

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2015 AND 2014



HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Changes in Net Assets.....	4 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9 - 10
Notes to the Financial Statements.....	11 - 31

Independent Auditors' Report

Board of Directors
Heart of America Council, Boy Scouts of America
Kansas City, Missouri

We have audited the accompanying financial statements of Heart of America Council, Boy Scouts of America (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of 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 auditors' 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.

Board of Directors
Heart of America Council, Boy Scouts of America
Page two

Opinion

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

Mark Nelson LLC

Kansas City, Missouri
June 6, 2016

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014 Total
	Operating Fund	Capital Fund	Endowment and Related Funds	
Unrestricted net assets				
Support and revenue:				
Support:				
Direct support:				
Friends of Scouting, gross	\$ 1,574,433	\$ -	\$ -	\$ 1,574,433
Less provision for uncollectible	(123,050)	-	-	(123,050)
Net Friends of Scouting	1,451,383	-	-	1,451,383
Project sales	271,140	-	-	271,140
Special events, gross	810,198	-	-	810,198
Less cost of special events	(171,246)	-	-	(171,246)
Net special events	638,952	-	-	638,952
Foundations and trusts	275,832	-	-	275,832
Total direct support	2,637,307	-	-	2,637,307
Indirect support - grants	670,452	-	-	670,452
Fees from government agencies	-	-	-	-
Total indirect support	670,452	-	-	670,452
Total support	3,307,759	-	-	3,307,759
Revenue:				
Sale of supplies:				
Sale of supplies, gross	159,911	-	-	159,911
Less cost of goods sold	(157,764)	-	-	(157,764)
Net sales of supplies	2,147	-	-	2,147
Product sales:				
Product sales, gross	2,333,806	-	-	2,333,806
Less cost of goods sold	(819,354)	-	-	(819,354)
Less commissions paid to units	(849,476)	-	-	(849,476)
Net product sales	664,976	-	-	664,976
Investment income	306,643	390,032	-	696,675
Net realized and unrealized gains on investments	98	-	-	98
Camping revenue	4,266,594	-	-	4,266,594
Activity revenue	589,647	-	-	589,647
Other revenue	436,555	-	-	436,555
Total revenue	6,266,660	390,032	-	6,656,692
Net assets released from restrictions:				
Reclass Friends of Scouting	89,755	-	-	89,755
Reclass project sales	4,549	-	-	4,549
Reclass special events	13,170	-	-	13,170
Reclass foundations	22,023	-	-	22,023
Total net assets released	129,497	-	-	129,497
Total support and revenue	9,703,916	390,032	-	10,093,948
Expenses:				
Program services	7,981,151	935,375	-	8,916,526
Support services:				
Management and general	209,756	5,032	-	214,788
Fundraising	1,230,955	7,417	-	1,238,372
Total support services	1,440,711	12,449	-	1,453,160
Charter and national service fee	78,229	-	-	78,229
Total expenses	9,500,091	947,824	-	10,447,915
Increase (decrease) in unrestricted net assets	203,825	(557,792)	-	(353,967)

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF CHANGES IN NET ASSETS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			Total	2014 Total
	Operating Fund	Capital Fund	Endowment and Related Funds		
Temporarily restricted net assets					
Support and revenues:					
Support:					
Direct support:					
Friends of Scouting	\$ 127,254	\$ -	\$ -	\$ 127,254	\$ 89,686
Project sales	16,450	-	-	16,450	3,009
Capital contributions	-	101,288	-	101,288	228,272
Special events	25,774	-	-	25,774	10,995
Foundations and trusts	26,920	-	-	26,920	22,023
Total direct support	196,398	101,288	-	297,686	353,985
Indirect support - associated organizations	113,750	-	-	113,750	-
Total indirect support	113,750	-	-	113,750	-
Total support	310,148	101,288	-	411,436	353,985
Revenue:					
Investment income	19,488	-	(376,386)	(356,898)	17,600
Net realized and unrealized gains (losses) on investments	-	-	(919,913)	(919,913)	1,313,152
Total revenue	19,488	-	(1,296,299)	(1,276,811)	1,330,752
Net assets released from restrictions:					
Reclass Friends of Scouting	(89,755)	-	-	(89,755)	(64,528)
Reclass project sales	(4,549)	-	-	(4,549)	(596)
Reclass special events	(13,170)	-	-	(13,170)	(12,655)
Reclass foundations	(22,023)	-	-	(22,023)	(26,153)
Total net assets released from restrictions	(129,497)	-	-	(129,497)	(103,932)
Increase in temporarily restricted net assets	200,139	101,288	(1,296,299)	(994,872)	1,580,805
Permanently restricted net assets					
Support and revenue:					
Support:					
Direct support - legacies and bequests	-	-	434,286	434,286	242,261
Revenue:					
Investment income	-	-	235	235	222
Net realized and unrealized gains (losses) on beneficial interests in perpetual trusts	-	-	(33,018)	(33,018)	1,760
Increase in permanently restricted net assets	-	-	401,503	401,503	244,243
Increase (decrease) in total net assets	403,964	(456,504)	(894,796)	(947,336)	1,026,511

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF CHANGES IN NET ASSETS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			Total	2014 Total
	Operating Fund	Capital Fund	Endowment and Related Funds		
Net assets, beginning of year					
Unrestricted net assets	\$ 2,745,568	\$ 5,327,154	\$ 928,764	\$ 9,001,486	\$ 9,800,023
Temporarily restricted net assets	111,428	11,937,874	6,710,884	18,760,186	17,179,381
Permanently restricted net assets	-	-	11,840,298	11,840,298	11,596,055
Total net assets, beginning of year	<u>2,856,996</u>	<u>17,265,028</u>	<u>19,479,946</u>	<u>39,601,970</u>	<u>38,575,459</u>
Transfers	(212,508)	212,508	-	-	-
Net assets, end of year					
Unrestricted net assets	2,736,885	4,981,870	928,764	8,647,519	9,001,486
Temporarily restricted net assets	311,567	12,039,162	5,414,585	17,765,314	18,760,186
Permanently restricted net assets	-	-	12,241,801	12,241,801	11,840,298
Total net assets, end of year	<u>\$ 3,048,452</u>	<u>\$ 17,021,032</u>	<u>\$ 18,585,150</u>	<u>\$ 38,654,634</u>	<u>\$ 39,601,970</u>

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015				
	Program Services	Support Services			Total
		Management and General	Fundraising	Total Support Services	
Employee compensation:					
Salaries	\$ 3,250,833	\$ 140,425	\$ 649,003	\$ 789,428	\$ 4,040,261
Employee benefits	538,041	26,765	123,031	149,796	687,837
Payroll taxes and employee-related expenses	266,772	10,441	48,244	58,685	325,457
Total employee compensation	4,055,646	177,631	820,278	997,909	5,053,555
Other expenses:					
Professional fees	89,776	2,664	12,256	14,920	104,696
Supplies	1,552,980	998	94,941	95,939	1,648,919
Telephone	59,678	1,507	6,938	8,445	68,123
Postage and shipping	31,588	379	15,023	15,402	46,990
Occupancy	610,429	4,779	40,308	45,087	655,516
Rent and maintenance of equipment	101,820	3,616	16,624	20,240	122,060
Printing and publications	77,558	(130)	38,657	38,527	116,085
Travel	315,238	7,667	37,814	45,481	360,719
Conferences and meetings	73,679	2,719	14,128	16,847	90,526
Specific program assistance to individuals	436,368	-	-	-	436,368
Recognition awards	166,694	665	100,276	100,941	267,635
Interest	3,724	90	517	607	4,331
Insurance	238,895	4,462	20,511	24,973	263,868
Other	167,078	2,709	(3,028)	(319)	166,759
Total other expenses	3,925,505	32,125	394,965	427,090	4,352,595
Total functional expenses before depreciation	7,981,151	209,756	1,215,243	1,424,999	9,406,150
Depreciation of buildings and equipment	936,988	5,032	23,129	28,161	965,149
Gain on disposal of fixed assets	(1,613)	-	-	-	(1,613)
Total functional expenses	<u>\$ 8,916,526</u>	<u>\$ 214,788</u>	<u>\$ 1,238,372</u>	<u>\$ 1,453,160</u>	<u>\$ 10,369,686</u>
Percentage of total expenses by function	85.99%	2.07%	11.94%		

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

	2014				Total
	Program Services	Support Services		Total Support Services	
		Management and General	Fundraising		
Employee compensation:					
Salaries	\$ 3,190,051	\$ 137,160	\$ 630,498	\$ 767,658	\$ 3,957,709
Employee benefits	539,916	27,303	125,507	152,810	692,726
Payroll taxes and employee-related expenses	305,779	12,607	57,953	70,560	376,339
Total employee compensation	4,035,746	177,070	813,958	991,028	5,026,774
Other expenses:					
Professional fees	90,041	2,949	13,807	16,756	106,797
Supplies	1,738,152	880	68,502	69,382	1,807,534
Telephone	58,016	1,419	6,525	7,944	65,960
Postage and shipping	36,592	397	13,836	14,233	50,825
Occupancy	671,949	4,908	38,436	43,344	715,293
Rent and maintenance of equipment	101,227	3,593	16,516	20,109	121,336
Printing and publications	86,633	50	36,471	36,521	123,154
Travel	325,484	7,255	33,731	40,986	366,470
Conferences and meetings	67,304	2,630	13,769	16,399	83,703
Specific program assistance to youth	427,386	-	-	-	427,386
Recognition awards	185,148	375	125,403	125,778	310,926
Interest	2,451	57	336	393	2,844
Insurance	230,371	3,222	14,809	18,031	248,402
Other	113,615	2,785	24,822	27,607	141,222
Total other expenses	4,134,369	30,520	406,963	437,483	4,571,852
Total functional expenses before depreciation	8,170,115	207,590	1,220,921	1,428,511	9,598,626
Depreciation of buildings and equipment	942,752	4,863	22,142	27,005	969,757
Gain on disposal of fixed assets	(39,739)	-	-	-	(39,739)
Total functional expenses	<u>\$ 9,073,128</u>	<u>\$ 212,453</u>	<u>\$ 1,243,063</u>	<u>\$ 1,455,516</u>	<u>\$ 10,528,644</u>
Percentage of total expenses by function	86.17%	2.02%	11.81%		

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			Total	2014 Total
	Operating Fund	Capital Fund	Endowment and Related Funds		
Operating activities:					
Increase (decrease) in net assets	\$ 403,964	\$ (456,504)	\$ (894,796)	\$ (947,336)	\$ 1,026,511
Items not requiring (providing) cash:					
Depreciation	-	965,149	-	965,149	969,757
Investment income	(2,371)	(32)	-	(2,403)	(3,615)
Realized and unrealized (gains) losses on investments, net	2,627	-	922,885	925,512	(1,348,238)
(Gain) loss in beneficial interests in perpetual trusts	-	-	32,796	32,796	(1,982)
Bad debts (recoveries)	40	(16,000)	-	(15,960)	2,243
(Gain) loss on disposal of equipment	-	(1,613)	-	(1,613)	(39,739)
Interfund transfers	(212,508)	212,508	-	-	-
Changes in operating assets and liabilities:					
Accounts receivable	(21,501)	-	-	(21,501)	257,996
Pledges receivable	(62,694)	129,933	(4,625)	62,614	151,719
Inventories	68,003	-	-	68,003	28,780
Prepaid expenses	(44,909)	-	-	(44,909)	(30,047)
Other assets	-	254	-	254	190
Accounts payable	97,905	1,472	-	99,377	(11,900)
Accrued expenses	(12,711)	188	-	(12,523)	41,226
Payroll taxes withheld	(299)	-	-	(299)	2,300
Custodial accounts	(50,497)	-	-	(50,497)	302,222
Deferred camping, activity and other income	(5,715)	-	-	(5,715)	24,688
Net cash provided by operating activities	159,334	835,355	56,260	1,050,949	1,372,111
Investing activities:					
Purchase of property and equipment	-	(495,027)	-	(495,027)	(994,174)
Proceeds from sale of equipment	-	6,250	-	6,250	58,483
Proceeds from sale of long-term investments	-	-	11,670,104	11,670,104	708,160
Proceeds from sale of short-term investments	2,307	-	-	2,307	6,196
Purchase of long-term investments	-	-	(11,688,318)	(11,688,318)	(682,302)
Purchase of short-term investments	(11,731)	-	-	(11,731)	(25,257)
Net cash used in investing activities	(9,424)	(488,777)	(18,214)	(516,415)	(928,894)

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENTS OF CASH FLOWS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			Total	2014 Total
	Operating Fund	Capital Fund	Endowment and Related Funds		
Financing activities:					
Principal payments on long-term debt	\$ -	\$ (36,402)	\$ -	\$ (36,402)	\$ (55,460)
Increase in cash and cash equivalents	149,910	310,176	38,046	498,132	387,757
Cash and cash equivalents, beginning of year	<u>1,685,267</u>	<u>204,556</u>	<u>19,258</u>	<u>1,909,081</u>	<u>1,521,324</u>
Cash and cash equivalents, end of year	<u>\$ 1,835,177</u>	<u>\$ 514,732</u>	<u>\$ 57,304</u>	<u>\$ 2,407,213</u>	<u>\$ 1,909,081</u>

Supplemental Disclosure of Non-Cash Investing and Financing Activities

Interest paid	\$ 4,331	\$ 2,844
Long-term debt incurred for purchase of equipment	\$ 64,113	\$ 46,669

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies

a. Nature of Organization

The Heart of America Council, Boy Scouts of America (the Council) operates in eastern Kansas and western Missouri, including the counties of Anderson, Douglas, Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte in Kansas, and Bates, Cass, Carroll, Clay, Henry, Jackson, Johnson, Lafayette, Platte, Ray, and St. Clair in Missouri. The Council office is located in Kansas City, Missouri. The Council has two camping facilities, the Theodore Naish Scout Reservation in Bonner Springs, Kansas and the H. Roe Bartle Scout Reservation in Osceola, Missouri. 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 (BSA) and in accordance with the Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys, young men, and women to do things for themselves and others, training them in Scoutcraft and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts of America.

The Council's programs are classified as follows:

Tiger Cubs - 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 Cub 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 for boys 7-10 years old.

Boy Scouting - With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts (ages 11-18) 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, including advancement, high adventure/sports, personal development, service, and special programs and events.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

a. Nature of Organization (Continued)

Venturing - Provides experiences to help young men and women, ages 14 or 13 with completion of the eighth grade - through 20, become mature, responsible, caring adults. Young teens 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, ages 13-20, 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.

The Council's website address is <http://hoac-bsa.org>.

b. 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 asset 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.

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 Organization to expend the income earned thereon.

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.

The Organization also prepares financial statements in accordance with the 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.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

c. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. 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. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Changes in Net Assets as assets released from restrictions.

e. Donated Materials and Services

Donated property, marketable securities and other non-cash donations are recorded as contributions at their fair market value at the date of donation. The Council 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 Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

e. Donated Materials and Services (Continued)

Donated services that do not either require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. Some members of the Council have donated significant amounts of time to the Heart of America Council in furthering the Council's programs and objectives. No amounts have been included in the financial statements for donated member or volunteer services.

f. Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expense for the years ended December 31, 2015 and 2014 was \$92,807 and \$18,927, respectively.

g. Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment returns are reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally-imposed restrictions.

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

h. Investment Policy

The Council's investment policy intends for the Council to invest in assets that are expected to achieve competitive performance relative to the market while maintaining acceptable risk levels. 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 a mix of domestic and international marketable equity securities to achieve its long-term return objectives within prudent risk constraints.

i. Spending Policy

The Council has a board-approved total return spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. As of December 31, 2015, the board approved spending policy was up to a maximum of 5% of the three-year moving average of the endowment and related funds' long-term investment market values at December 31. These are available to be distributed annually.

j. Cash Equivalents

The Council considers all liquid investments with original maturities of three months or less to be cash equivalents.

k. Short-Term Investments

At December 31, 2015 and 2014, short-term investments consisted of money market accounts, a certificate of deposit and other investments with maturities of less than one year.

l. Accounts and Pledges 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.

Pledges for contributions are recorded upon notification of a donor's unconditional intent to give, and allowances are provided for amounts estimated to be uncollectible, based on management's review of aged receivables and historical experience. The allowance for doubtful accounts was \$169,715 and \$77,233 at December 31, 2015 and 2014, respectively.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

m. Inventories

Inventories consist of scouting merchandise available for resale and office supplies which are valued at the lower of average cost or market. The average cost method approximates the first-in, first-out method.

n. Land, Buildings, and Equipment

Land, buildings and equipment are recorded at cost. Improvements or betterments of a permanent nature are capitalized. The Council will capitalize assets with an estimated life of greater than one year and a cost exceeding \$1,000. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently. Land improvements, buildings, and equipment are depreciated on a straight-line basis over the estimated useful life of each asset, which range from three to 30 years.

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

o. Custodial Accounts

The Council maintains cash for affiliated scouting units and custodial organizations, which is included in cash and cash equivalents. The amount of the funds held is reflected as a liability on the accompanying statements of financial position.

p. Deferred Income and Expense

Revenue received and expenses incurred for activities occurring in future periods are deferred and recognized over the periods to which the revenues and expenses relate.

q. Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program, management and general and fund-raising categories based on a time study conducted by management. In accordance with the policy of the National Council of the Boy Scouts of America (the "National Council"), the payments of the charter and national service fees to the National Council are not allocated as functional expenses.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

r. Income Taxes

The Council 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 Council is classified as a public charity. The Council is also exempt from state income taxes. The Council currently has no unrelated business income.

The Council assesses 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 Council recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits. Federal returns for the years ended 2012 and thereafter remain subject to examination by the Internal Revenue Service.

s. Subsequent Events

The financial statements considered subsequent events through June 6, 2016, the date the financial statements were available to be issued.

2. Endowment

The Council's endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

2. Endowment (Continued)

The Council's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as 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 donor-restricted endowment funds 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. Duration and preservation of the fund
2. Purposes of the Council and the donor-restricted endowment fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Council
7. Investment policies of the Council

The composition of net assets by type of endowment fund at December 31, 2015, was:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,414,585	\$ 12,241,801	\$ 17,656,386
Board-designated endowment funds	<u>928,764</u>	<u>-</u>	<u>-</u>	<u>928,764</u>
Total endowment funds	<u>\$ 928,764</u>	<u>\$ 5,414,585</u>	<u>\$ 12,241,801</u>	<u>\$ 18,585,150</u>

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

2. Endowment (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2013	\$ 1,204,731	\$ 5,397,750	\$ 11,596,055	\$ 18,198,536
Investment return				
Investment income	-	(18)	222	204
Net appreciation	-	1,313,152	1,760	1,314,912
Total investment return	-	1,313,134	1,982	1,315,116
Contributions	-	-	242,261	242,261
Management and general expenses	(275,967)	-	-	(275,967)
Endowment net assets, December 31, 2014	928,764	6,710,884	11,840,298	19,479,946
Investment return				
Investment income	-	(376,386)	235	(376,151)
Net depreciation	-	(919,913)	(33,018)	(952,931)
Total investment return	-	(1,296,299)	(32,783)	(1,329,082)
Contributions	-	-	434,286	434,286
Endowment net assets, December 31, 2015	\$ 928,764	\$ 5,414,585	\$ 12,241,801	\$ 18,585,150

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Council is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets and aggregated to \$0 at December 31, 2015 and 2014, respectively.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

3. Net Assets and Restrictions

Substantially all of the restrictions on net assets at the end of 2015 are related to funds raised through the ongoing capital and endowment campaigns to help prepare the Council for future Scouting needs, charitable trusts of which the Council is a beneficiary, and United Way Services funding for the next year.

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes or periods at December 31:

	<u>2015</u>	<u>2014</u>
For periods after December 31	\$ 311,567	\$ 111,428
Renovation and expansion	12,039,162	11,937,874
Program services	<u>5,414,585</u>	<u>6,710,884</u>
Total	<u>\$ 17,765,314</u>	<u>\$ 18,760,186</u>

For the years ending December 31, 2015 and 2014, net assets were released from donor restrictions through the expiration of time restrictions and the use of amounts for their restricted purposes in the amounts of \$129,497 and \$103,932, respectively.

Permanently Restricted

Permanently restricted net assets consist of contributions to be invested in perpetuity, the income of which is expendable to support the operating activities of the Council. Permanently restricted net assets totaled \$12,241,801 and \$11,840,298 at December 31, 2015 and 2014, respectively.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

4. Pledges Receivable

Pledges receivable consisted of the following at December 31:

	2015			
	Operating Fund	Capital Fund	Endowment and Related Funds	Total
Due within one year	\$ 260,660	\$ 10,291	\$ 13,760	\$ 284,711
Less allowance for uncollectible accounts	<u>(169,715)</u>	<u>-</u>	<u>-</u>	<u>(169,715)</u>
Total	<u>\$ 90,945</u>	<u>\$ 10,291</u>	<u>\$ 13,760</u>	<u>\$ 114,996</u>
	2014			
	Operating Fund	Capital Fund	Endowment and Related Funds	Total
Due within one year	\$ 89,484	\$ 140,224	\$ 9,135	\$ 238,843
Less allowance for uncollectible accounts	<u>(61,233)</u>	<u>(16,000)</u>	<u>-</u>	<u>(77,233)</u>
Total	<u>\$ 28,251</u>	<u>\$ 124,224</u>	<u>\$ 9,135</u>	<u>\$ 161,610</u>

5. Beneficial Interests in Perpetual Trusts

The Council is the beneficiary of several perpetual trusts administered by outside parties. Under the terms of the trusts, the Council has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The interests are recognized in amounts equal to their share of the fair market values of the assets and are recorded as beneficial interests in perpetual trusts in the accompanying statements of financial position.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

6. Investments and Investment Return

Investments consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Money market accounts	\$ 1,979,656	\$ 1,993,512
Mutual funds	4,050,768	745,083
Certificate of deposit	715,075	713,176
Equity securities	<u>12,276,245</u>	<u>16,465,444</u>
Total	<u>\$ 19,021,744</u>	<u>\$ 19,917,215</u>

Investments are included in the following line items on the statements of financial position:

	<u>2015</u>	<u>2014</u>
Short-term investments	\$ 2,587,901	\$ 2,577,085
Long-term investments	<u>16,433,843</u>	<u>17,340,130</u>
Total	<u>\$ 19,021,744</u>	<u>\$ 19,917,215</u>

Total investment return is comprised of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 340,012	\$ 327,775
Net realized and unrealized gains on investments reported at fair value	<u>(952,833)</u>	<u>1,353,323</u>
Total	<u>\$ (612,821)</u>	<u>\$ 1,681,098</u>

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

6. Investments and Investment Return (Continued)

Total realized and unrealized gains and interest and dividend income on investments is reflected in the statements of activities as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted:		
Investment income	\$ 696,675	\$ 309,953
Net realized and unrealized gains on investments	98	38,411
Temporarily restricted:		
Investment income	(356,898)	17,600
Net realized and unrealized gains on investments	(919,913)	1,313,152
Permanently restricted:		
Investment income	235	222
Net realized and unrealized gains on investments	<u>(33,018)</u>	<u>1,760</u>
Total	<u>\$ (612,821)</u>	<u>\$ 1,681,098</u>

Investment expense for the years ending December 31, 2015 and 2014 was \$62,363 and \$66,379, respectively.

7. Disclosures about Fair Value of Assets and Liabilities

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 price on the stock exchange where they are traded (primarily the New York Stock Exchange).

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

7. Disclosures about Fair Value of Assets and Liabilities (Continued)

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 paper 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 risk, etc.)

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity securities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include federal agency obligations, mortgage-backed securities and U.S. Treasury strips. In certain cases where Level 1 or Level 2 inputs are not available, then securities are classified within the Level 3 classification of the valuation hierarchy.

Beneficial Interests in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the FASB ASC 820-10 fair value hierarchy in which the fair value measurements fall at December 31:

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

7. Disclosures about Fair Value of Assets and Liabilities (Continued)

	2015			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Certificate of deposit	\$ 715,075	\$ -	\$ -	\$ 715,075
Mutual funds:				
Money market funds	1,979,656	-	-	1,979,656
Balanced funds	4,050,768	-	-	4,050,768
Total mutual funds	6,030,424	-	-	6,030,424
Common stocks:				
Energy Minerals	513,027	-	-	513,027
Industrial Services	58,659	-	-	58,659
Technology Services	3,178,393	-	-	3,178,393
Producer Manufacturing	657,935	-	-	657,935
Finance	2,124,862	-	-	2,124,862
Electronic Technology	532,922	-	-	532,922
Transportation	204,086	-	-	204,086
Utilities	155,508	-	-	155,508
Consumer Services	255,019	-	-	255,019
Retail Trade	872,098	-	-	872,098
Consumer Durables	265,344	-	-	265,344
Consumer Non Durables	1,109,246	-	-	1,109,246
Health Technology	1,309,892	-	-	1,309,892
Health Services	607,717	-	-	607,717
Communication	167,548	-	-	167,548
Emerging Markets	263,989	-	-	263,989
Total common stocks	12,276,245	-	-	12,276,245
Beneficial interests in perpetual trusts	-	-	525,208	525,208
Total assets at fair value	\$ 19,021,744	\$ -	\$ 525,208	\$ 19,546,952

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

7. Disclosures about Fair Value of Assets and Liabilities (Continued)

	2014			Fair Value
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Certificate of deposit	\$ 713,176	\$ -	\$ -	\$ 713,176
Mutual funds:				
Money market funds	1,993,512	-	-	1,993,512
Balanced funds	745,083	-	-	745,083
Total mutual funds	2,738,595	-	-	2,738,595
Common stocks:				
Basic materials	439,672	-	-	439,672
Energy minerals	153,025	-	-	153,025
Technology services	2,898,568	-	-	2,898,568
Producer manufacturing	618,966	-	-	618,966
Finance	2,204,402	-	-	2,204,402
Consumer non-durables	2,563,412	-	-	2,563,412
Health technology	2,907,555	-	-	2,907,555
Health services	3,485,096	-	-	3,485,096
Industrial conglomerates	1,194,748	-	-	1,194,748
Total common stocks	16,465,444	-	-	16,465,444
Beneficial interests in perpetual trusts	-	-	558,004	558,004
Total assets at fair value	\$ 19,917,215	\$ -	\$ 558,004	\$ 20,475,219

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

7. Disclosures about Fair Value of Assets and Liabilities (Continued)

The following table reconciles the Council's assets and liabilities classified as Level 3 measurements during the years ended December 31:

	2015	2014
Balance, beginning of year	\$ 558,004	\$ 556,022
Issuances	(23,335)	(24,154)
Settlements	(5,879)	-
Investment income, net	29,436	13,956
Net realized and unrealized gains included in earnings	(33,018)	12,180
Balance, end of year	\$ 525,208	\$ 558,004
Net unrealized gains on Level 3 securities held at end of year	\$ 4,392	\$ 51,508

The following table represents the Council's level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Beneficial interest in perpetual trust	\$ 525,208	Present value of underlying investments in perpetuity	Present Value	Varies

8. Land, Buildings, and Equipment

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

	2015	2014
Camps:		
Buildings and improvements	\$ 24,441,070	\$ 23,725,319
Equipment	1,297,396	1,103,851
Land	2,100,470	2,100,470
Vehicles	385,648	342,808
Construction in progress	477,421	906,433

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

8. Land, Buildings and Equipment (Continued)

	2015	2014
Scout Service Center:		
Buildings and improvements	\$ 2,039,601	\$ 2,039,601
Council office furniture and equipment	609,778	609,778
Land	313,537	313,537
Vehicles	176,770	176,770
	31,841,691	31,318,567
Less accumulated depreciation	(14,061,882)	(13,128,112)
Land, buildings and equipment, net	\$ 17,779,809	\$ 18,190,455

9. Long-Term Debt and Line of Credit Agreement

Long-term debt consisted of the following at December 31:

	2015	2014
Various vehicle and equipment loans with finance companies, payable in monthly installments aggregating \$4,366, including interest at various rates ranging from 0.00% to 5.00%, through February 2019, collateralized by vehicles and equipment.	\$ 92,241	\$ 64,530
Less current portion of long-term debt	(44,248)	(26,747)
Total long-term debt	\$ 47,993	\$ 37,783

Future maturities of long-term debt are as follows at December 31:

Year Ending December 31,	Amount
2016	\$ 44,248
2017	31,205
2018	14,881
2019	1,907
Total	\$ 92,241

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

9. **Long-Term Debt and Line of Credit Agreement (Continued)**

The Council has an unused \$2,000,000 revolving bank line of credit that expires November 11, 2016. The line requires the Council to maintain cash of at least \$600,000 at all times. Interest is payable monthly and the rate equal to the 30-day London Interbank Offered Rate (LIBOR) plus 2.00% (2.36% and 2.16% at December 31, 2015 and 2014, respectively).

10. **Risk Concentrations**

The Council receives donations from a diverse number of organizations and individuals located predominantly in the Heart of America Council area. The Council receives large donations each year from area United Way organizations to support Council activities. Unrestricted support from the United Way amounted to \$670,452 and \$714,100 for the years ending December 31, 2015 and 2014, respectively.

The Organization maintains cash, certificates of deposit, and money market accounts at various financial institutions. The total balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. The Company's balances periodically exceed the insured limit throughout the year. The uninsured balance at December 31, 2015, without regard to in-transit items, was approximately \$4,687,600.

The Council conducts an annual popcorn fundraiser. Net revenues (after subtracting commissions and cost of goods sold) amounted to \$664,976 and \$839,793 for the years ending December 31, 2015 and 2014, respectively.

11. **Employee Benefit Plans**

The Boy Scouts of America has a qualified defined benefit pension plan ("the plan") administered at the national office that covers employees of the National Council and this Council. The plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees* (EIN 22-1576300) and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2.00% of compensation, and the Council contributes an additional 7.00% to the plan. Pension expense (excluding the contributions made by employees) for the years ending December 31, 2015 and 2014 was \$193,169 and \$193,842, respectively.

The plan is a multi-employer plan and the individual information for each employer is not available. The actuarial information for the multi-employer plan as of December 31, 2015 indicates that it is in compliance with ERISA regulations regarding funding. The assumed rate of return used in determining actuarial values of present accumulated benefits was 7.75%.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

11. **Employee Benefit Plans (Continued)**

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 compensation, 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% of contributions from each participant, limited to 3.00% of each employee's gross pay. The Council contributed \$70,105 and \$62,559 to the Thrift Plan for the years ending December 31, 2015 and 2014, respectively.

The Council's employees participate in a health care plan provided by the National Council. The Council pays for a portion of the cost for the employee's insurance, 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 \$882,652 and \$901,055, respectively, on behalf of its employees to the National Council related to the health care plan.

12. **Scout Shop**

The National Council operates a Scout Shop within the Heart of America Council area. The National Council manages the Scout Shop and pays the Council an 8.00% commission on gross sales up to \$750,000 and 13.00% on sales in excess of \$750,000. Total commissions earned (before expenses) by the Council during the years ending December 31, 2015 and 2014 amounted to \$183,167 and \$187,458, respectively, which are included in other revenues in the statements of changes in net assets.

In 2016, the National Council opened a second Scout Shop in the Heart of America Council area. This store operates under the same commission terms as the first Scout Shop.

13. **Operating Leases**

The Council has an operating lease agreement with the Secretary of the Army of the United States for park and recreational purposes at Harry S. Truman Dam and Reservoir. In consideration for use of the land, the Council must operate and maintain the premises for the benefit of the United States and general public. The lease expires on January 31, 2029.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

14. Related Party Transactions

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

	<u>2015</u>	<u>2014</u>
Benefits (including employee withholdings)	\$ 729,793	\$ 901,055
Charter and national service fees	125,369	78,269
Insurance payments	153,906	127,571
General purchases	291,439	223,898
Other	<u>183,895</u>	<u>263,136</u>
Total	<u>\$ 1,484,402</u>	<u>\$ 1,593,929</u>

At December 31, 2015 and 2014, the Council also had amounts due to the National Council of \$29,457 and \$7,110, respectively.

In the ordinary course of business, the Council may have certain business relationships with members of the Board of Directors or related entities.