<u>\$ 6,385,052</u>
	2019			Total
	Level 1	Level 2	Level 3	
Measured at fair value on a recurring basis:				
Money market funds	\$ 157,480	\$ -	\$ -	\$ 157,480
Equity securities	4,380,805	-	-	4,380,805
Equity mutual funds	253,755	-	-	253,755
Limited liability company	-	-	157,335	157,335
	<u>\$ 4,792,040</u>	<u>\$ -</u>	<u>\$ 157,335</u>	<u>\$ 4,949,375</u>

Investments with readily determinable fair values are measured at fair value in the consolidated statement of financial position as determined by quoted market prices in active markets (Level 1). The Council's investment in a limited liability company (LLC) is valued at fair value and is periodically revalued through the use of a third-party appraiser. The LLC was formed for the purpose of exploring, acquiring, owning, developing, and leasing mineral and other properties. The Council's investment in the LLC consists of 2,496.58 units of the 400,000 outstanding units. During the years ended December 31, 2020 and 2019 the LLC distributed approximately \$34,000 and \$70,000, respectively, to the Council. The distribution is recorded as investment income in the accompanying consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 5 ASSETS HELD IN TRUST AND FAIR VALUE MEASUREMENTS (Continued)

Investment income is summarized as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 98,741	\$ 133,194
Investment fees	(6,042)	(11,631)
Distribution from the LLC	34,038	69,904
Realized and unrealized gains	494,258	1,030,937
	<u>\$ 620,995</u>	<u>\$ 1,222,404</u>

The following is a reconciliation of beginning and ending balances of assets measured at fair value using significant unobservable inputs during the year ended December 31, 2020 and 2019:

	<u>Limited Liability Company</u>	<u>Property Held-for-Sale</u>
Balance at December 31, 2018	\$ 211,161	\$ 149,905
Change in fair value	(53,826)	-
Transfer of assets	-	(149,905)
	<u>157,335</u>	<u>-</u>
Balance at December 31, 2019	157,335	-
Change in fair value	(25,590)	-
	<u>\$ 131,745</u>	<u>\$ -</u>
Balance at December 31, 2020	<u>\$ 131,745</u>	<u>\$ -</u>

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 6 ENDOWMENT FUNDS

Endowment funds are included in assets held in trust and consist of funds restricted in perpetuity by donors and a board designated fund as follows.

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated fund	\$ 1,646,640	\$ -	\$ 1,646,640
Donor restricted:			
Original donor-restricted	-	1,921,904	1,921,904
Accumulated investment earnings	-	862,172	862,172
	<u>\$ 1,646,640</u>	<u>\$ 2,784,076</u>	<u>\$ 4,430,716</u>
Total endowment net assets			
	<u>\$ 1,646,640</u>	<u>\$ 2,784,076</u>	<u>\$ 4,430,716</u>
	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated fund	\$ 2,446,640	\$ -	\$ 2,446,640
Donor restricted:			
Original donor-restricted	-	1,818,904	1,818,904
Accumulated investment earnings	-	683,831	683,831
	<u>\$ 2,446,640</u>	<u>\$ 2,502,735</u>	<u>\$ 4,949,375</u>
Total endowment net assets			
	<u>\$ 2,446,640</u>	<u>\$ 2,502,735</u>	<u>\$ 4,949,375</u>

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 6 ENDOWMENT FUND (Continued)

Changes to the endowment funds for the years ended December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2018	\$ 5,558,578	\$ 2,151,736	\$ 7,710,314
Contributions	-	7,500	7,500
Interest and dividends	86,826	46,368	133,194
Realized and unrealized gains	665,175	365,762	1,030,937
Distribution from LLC	-	69,904	69,904
Investment fees	(7,504)	(4,127)	(11,631)
Forgiveness of interfund loan	(1,412,000)	-	(1,412,000)
Transfer to operating fund	(2,200,000)	-	(2,200,000)
Appropriated for expenditure	<u>(244,435)</u>	<u>(134,408)</u>	<u>(378,843)</u>
Balance at December 31, 2019	2,446,640	2,502,735	4,949,375
Contributions	-	103,000	103,000
Interest and dividends	49,930	48,811	98,741
Realized and unrealized gains	214,837	219,760	434,597
Distribution from LLC	-	34,038	34,038
Investment fees	(2,987)	(3,055)	(6,042)
Transfer to operating fund	(800,000)	-	(800,000)
Appropriated for expenditure	<u>(261,780)</u>	<u>(121,213)</u>	<u>(382,993)</u>
Balance at December 31, 2020	<u>\$ 1,646,640</u>	<u>\$ 2,784,076</u>	<u>\$ 4,430,716</u>

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020			Total
	Operating Fund	Capital Fund	Endowment Fund	
Time restricted:				
Investment income on endowment funds subject to time restriction under MCFA	\$ -	\$ -	\$ 862,172	\$ 862,172
Purpose restricted:				
Property and equipment upgrades	-	542,972	-	542,972
Capacity building campaign	400,500			
Merit badge clinics	5,000			
Operating activities	63,749	-	-	63,749
Endowments - subject to spending policy and appropriation	-	-	1,921,904	1,921,904
	<u>\$ 469,249</u>	<u>\$ 542,972</u>	<u>\$ 2,784,076</u>	<u>\$ 3,390,797</u>
	2019			
	Operating Fund	Capital Fund	Endowment Fund	Total
Time restricted:				
Investment income on endowment funds subject to time restriction under MCFA	\$ -	\$ -	\$ 683,831	\$ 683,831
Purpose restricted:				
Property and equipment upgrades	-	488,977	-	488,977
Staffing	98,885	-	-	98,885
Operating activities	99,421	-	-	99,421
Endowments - subject to spending policy and appropriation	-	-	1,818,904	1,818,904
	<u>\$ 198,306</u>	<u>\$ 488,977</u>	<u>\$ 2,502,735</u>	<u>\$ 3,190,018</u>

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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 Year Ended December 31, 2020

NOTE 8 OPERATING LEASES

The Council leases its office space under a non-cancelable operating lease agreement that expires May 2024. Gradual monthly lease payments range between \$12,000 to \$13,000. The Council also leases certain office equipment under various lease agreements expiring through December 2024. Total approximate minimum future rental payments under non-cancelable operating leases are as follows:

<u>Years Ending December 31,</u>	<u>Office Lease</u>	<u>Equipment Lease</u>	<u>Total</u>
2021	\$ 146,000	\$ 62,712	\$ 208,712
2022	150,000	62,712	212,712
2023	154,000	62,712	216,712
2024	65,000	62,712	127,712
	<u>\$ 515,000</u>	<u>\$ 250,848</u>	<u>\$ 765,848</u>

Lease expense was approximately \$146,000 and \$49,000 for the years ended December 31, 2020 and 2019, respectively.

During 2019, the Council entered into an agreement with an equipment leasing company for the purchase of equipment being leased by the Council from another equipment leasing company. Per the terms of that agreement, the Council received a payment in the amount of approximately \$171,000 for the purchase of the equipment, which has been recorded as equipment loan payable on the accompanying consolidated statement of financial position. This loan payable balance is reduced as monthly payments are made to the original leasing company and had a balance of \$38,499 and \$126,966 as of December 31, 2020 and 2019, respectively.

NOTE 9 RETIREMENT PLAN

The Council's national affiliate, Boy Scouts of America, administers a defined benefit, multi-employer retirement plan which is offered to all employees in each local council who have completed one year of service and agree to make employee contributions. The local councils are also required to contribute to the plan based upon employee salary levels. Employees participating in the plan are required to contribute 2% of their total salary, and the Council contributes an additional 7% of compensation. The Council's contribution to the plan during the years ended December 31, 2020 and 2019 was approximately \$45,000 and \$62,000, respectively.

GRAND CANYON COUNCIL, INC., BOY SCOUTS OF AMERICA
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NOTE 10 RELATED PARTY TRANSACTIONS

The Council has entered into a month-to-month rental agreement with National Council, Boy Scouts of America in which the National Council operates the scout shop and the Council will receive 8% of the first \$750,000 gross scout shop sales, and 13% of the gross scout shop sales thereafter. The Council recognized approximately \$24,000 and \$137,000 of scout shop rental income during the years ended December 31, 2020 and 2019, respectively.

NOTE 11 PAYCHECK PROTECTION PROGRAM LOAN

During the year ended December 31, 2020, the Council received funding in the amount of \$451,453 under the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration (SBA). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for funding to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the funding date of the qualifying business. The funded amount and accrued interest are forgivable after 24 weeks as long as the Council uses the proceeds for eligible purposes, including payroll costs, interest on mortgage obligation, rent and utilities. The amount of the forgiveness will be reduced if the Council reduces the number of employees or reduces salaries by more than 25% during the 24-week period beginning on the PPP funding origination date. Under the terms of the program, no payments are due until ten months after the covered period, at which time monthly principal and interest payments are due. The Council has elected to present the PPP funding as a conditional contribution in accordance with Financial Accounting Standards Board (FASB) ASC 958-605, *Revenue Recognition*, and has recorded the PPP funding as a conditional contribution. The conditions to meet for recognition of this contribution include the incurring of eligible expenses as well as maintaining full-time equivalent employee count. The Council has met these conditions and has recorded contribution income relating to the PPP funding the amount of \$451,453. The Council applied for forgiveness, and subsequent to year end the entire balance was forgiven.

NOTE 12 CONTINGENCIES

The Council has been named as a defendant or has been made aware of personal injury claims against it. The Council has and will continue to vigorously defend these actions. These claims are covered by the National Council, Boy Scouts of America's general liability insurance program ("GLIP"). At the present time, management is unable to estimate a probable outcome of these matters and accordingly no provision for liabilities, if any, has been made in the accompanying financial statements.

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NOTE 12 CONTINGENCIES (Continued)

The National Council has been named as a defendant in lawsuits alleging sexual abuse, including claims for compensatory and punitive damages. Some of these claims arise out of conduct occurring on Council property and/or were committed by Council employees or volunteers, and in some cases the Council is named as a co-defendant with the National Council. The National Council has disclosed that in the event that its 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 continues to operate its business in the ordinary course and has received bankruptcy court approval to continue its relationship with the Councils including the benefit and insurance programs noted above. Neither the Council nor any other local council are currently parties to the bankruptcy proceeding. The National Council has sought to stay litigation against both the National Council and local councils and has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020. Such plan may require a yet to be determined contribution from local councils. The ability of the National Council to confirm such a plan and the size of the potential contribution from the Council is unknown. Management of the Council is unable to assess the effect, if any, the resolution of these matters by the National Council may have on the Council's operations or its financial statements.

NOTE 13 NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued ASU No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2021. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. The Council is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.