# TIDEWATER COUNCIL, INC.
# BOY SCOUTS OF AMERICA

## VIRGINIA BEACH, VIRGINIA

## DECEMBER 31, 2015 AND 2014

Tidewater Council, BSA

Colby & Company PLC
Certified Public Accountants

FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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Colby & Company PLC
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

To The Executive Board
Tidewater Council, Inc. Boy Scouts of America
Virginia Beach, Virginia

We have audited the accompanying consolidated financial statements of the Tidewater Council, Inc. Boy Scouts of America (the Council), which comprise the consolidation statements of financial position as of December 31, 2015 and 2014, and the related statement of activities, functional expenses and cash flows for the year ended December 31, 2015, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Council's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

Colby & Company, PLC

Chesapeake, Virginia
May 23, 2016


2121 Old Greenbrier Road, Chesapeake, VA 23320, (757) 523-2700, FAX 523-0536

# TIDEWATER COUNCIL, INC. BOY SCOUTS OF AMERICA

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## DECEMBER 31, 2015 AND 2014

| ASSETS | Operating Fund | | Capital Fund | | Endowment Fund | | Total All Funds | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **CURRENT ASSETS:** | | | | | | | | |
| Cash | $ 180,212 | $ 61,396 | $ 75,000 | $ - | $ 18,184 | $ 24,962 | $ 273,396 | $ 86,358 |
| Investments | 296,827 | 296,132 | - | - | - | - | 296,827 | 296,132 |
| Accounts receivable | 3,282 | 31,520 | - | - | - | - | 3,282 | 31,520 |
| Pledges receivable | 5,459 | 2,445 | - | - | 3,430 | 3,703 | 8,889 | 6,148 |
| Inventories - retail merchandise and supplies | 218,107 | 252,758 | - | - | - | - | 218,107 | 252,758 |
| Prepaid expenses | 14,078 | 11,712 | - | - | - | - | 14,078 | 11,712 |
| Total current assets | $ 717,965 | $ 655,963 | $ 75,000 | $ - | $ 21,614 | $ 28,665 | $ 814,579 | $ 684,628 |
| **NON-CURRENT ASSETS:** | | | | | | | | |
| Land, buildings and equipment - net | $ - | $ - | $ 1,439,453 | $ 1,574,965 | $ - | $ - | $ 1,439,453 | $ 1,574,965 |
| Investments | - | - | - | - | 778,560 | 804,193 | 778,560 | 804,193 |
| Investments - land held for sale | 40,448 | 40,448 | - | - | - | - | 40,448 | 40,448 |
| Total non-current assets | $ 40,448 | $ 40,448 | $ 1,439,453 | $ 1,574,965 | $ 778,560 | $ 804,193 | $ 2,258,461 | $ 2,419,606 |
| TOTAL ASSETS | $ 758,413 | $ 696,411 | $ 1,514,453 | $ 1,574,965 | $ 800,174 | $ 832,858 | $ 3,073,040 | $ 3,104,234 |
| **LIABILITIES AND NET ASSETS** | | | | | | | | |
| **CURRENT LIABILITIES:** | | | | | | | | |
| Accounts payable | $ 197,587 | $ 90,616 | $ - | $ - | $ - | $ 28,435 | $ 197,587 | $ 119,051 |
| Custodian accounts | 320,518 | 328,062 | - | - | - | - | 320,518 | 328,062 |
| Short-Term Notes Payable | 22,693 | 20,907 | 10,380 | 10,026 | - | - | 33,073 | 30,933 |
| Deferred activity income | 46,510 | 35,504 | - | - | - | - | 46,510 | 35,504 |
| Other current liabilities | 7,312 | 5,012 | - | - | - | - | 7,312 | 5,012 |
| Total current liabilities | $ 594,620 | $ 480,101 | $ 10,380 | $ 10,026 | $ - | $ 28,435 | $ 605,000 | $ 518,562 |
| LONG-TERM INDEBTEDNESS | $ 16,350 | $ 38,619 | $ 127,851 | $ 138,421 | $ - | $ - | $ 144,201 | $ 177,040 |
| Total liabilities | $ 610,970 | $ 518,720 | $ 138,231 | $ 148,447 | $ - | $ 28,435 | $ 749,201 | $ 695,602 |
| **NET ASSETS:** | | | | | | | | |
| Unrestricted | $ 95,268 | $ 154,682 | $ 1,376,222 | $ 1,426,518 | $ - | $ 32,494 | $ 1,471,490 | $ 1,613,694 |
| Temporarily restricted | 52,175 | 23,009 | - | - | 127,096 | - | 179,271 | 23,009 |
| Permanently restricted | - | - | - | - | 673,078 | 771,929 | 673,078 | 771,929 |
| Total net assets | $ 147,443 | $ 177,691 | $ 1,376,222 | $ 1,426,518 | $ 800,174 | $ 804,423 | $ 2,323,839 | $ 2,408,632 |
| TOTAL LIABILITIES AND NET ASSETS | $ 758,413 | $ 696,411 | $ 1,514,453 | $ 1,574,965 | $ 800,174 | $ 832,858 | $ 3,073,040 | $ 3,104,234 |

Colby & Company PLC
Certified Public Accountants

See notes to the financial statements.

## TIDEWATER COUNCIL, INC. BOY SCOUTS OF AMERICA

### CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
### FOR THE YEAR ENDED DECEMBER 31, 2015, WITH COMPARATIVE TOTALS FOR 2014

| | Operating Fund | Capital Fund | Endowment Fund | Total All Funds 2015 | Total All Funds 2014 |
|---|---|---|---|---|---|
| **CHANGES IN UNRESTRICTED NET ASSETS:** | | | | | |
| Public Support: | | | | | |
| Direct public support: | | | | | |
| Friends of scouting | $ 304,689 | $ - | $ - | $ 304,689 | $ 347,684 |
| Special fund - raising events gross | 149,457 | - | - | 149,457 | 141,997 |
| Less costs of net benefits | (21,291) | - | - | (21,291) | (27,022) |
| Foundations and trusts | - | - | - | - | - |
| Project sales and other direct support | 152,595 | - | - | 152,595 | 80,615 |
| Total public support | $ 585,450 | $ - | $ - | $ 585,450 | $ 543,274 |
| Revenue: | | | | | |
| Sale of supplies - gross | $ 598,064 | $ - | $ - | $ 598,064 | $ 596,199 |
| Less cost of goods sold | (369,901) | - | - | (369,901) | (415,339) |
| Product sales - gross | 861,131 | - | - | 861,131 | 897,408 |
| Less cost of goods sold | (249,641) | - | - | (249,641) | (273,307) |
| Less commissions | (331,848) | - | - | (331,848) | (334,784) |
| Investment income | 695 | - | - | 695 | (11,165) |
| Camping revenue | 386,101 | - | - | 386,101 | 347,655 |
| Activity revenue | 180,742 | - | - | 180,742 | 195,256 |
| Other revenue | 97,122 | - | - | 97,122 | 59,811 |
| Total revenue | $ 1,172,465 | $ - | $ - | $ 1,172,465 | $ 1,061,734 |
| Net assets released from restrictions : | | | | | |
| Reclass United Way and Board Restricted | $ 155,569 | $ - | $ 21,535 | $ 177,104 | $ 147,402 |
| Total public support and revenue | $ 1,913,484 | $ - | $ 21,535 | $ 1,935,019 | $ 1,752,410 |
| Expenses: | | | | | |
| Program services | $ 1,514,341 | $ 141,536 | $ - | $ 1,655,877 | $ 1,698,735 |
| Support services: | | | | | |
| Management and general | 127,306 | 9,542 | - | 136,848 | 128,109 |
| Fund raising | 202,295 | 7,952 | - | 210,247 | 112,400 |
| Total functional expenses | $ 1,843,942 | $ 159,030 | $ - | $ 2,002,972 | $ 1,939,244 |
| Other expenses: | | | | | |
| Payments to National Council | $ 25,592 | $ - | $ - | $ 25,592 | $ 25,588 |
| Total expenses | $ 1,869,534 | $ 159,030 | $ - | $ 2,028,564 | $ 1,964,832 |
| Increase (decrease) in unrestricted net assets | $ 43,950 | $ (159,030) | $ 21,535 | $ (93,545) | $ (212,422) |

See notes to the financial statements.

## TIDEWATER COUNCIL, INC. BOY SCOUTS OF AMERICA

### CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
### FOR THE YEAR ENDED DECEMBER 31, 2015, WITH COMPARATIVE TOTALS FOR 2014

| | Operating Fund | Capital Fund | Endowment Fund | Total All Funds 2015 | Total All Funds 2014 |
|---|---|---|---|---|---|
| **CHANGES IN TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:** | | | | | |
| Indirect public support - United Way | $ 155,569 | $ - | $ - | $ 155,569 | $ 147,402 |
| Direct public support | 23,001 | - | - | 23,001 | 15,655 |
| Grant income forfeited | (10,000) | - | - | (10,000) | - |
| Net investment income | - | - | 45,494 | 45,494 | - |
| Net assets released from restriction | (155,569) | - | (21,535) | (177,104) | (147,402) |
| Increase (decrease) in temporarily restricted net assets | $ 13,001 | $ - | $ 23,959 | $ 36,960 | $ 15,655 |
| Direct public support - legacies and bequests | $ - | $ - | $ 7,920 | $ 7,920 | $ 5,207 |
| Net investment income | - | - | (36,128) | (36,128) | 80,778 |
| Net assets released from restrictions | - | - | - | - | - |
| Increase (decrease) in permanently restricted net assets | $ - | $ - | $ (28,208) | $ (28,208) | $ 85,985 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | $ 56,951 | $ (159,030) | $ 17,286 | $ (84,793) | $ (110,782) |
| Net assets - beginning of year: | | | | | |
| Unrestricted | $ 154,682 | $ 1,426,518 | $ - | $ 1,613,694 | $ 1,826,116 |
| Temporarily restricted | 23,009 | - | 103,137 | 23,009 | 77,997 |
| Permanently restricted | - | - | 701,286 | 771,929 | 615,301 |
| Total net assets - beginning of year | $ 177,691 | $ 1,426,518 | $ 804,423 | $ 2,408,632 | $ 2,519,414 |
| Transfers: | | | | | |
| Unrestricted | $ (103,364) | $ 108,734 | $ (21,535) | $ (16,165) | $ - |
| Temporarily restricted | 16,165 | - | - | 16,165 | (70,643) |
| Permanently restricted | - | - | - | - | 70,643 |
| Total transfers | $ (87,199) | $ 108,734 | $ (21,535) | $ - | $ - |
| Net assets - end of year: | | | | | |
| Unrestricted | $ 95,268 | $ 1,376,222 | $ - | $ 1,471,490 | $ 1,613,694 |
| Temporarily restricted | 52,175 | - | 127,096 | 179,271 | 23,009 |
| Permanently restricted | - | - | 673,078 | 673,078 | 771,929 |
| Total net assets - end of year | $ 147,443 | $ 1,376,222 | $ 800,174 | $ 2,323,839 | $ 2,408,632 |

See notes to the financial statements.

TIDEWATER COUNCIL, INC. BOY SCOUTS OF AMERICA

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2015, WITH COMPARATIVE TOTALS FOR 2014

| | | -----Support Services----- | | | Total Expenses | |
|---|---|---|---|---|---|---|
| Expenses | Program Services | Management and General | Fund Raising | Total Support Services | 2015 | 2014 |
| Employee compensation: | | | | | | |
| Salaries | $ 700,707 | $ 43,897 | $ 80,479 | $ 124,376 | $ 825,083 | $ 814,323 |
| Pension | 38,558 | 2,599 | 2,166 | 4,765 | 43,323 | 48,472 |
| Employee benefits | 103,851 | 7,001 | 5,834 | 12,835 | 116,686 | 133,399 |
| Payroll taxes | 62,754 | 4,231 | 3,526 | 7,757 | 70,511 | 72,214 |
| Total employee compensation | $ 905,870 | $ 57,728 | $ 92,005 | $ 149,733 | $ 1,055,603 | $ 1,068,408 |
| Other expenses: | | | | | | |
| Professional fees | $ 12,130 | $ 7,866 | $ 2,105 | $ 9,971 | $ 22,101 | $ 19,105 |
| Advertising | 3,257 | 220 | 183 | 403 | 3,660 | 2,474 |
| Bank service charges | - | 23,808 | - | 23,808 | 23,808 | 15,900 |
| Supplies | 217,118 | 2,090 | 43,826 | 45,916 | 263,034 | 187,299 |
| Telephone | 13,082 | 763 | 1,399 | 2,162 | 15,244 | 16,510 |
| Postage and shipping | 16,303 | 1,035 | 4,934 | 5,969 | 22,272 | 17,756 |
| Occupancy | 126,721 | 989 | 15,486 | 16,475 | 143,196 | 163,004 |
| Equipment rent and maintenance | 7,786 | 467 | 857 | 1,324 | 9,110 | 18,703 |
| Printing and publications | 18,445 | 873 | 8,871 | 9,744 | 28,189 | 32,873 |
| Travel | 46,084 | 1,976 | 5,221 | 7,197 | 53,281 | 47,689 |
| Conferences and meetings | 11,317 | 183 | 335 | 518 | 11,835 | 12,885 |
| Specific asst. to individuals | 172 | - | - | - | 172 | - |
| Recognition awards | 59,627 | 1,394 | 23,147 | 24,541 | 84,168 | 97,655 |
| Insurance | 38,576 | 25,367 | 1,802 | 27,169 | 65,745 | 49,235 |
| Interest expense | 7,086 | 478 | 398 | 876 | 7,962 | 8,183 |
| Other expenses | 30,767 | 2,069 | 1,726 | 3,795 | 34,562 | 12,742 |
| Total other expenses | $ 608,471 | $ 69,578 | $ 110,290 | $ 179,868 | $ 788,339 | $ 702,013 |
| Expenses before Capital Fund depreciation & interest | $ 1,514,341 | $ 127,306 | $ 202,295 | $ 329,601 | $ 1,843,942 | $ 1,770,421 |
| Interest | 7,137 | 481 | 401 | 882 | 8,019 | 8,571 |
| Depreciation | 134,399 | 9,061 | 7,551 | 16,612 | 151,011 | 160,252 |
| Total functional expenses | $ 1,655,877 | $ 136,848 | $ 210,247 | $ 347,095 | $ 2,002,972 | $ 1,939,244 |

See notes to the financial statements.

# TIDEWATER COUNCIL, INC. BOY SCOUTS OF AMERICA

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2015, WITH COMPARATIVE TOTALS FOR 2014

| | Operating Fund | Capital Fund | Endowment Fund | Total All Funds 2015 | Total All Funds 2014 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| INCREASE (DECREASE) IN NET ASSETS | $ 56,951 | $ (159,030) | $ 17,286 | $ (84,793) | $ (110,782) |
| ADJUSTMENTS TO NET ASSETS TO RECONCILE CASH FLOWS: | | | | | |
| Depreciation and adjustments | $ - | $ 151,011 | $ - | $ 151,011 | $ 160,252 |
| Net unrealized (gain) loss on investments | 5,177 | - | 36,128 | 41,305 | (29,331) |
| (Increase) decrease in pledges receivable | (3,014) | - | 273 | (2,741) | 1,666 |
| (Increase) decrease in accounts receivable | 28,238 | - | - | 28,238 | (31,450) |
| Transfer (to) from another fund | (87,199) | 108,734 | (21,535) | - | - |
| (Increase) decrease in inventories | 34,651 | - | - | 34,651 | 40,291 |
| (Increase) decrease in prepaid expenses | (2,366) | - | - | (2,366) | (1,492) |
| Increase (decrease) in custodian account | (7,544) | - | - | (7,544) | 21,111 |
| Increase (decrease) in accounts payable & accrued expenses | 109,271 | - | (28,435) | 80,836 | (80,422) |
| Increase (decrease) in deferred activity and special events | 11,006 | - | - | 11,006 | 15,684 |
| Total adjustments | $ 88,220 | $ 259,745 | $ (13,569) | $ 334,396 | $ 96,309 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | $ 145,171 | $ 100,715 | $ 3,717 | $ 249,603 | $ (14,473) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Purchases of property and equipment - net | $ - | $ (15,499) | $ - | $ (15,499) | $ (20,986) |
| Transfer (to) from another fund | - | - | - | - | - |
| Net redemption of investments, including reinvested earnings | (5,872) | - | (10,495) | (16,367) | (5,600) |
| Net cash provided (used) by investing activities | (5,872) | $ (15,499) | (10,495) | $ (31,866) | $ (26,586) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from notes payable | $ - | $ - | $ - | $ - | $ - |
| Principal payments on notes payable | (20,483) | (10,216) | - | (30,699) | (30,230) |
| Net cash provided by financing activities | $ (20,483) | $ (10,216) | $ - | $ (30,699) | $ (30,230) |
| NET INCREASE (DECREASE) IN CASH | $ 118,816 | $ 75,000 | $ (6,778) | $ 187,038 | $ (71,289) |
| CASH - Beginning of the year | 61,396 | - | 24,962 | 86,358 | 157,647 |
| CASH - End of the year | $ 180,212 | $ 75,000 | $ 18,184 | $ 273,396 | $ 86,358 |

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See notes to the financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### (A) Nature of Organization:

The Tidewater Council, Inc. Boy Scouts of America (the Council) operates in four cities in Virginia, including Virginia Beach, Chesapeake, Norfolk and Portsmouth; and seven counties in Northeastern North Carolina, which include: Camden, Chowan, Currituck, Dare, Pasquotank, Gates and Perquimans counties. The council owns the Pipsico Scout Reservation in Surry Virginia and leases through other short term camping facilities. The Trust Fund was established for the benefit of the Council. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the 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 Tidewater Council's programs are classified as follows:

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

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

*Boy Scouting* - With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.

*Varsity Scouting* - Program for young men ages 14-17 that provides options for those who are looking for rugged high adventure or challenging sporting activities and still want to be a part of a Scouting program that offers the advancement opportunities and values of the Boy Scouts of America. There are five fields of emphasis: advancement, high-adventure sports, personal development, service, and special programs and events.

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

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

Tidewater Council #596's website address is www.tidewaterbsa.com.

See independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(B) Principles of Consolidation:

The Council has voting control over and an economic interest in the Trust Fund, which results in the accounts of the Trust Fund being consolidated with those of the Council in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in the consolidation. The Council and the Trust Fund are hereinafter referred to as the "Organization."

(C) Prior-Period Information:

The consolidated financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Council's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

(D) Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, the accounts of the Council are reported in the following net assets categories:

Unrestricted net assets – Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily restricted net assets – Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for the expenditure.

Permanently restricted net assets – Permanently restricted net assets represent resources that have donor-imposed restrictions requiring that the principal be maintained in perpetuity but permit the nonprofit organization (NPO) to expend the income earned thereon. See Note 7 for a listing of permanently restricted net assets.

(E) Fund Accounting:

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization 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.

See independent auditor's report.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**(E) Fund Accounting (Continued):**

The Organization also prepares financial statements in accordance with Financial Accounting Standards Board (FASB) standards for not-for-profit organizations (ASC 958-205 and subsections). Under these standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a Statement of Cash Flows.

**(F) Estimates:**

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

**(G) Cash and Cash Equivalents:**

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. The NPO maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the NPO's deposits are not subject to significant credit risk.

**(H) Accounts Receivable:**

Accounts receivable are recorded primarily for product sales and are reported at net realizable value if the amounts are due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2015 and 2014.

**(I) Inventories:**

Inventories consist of Scouting and other items available for resale and are stated at the lower of cost or market. Cost is determined using the average method.

**(J) Investments:**

Investments consist primarily of assets invested in mutual funds. The Organization accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the consolidated Statement of Financial Position. Fair value of mutual funds is based on quoted market prices. Alternative investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. The realized and unrealized gain or loss on investments is reflected in the consolidated Statement of Changes in Net Assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(J) Investments (Continued):

Investments are exposed to various risks such as significant world events, and interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated Statement of Financial Position. See also Notes 2 and 3.

(K) Investment Policy:

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

(L) Spending Policy:

The endowment spending policy defines the total funds available from the Endowment Funds in a given year (the distributable income) as up to 3 percent of the Endowment Fund's average market value over the preceding three years. The Endowment Fund is to have returns greater than the proposed distribution plus management and trustee fees. If the market value of the Endowment Fund falls to or below the amount of the fund's donor-restricted gifts, then the spending policy will be amended in accordance with the guidelines not to exceed the actual earnings of the fund. The executive committee (subject to the Boards of Director's approval) may amend this spending policy.

(M) Land, Buildings, and Equipment:

Land, buildings, and equipment are recorded at cost. Donated land, buildings, 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 Council will capitalize asset(s) with an estimated useful life of greater than one year and a cost exceeding $1,500. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently. Land, buildings, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(N) Impairment of Long-Lived Assets:

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long-lived assets during 2015 and 2014.

(O) Contributions:

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

(P) 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 Organization reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization 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 consolidated financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fundraising campaigns, the value of which is not recorded in the accompanying consolidated financial statements.

(Q) Interfund Loans:

The interfund loans at December 31, 2015 and 2014 result from the Endowment Fund making advances of surplus cash funds to the Operating and Capital Funds for operating purposes. The amounts will be repaid during 2016.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(R) Functional Allocation of Expenses:

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

(S) Advertising:

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2015 and 2014 amounted to approximately $3,660 and $2,474, respectively.

(T) Income Taxes:

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

The Organization assess whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

(U) Reclassifications:

Certain reclassifications have been made to the 2014 summarized financial statement information to conform to the current-year presentation. These reclassifications had no effect on the increase in net assets for 2014.

(V) Subsequent Events:

These consolidated financial statements considered subsequent events through May 23, 2016, the date the financial statements were available to be issued.

(W) Recent Accounting Pronouncements:

New accounting standards are now issued by the Financial Accounting Standards Board (FASB) through Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification (ASC). The FASB does not consider the updates authoritative on a stand-alone basis; they become authoritative when incorporated into the ASC. The ASUs will be in a six-digit, two-segment format (20YY-XX) where YY is the year issued and XX is the sequential number of each update. So, ASU 2014-01 would be the first update issued in 2014, and so forth.

See independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(W) Recent Accounting Pronouncements (Continued):

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize investments measured at net assets value within the fair value hierarchy tables. The standard is effective for years beginning after December 15, 2016, and early adoption is permitted. The Council has elected to early adopt ASU 2015-07 for the year ended December 31, 2015.

(X) Concentrations:

During the year ended December 31, 2015, the Council received $155,569 approximating 8% off its support from The United Way. During the year ended December 31, 2014, the Council received $147,402 approximating 8% off its support from The United Way.

NOTE 2 – INVESTMENTS:

Investments at December 31, 2015 and 2014 are composed of the following:

| | 2015 | 2014 |
|---|---|---|
| Total cost of mutual funds | $ 974,248 | $ 957,881 |
| Unrealized holding gains (losses) | 101,139 | 142,444 |
| Fair market value | $ 1,075,387 | $ 1,100,325 |

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

The following schedule summarizes the investment return in the consolidated Statement of Changes in Net Assets for the years ended December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Interest, dividend, and capital gain income | $ 39,107 | $ 40,281 |
| Net realized and unrealized gains (losses) | (27,840) | 30,871 |
| Investment expenses | (1,206) | (1,223) |
| | $ 10,061 | $ 69,929 |

See independent auditor's report.

NOTE 2 – INVESTMENTS (Continued):

The above investment return is classified in the 2015 and 2014 consolidated Statement of Changes in Net Assets as follows:

| | 2015 | 2014 |
|---|---|---|
| Unrestricted | $ 695 | $ (42,120) |
| Temporarily restricted | 45,494 | 32,494 |
| Permanently restricted | (36,128) | 79,555 |
| | $ 10,061 | $ 69,929 |

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments ("Investment Income, Gains, and Losses") are 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 (Note 1). For 2015 and 2014, investment expenses were $1,206 and $1,223 and are netted against investment return in the consolidated Statement of Changes in Net Assets (see schedule on previous page).

NOTE 3 – SUMMARY OF FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

*Corporate common and preferred stocks* - Valued at the closing market prices on the stock exchange where they are traded (primarily the New York Stock Exchange).

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

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risks, etc.).

Level 3: Significant unobservable inputs (including the Council's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Council's financial assets and liabilities are not indicators of the risks associated with those assets and liabilities.

See independent auditor's report.

NOTE 3 – SUMMARY OF FAIR VALUE MEASUREMENTS (Continued):

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Level 1: Mutual Funds | $1,075,387 | $1,100,325 |

The following method was used to estimate fair value of the assets in the table above:

| | |
|---|---|
| Level 1: Fair Value Measurements | The fair value of the Council's investments in mutual fund accounts is based on quoted market prices. |

NOTE 4 – PLEDGES RECEIVABLE:

Pledges receivable at December 31, 2015 and 2014 consist of the following:

| | 2015 | 2014 |
|---|---|---|
| Friends of Scouting | $ 5,729 | $ 3,698 |
| Darden Dinner | 2,960 | 1,650 |
| Golf Tournament | 200 | 800 |
| Total pledges receivable | $ 8,889 | $ 6,148 |
| Pledges receivable, due in: | | |
| Less than one year | $ 8,889 | $ 6,148 |

NOTE 5 – LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment at December 31, 2015 and 2014, consist of the following:

| | Estimated Useful Life | 2015 | 2014 |
|---|---|---|---|
| Land | | $ 455,475 | $ 455,475 |
| Land improvements | 21–30 years | 903,624 | 903,624 |
| Buildings | 31.5 years | 2,323,640 | 2,323,640 |
| Furniture, fixtures and equipment | 4–20 years | 1,001,682 | 986,183 |
| Total | | $ 4,684,421 | $ 4,668,922 |
| Less accumulated depreciation | | 3,244,968 | 3,093,957 |
| | | $ 1,439,453 | $ 1,574,965 |

NOTE 6 – LINE OF CREDIT:

The Council has a $300,000 revolving line of credit. Interest is stated at prime plus .5%. There were no draws against the line as of December 31, 2015 and 2014. This line expires on May 31, 2016.

## NOTE 7 – LONG-TERM INDEBTEDNESS:

| | 2015 | 2014 |
|---|---|---|
| 5.50% installment note with 164 monthly payments of $1,520 (including principal and interest) secured by real property located at 1032 Heatherwood Drive, Virginia Beach, VA | $ 138,231 | $ 148,447 |
| Various installment notes with interest rates ranging from 1.90% - 2.90% with 60 monthly payments totaling $1,903 (including principal and interest) secured by vehicles | 39,043 | 59,526 |
| Total long-term debt | $ 177,274 | $ 207,973 |
| Less current portion | 33,073 | 30,933 |
| Long-term debt - net | $ 144,201 | $ 177,040 |

Maturities of long-term debt are as follows:

| For the year ended December, 31 | |
|---|---|
| 2016 | $ 33,073 |
| 2017 | 20,648 |
| 2018 | 19,557 |
| 2019 | 12,946 |
| 2020 & beyond | 91,050 |
| Total | $ 177,274 |

## NOTE 8 – NET ASSETS AND RESTRICTIONS:

Substantially all of the restrictions on net assets at the end of 2015 and 2014 are related to funds raised through the ongoing endowment campaigns to help prepare the Council for future Scouting needs and charitable trusts of which the council is a beneficiary.

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Sleeping Bags for Needy Youth | $ 70 | $ 35 |
| Sailing Program | 3,060 | 1,440 |
| Hampton Roads Community Foundation | - | 10,000 |
| Memorial Tributes | 4,074 | 4,074 |
| Dining Hall Capital Campaign | 23,065 | 3,930 |
| Woodbadge Dinner | 5,756 | 3,280 |
| Gene Warber Fishing Pier | 750 | 250 |
| Summer Job Sponsor | 750 | - |
| Kiwanis K Building | 11,100 | - |
| Pipsico Shower House | 500 | - |
| General Operations | 130,146 | 103,137 |
| | $ 179,271 | $ 126,146 |

See independent auditor's report.

## NOTE 8 – NET ASSETS AND RESTRICTIONS (Continued):

Permanently restricted net assets consist of the following at December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| PACE Camperships | $ 2,978 | $ 3,141 |
| Emanuel Trust | 22,052 | 23,262 |
| Taylor Trust | 7,564 | 7,979 |
| D H Goodman | 11,641 | 12,280 |
| E Kaltenbach | 2,368 | 2,498 |
| Beedie - Warren | 2,775 | 2,927 |
| Hugh Vaughan | 379,997 | 400,850 |
| James E. West | 170,326 | 171,352 |
| Hap Hoy | 7,760 | 8,187 |
| Pipsico | 1,700 | 1,793 |
| Glanville Insurance | 1,913 | 2,018 |
| Dan Duncan | 48,503 | 51,165 |
| Camp Maintenance | 13,501 | 13,834 |
| | $ 673,078 | $ 701,286 |

## NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions during 2015 and 2014 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Net assets released were donated by the following:

| | 2015 | 2014 |
|---|---|---|
| United Way | $ 155,569 | $ 147,402 |
| PACE Camperships | 95 | - |
| Emanuel Trust | 706 | - |
| Taylor Trust | 242 | - |
| D H Goodman | 372 | - |
| E Kaltenbach | 76 | - |
| Beedie - Warren | 89 | - |
| Hugh Vaughan | 12,158 | - |
| James E. West | 5,450 | - |
| Hap Hoy | 248 | - |
| Pipsico | 54 | - |
| Glanville Insurance | 61 | - |
| Dan Duncan | 1,552 | - |
| Camp Maintenance | 432 | - |
| | $ 177,104 | $ 147,402 |

NOTE 10 – ACCOUNTS PAYABLE:

Accounts payable include amounts due to vendors, totaling $197,587 and $28,435 at December 31, 2015 and 2014, respectively, for the purchase of inventory and supplies.

NOTE 11 – UNITED WAY FUND RAISING COSTS:

The Council as part of a requirement of receiving support from the United Way, shares in the costs to acquire the funds in proportion to the amount of support received from the United Way. The allocated fund raising costs for the year ended December 31, 2015 was $16,613.72.

NOTE 12 – ENDOWMENT FUND:

The Council's Endowment Fund includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted nets assets, identified by the Council's Board of Directors to be used for future investment and growth, are included in unrestricted net assets – board-designated.

The Council has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets: (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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Council and the donor-restricted endowment
(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

See independent auditor's report.

## NOTE 12 – ENDOWMENT FUND (Continued):

Changes in the endowment net assets for the years ended December 31, 2015 and 2014 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment Fund net assets, December 31, 2014 | | | | |
| Donor-restricted endowment funds | $ 32,494 | $ - | $ 771,929 | $ 804,423 |
| Investment return | - | 45,494 | (36,128) | 9,366 |
| Contributions | - | - | 7,920 | 7,920 |
| Released / reclassified | (10,959) | 81,602 | (70,643) | - |
| Appropriation of endowment assets for expenditure | (21,535) | - | - | - |
| Endowment net assets, December 31, 2015: | | | | |
| Donor-restricted endowment funds | $ - | $ 127,096 | $ 673,078 | $ 800,174 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or SPMIFA requires the Council to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. There were no deficiencies as of December 31, 2015 and 2014.

## NOTE 13 – EMPLOYEE BENEFIT PLANS:

### Retirement Plan

The National Council has a qualified defined benefit pension plan ("the plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Tidewater Council, Inc. The plan name is the *Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees* and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2 percent of compensation, and the council contributes an additional 7 percent to the plan. The actuarial information for the multi-employer plan as of February 1, 2016, indicates that it is in compliance with ERISA regulations regarding funding.

### 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, 2015 and 2014, the Council remitted approximately $98,077 and $95,152, respectively, on behalf of its employees to the National Council related to the health care plan.

NOTE 13 – EMPLOYEE BENEFIT PLANS (Continued):

Thrift Plan

The Council has established a Thrift Plan covering substantially all of the employees of the Council. Participants in the Thrift 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. The Council has elected to match employee contributions to the Thrift Plan up to 50 percent of contributions from each participant, limited to 3 percent of each employee's gross pay. The Council contributed approximately $43,323 and $48,472 to the Thrift Plan in 2015 and 2014, respectively.

NOTE 14 – SCOUT SHOP:

The National Council operates a Scout shop within the Tidewater area. The National Council manages the Scout shop and pays the Council a commission on gross sales. The commissions earned (before expenses) by the Council during 2015 and 2014 amounted to approximately $216 and $636, respectively, which are included in other revenue in the consolidated Statement of Changes in Net Assets.