

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Puerto Rico Council of
Boy Scouts of America
Guaynabo, Puerto Rico

Opinion

I have audited the accompanying financial statements of **Puerto Rico Council of Boy Scouts of America, Inc.**, which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Puerto Rico Council of Boy Scouts of America, Inc.** at December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for my opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibility under those standards is further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of **Puerto Rico Council of Boy Scouts of America, Inc.** and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key audit matters

Key audit matters are those matters that were communicated with those charged of governance and, in my professional judgment, were most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole., and in forming my opinion thereon, and I do not provide a separate opinion of these matters,

As discussed on Note H to the financial statements, the Council could be exposed to multiple alleged abuse claims from former scouts. The legal advisors of Puerto Rico Council understand that it is untimely to determine if the Council will be affected with those claims. At the date of the financial statements, the Puerto Rico Council, as every other Local Council in the United States, is uncertain as to what are the exact claims, claimants or lawsuits, if any, against the Council.

Responsibilities of Management's for the Financial Statements

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

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

Auditor's Responsibility for the Audit the Financial Statements

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

In performing an audit in accordance with GAAS, I:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Puerto Rico Council of Boy Scouts of America, Inc's** internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Puerto Rico Council of Boy Scouts of America, Inc's** ability to continue as a going concern for a reasonable period of time.

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

Caguas, Puerto Rico
August 10, 2022



David Diaz, CPA
Lic #5641 expires on December 1, 2022

PUERTO RICO COUNCIL OF BOY SCOUTS OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31 2021 AND 2020

	Operating Fund		Capital fund		Endowment Fund		Total Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS								
Cash and cash equivalents	\$ 76,544	\$ 113,917	\$ -	\$ -	\$ 37,928	\$ 22,928	\$ 114,472	\$ 136,845
Cash restricted	-	-	-	-	-	-	-	-
Accounts receivable	5,713	917	133,509	133,509	-	-	139,222	134,426
Prepaid expenses	1,678	18,680	-	-	-	-	1,678	18,680
Total current assets	<u>83,936</u>	<u>133,514</u>	<u>133,509</u>	<u>133,509</u>	<u>37,928</u>	<u>22,928</u>	<u>255,373</u>	<u>289,951</u>
Land, building and equipment, net	-	-	6,268,335	6,660,153	-	-	6,268,335	6,660,153
Long term investments	-	-	-	-	294,657	443,640	294,657	443,640
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>6,268,335</u>	<u>6,660,153</u>	<u>294,657</u>	<u>443,640</u>	<u>6,562,992</u>	<u>7,103,793</u>
Total assets	<u>\$ 83,936</u>	<u>\$ 133,514</u>	<u>\$ 6,401,844</u>	<u>\$ 6,793,662</u>	<u>\$ 332,585</u>	<u>\$ 466,568</u>	<u>\$ 6,818,365</u>	<u>\$ 7,393,744</u>
LIABILITIES AND NET ASSETS								
Current portion of long term debt	\$ -	\$ 1,621	\$ -	\$ 1,464	\$ -	\$ -	\$ -	\$ 3,085
Accounts payable	59,795	58,092	133,509	133,509	-	-	193,304	191,601
Accrued liabilities	28,397	28,397	-	-	-	-	28,397	28,397
Custodial accounts	18,427	4,273	-	-	-	-	18,427	4,273
Deferred income	12,489	11,204	-	-	-	-	12,489	11,204
Total current liabilities	<u>119,108</u>	<u>103,587</u>	<u>133,509</u>	<u>134,973</u>	<u>-</u>	<u>-</u>	<u>252,617</u>	<u>238,560</u>
Long term debts	149,900	148,279	-	-	-	-	149,900	148,279
Total liabilities	<u>269,008</u>	<u>251,866</u>	<u>133,509</u>	<u>134,973</u>	<u>-</u>	<u>-</u>	<u>402,517</u>	<u>386,839</u>
Net assets								
Without donor restrictions	(185,072)	(118,352)	1,182,681	1,171,194	(182,790)	17,210	814,819	1,070,052
With donor restrictions	-	-	5,085,654	5,487,495	515,375	449,358	5,601,029	5,936,853
Total net assets	<u>(185,072)</u>	<u>(118,352)</u>	<u>6,268,335</u>	<u>6,658,689</u>	<u>332,585</u>	<u>466,568</u>	<u>6,415,849</u>	<u>7,006,905</u>
Total liabilities and net assets	<u>\$ 83,936</u>	<u>\$ 133,514</u>	<u>\$ 6,401,844</u>	<u>\$ 6,793,662</u>	<u>\$ 332,585</u>	<u>\$ 466,568</u>	<u>\$ 6,818,366</u>	<u>\$ 7,393,744</u>

PUERTO RICO COUNCIL OF BOY SCOUTS OF AMERICA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2021 AND 2020

Changes in unrestricted net assets	Operating Fund		Capital fund		Endowment Fund		Total Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Support and revenue								
Friends of scouting	\$ 211,914	\$ 142,172	\$ -	\$ -	\$ -	\$ -	\$ 211,914	\$ 142,172
Special fundraising events	30,871	1,225	-	-	-	-	30,871	1,225
Foundations and trusts, net	-	24,463	-	-	15,000	1,000	15,000	25,463
Other direct support	16,000	27,000	-	-	-	-	16,000	27,000
Total direct support	258,786	194,860	-	-	15,000	1,000	273,786	195,860
Indirect support								
United ways	63,331	52,483	-	-	-	-	63,331	52,483
Other indirect support	19,206	-	-	-	-	-	19,206	-
Government grants (PPP Loan 2)	117,300	-	-	-	-	-	117,300	-
Total indirect support	199,837	52,483	-	-	-	-	199,837	52,483
Revenues								
Sales of supplies	-	-	-	-	-	-	-	-
Product sales	27,111	20,593	-	-	-	-	27,111	20,593
Less cost of good sold	(9,391)	-	-	-	-	-	(9,391)	-
Net sales of products	17,720	20,593	-	-	-	-	17,720	20,593
Investment income	-	-	-	-	-	-	-	-
Camping revenue	264,720	52,487	-	-	-	-	264,720	52,487
Activity revenues:								
Activities fees	84,901	34,981	-	-	-	-	84,901	34,981
Jamborette	-	-	-	-	-	-	-	-
World Jamboree	-	-	-	-	-	-	-	-
Other revenue	41,121	148,811	-	-	-	-	41,121	148,811
Total revenue	408,462	256,872	-	-	-	-	408,462	256,872
Total support and revenue	867,084	504,215	-	-	15,000	1,000	882,084	505,215
Expenses								
Program services	465,680	395,528	401,841	401,841	-	-	867,521	797,369
Support services								
Management and general	617,891	493,333	-	-	-	-	617,891	493,333
Fundraising	30,153	29,211	-	-	-	-	30,153	29,211
Total supporting services	1,113,723	918,072	401,841	401,841	-	-	1,515,564	1,319,913
Charter and national service fee	8,594	8,590	-	-	-	-	8,594	8,590
Total expenses	1,122,317	926,662	401,841	401,841	-	-	1,524,158	1,328,503
Increase (decrease) in unrestricted assets	\$ (255,233)	\$ (422,447)	\$ (401,841)	\$ (401,841)	\$ 15,000	\$ 1,000	\$ (642,074)	\$ (823,288)

PUERTO RICO COUNCIL OF BOY SCOUTS OF AMERICA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
DECEMBER 31, 2021 AND 2020

Permanently restricted net assets	Operating Fund		Capital fund		Endowment Fund		Total Funds	Total Funds
	2021	2020	2021	2020	2021	2020	2021	2020
Direct support								
Other direct support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues:								
Foundations and trusts, net	-	-	-	-	-	-	-	-
Gain (loss) on investments	-	-	-	-	51,017	54,220	51,017	54,220
Increase in permanently restricted	-	-	-	-	51,017	54,220	51,017	54,220
Increase (decrease) in total net assets	(255,233)	(422,447)	(401,841)	(401,841)	66,017	55,220	(591,056)	(769,068)
Net assets beginning								
Without donor restrictions	(118,352)	323,307	1,171,194	1,151,982	17,210	17,210	1,070,052	1,492,499
With donor restrictions	-	-	5,487,495	5,889,336	449,358	394,138	5,936,853	6,283,474
Total net assets, beginning	(118,352)	323,307	6,658,689	7,041,318	466,568	411,348	7,006,905	7,775,973
Transfers	188,513	(19,212)	11,487	19,212	(200,000)	-	-	-
Net assets, ending								
Without donor restrictions	(185,072)	(118,352)	1,182,681	1,171,194	(182,790)	17,210	814,819	1,070,052
With donor restrictions	-	-	5,085,654	5,487,495	515,375	449,358	5,601,029	5,936,853
Total net assets, ending	\$ (185,072)	\$ (118,352)	\$ 6,268,335	\$ 6,658,689	\$ 332,585	\$ 466,568	\$ 6,415,849	\$ 7,006,905

PUERTO RICO COUNCIL OF BOY SCOUTS OF AMERICA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
DECEMBER 31, 2021 AND 2020

Expenses	Program services		Management and General		Fundraising		Total Expenses	
	2021	2020	2021	2020	2021	2020	2021	2020
Employee compensation								
Salaries	\$ 204,945	\$ 196,730	\$ 227,717	\$ 218,588	\$ 22,772	\$ 21,859	\$ 455,433	\$ 437,177
Employee benefits	37,365	43,595	30,969	29,728	3,597	3,859	71,931	77,182
Payroll taxes	7,694	14,200	33,247	31,914	2,155	2,427	43,096	48,541
Total employee compensation	250,004	254,525	291,933	280,230	28,523	28,145	570,460	562,900
Other expenses								
Program supplies	19,077	17,155	28,832	25,927	144	130	48,054	43,212
Food	46,200	9,449	69,823	14,280	349	71	116,372	23,800
Occupancy	33,272	29,620	50,285	44,766	251	224	83,808	74,610
Temporary camping services	24,088	16,773	36,405	25,350	182	127	60,674	42,250
Transportation	10,597	5,757	16,015	8,701	80	44	26,692	14,502
Insurance	32,791	29,353	49,558	44,362	248	222	82,597	73,937
Recognition awards	895	1,225	1,353	1,852	7	9	2,255	3,086
Specific assistance to individuals	14,987	12,070	22,650	18,241	113	91	37,750	30,402
Conference and meetings	919	988	1,388	1,495	7	7	2,314	2,490
Telephone	5,506	6,467	8,321	9,773	42	49	13,869	16,289
Interests	3	-	5	-	0	-	8	-
Printing and publications	881	2,489	1,331	3,762	7	19	2,218	6,270
Postage and shipping	445	75	672	113	3	1	1,121	189
Rent and maintenance of equipment	12,902	-	19,500	-	97	-	32,500	-
Other expenses	13,113	9,582	19,819	14,480	99	72	33,031	24,134
Total other expenses	215,675	141,003	325,958	213,102	1,630	1,066	543,263	355,171
Expenses before depreciation	465,680	395,528	617,891	493,332	30,153	29,211	1,113,723	918,071
Depreciation	401,841	401,841	-	-	-	-	401,841	401,841
Total functional expenses	\$ 867,521	\$ 797,369	\$ 617,891	\$ 493,332	\$ 30,153	\$ 29,211	\$ 1,515,564	\$ 1,319,912

PUERTO RICO COUNCIL OF BOY SCOUTS OF AMERICA, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2021 AND 2020

	Operating Fund		Capital fund		Endowment Fund		Total Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Operating activities:								
Increase (decrease) in total net assets	\$ (255,233)	\$ (422,447)	\$ (401,841)	\$ (401,841)	\$ 66,017	\$ 55,220	\$ (591,056)	\$ (769,068)
Adjustments to reconcile cash flows:								
Depreciation	-	-	401,841	401,841	-	-	401,841	401,841
Net unrealized (gain) loss on investments	-	-	-	-	(51,017)	(54,220)	(51,017)	(54,220)
(Increase) decrease in net assets:								
Accounts receivable	(4,796)	28,666	-	-	-	-	(4,796)	28,666
Prepaid expenses	17,002	5,825	-	-	-	-	17,002	5,825
Increase (decrease) in liabilities:								
Accounts payable	1,703	(15,611)	-	-	-	-	1,703	(15,611)
Custodial accounts	14,154	(9,318)	-	-	-	-	14,154	(9,318)
Deferred income	1,285	1,419	-	-	-	-	1,285	1,419
Transfers	188,513	(19,212)	11,487	19,212	(200,000)	-	-	-
Total adjustments	217,861	(8,231)	413,328	421,053	(251,017)	(54,220)	380,172	358,602
Net cash flows provided (used) by operating activities	(37,372)	(430,678)	11,487	19,212	(185,000)	1,000	(210,885)	(410,466)
Investing activities:								
Capital expenditures	-	-	-	(1,352)	-	-	-	(1,352)
Purchases of property & equipment	-	-	(10,023)	-	-	-	(10,023)	-
Sales (purchases) of marketable securities, net	-	-	-	-	200,000	(1,000)	200,000	(1,000)
Net cash flows used in investing activities	-	-	(10,023)	(1,352)	200,000	(1,000)	189,977	(2,352)
Financing activities:								
Principal payments of long term debt	-	-	(1,464)	(17,860)	-	-	(1,464)	(17,860)
Advances of note payable to National, net	-	149,900	-	-	-	-	-	149,900
Net cash used in financing activities	-	149,900	(1,464)	(17,860)	-	-	(1,464)	132,040
Net increase (decrease) in cash	(37,372)	(280,778)	0	-	15,000	-	(22,372)	(280,778)
Cash and cash restricted, beginning	113,917	394,695	-	-	22,928	22,928	136,845	417,623
Cash and cash restricted, ending	\$ 76,545	\$ 113,917	\$ 0	\$ -	\$ 37,928	\$ 22,928	\$ 114,473	\$ 136,845

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Puerto Rico Council of Boy Scouts of America, Inc. (hereinafter “The Council”) is a Puerto Rico nonprofit organization created under the laws of the Commonwealth of Puerto Rico on November 18, 1938. The Council is an 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.

To maintain its operations the Council has various fundraising events as pop-corn sales, summer camp and sales of articles and products, also the Council receive funds from private and public entities that provide support to the program.

The Council’s programs are classified as follows:

Lion Scouts— are age 5 or in Kindergarten and the guidebook contains a detailed plan for each month’s curriculum and breaks down each section into Family/Den Activities, At-Home Activities and Grand Adventures. The Lion Scout program is for boys and girls who are in kindergarten (or are age 8). Lions earn the Bobcat badge at the end of the year, after completing their other Lion activities. Lions work with their fellow Lion Scouts and each Scout’s adult partners. The program is focused on parent planning and delivery with support from the Cub Scout pack using literature specifically designed for the younger age group (the former Lion Scout Adult Guide and Lion Scout Adventure Guide are now a Lion Scout Den Leader).

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.

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

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 people learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scout camping properties, a recognition program, and Youth Protection training.

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

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

1. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that those estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

2. 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. The accounts of the Council are maintained in three self-balancing fund groups according to their nature and purposes as follows:

General Operating Fund – The general operating fund is used to account for the Council’s operating activities.

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (Continued)

Capital fund – The capital fund is used to account for property, buildings, equipment, and legally restricted cash that is to be expended for property, buildings, and equipment and related debt payments. Also, included in this fund are investments either restricted or designated for capital repair and improvements where the income is either designated or restricted for those particular items. Revenues and expenses related to the capital fundraising campaign are also included in this fund.

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

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

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). During 2018, the Council adopted the provisions of Accounting Standard Update (ASU) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Non-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Council's liquidity, financial performance and cash flows.

3. Accounting for 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 Activities and Changes in Net Assets as assets released from restrictions.

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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 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.

5. Investment in marketable securities

Investments consist primarily of marketable equity and debt securities and money market funds. Investments with readily determinable fair values are measured at fair value in the statements of financial position. The fair value of investments in the BSA Commingled Fund have been calculated using the net asset value (NAV) of the Council's ownership in the partners' capital. Interest, dividends, realized and unrealized gains and losses on investments, net of fees, are recorded as investment return in the statements of activities and changes in net assets. Realized gains and losses are determined on a specific identification basis. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair value at the date of the gift. Investments are classified based on their original maturities. Investments with original maturities of less than 12 months are classified as short-term investments.

6. Accounts receivable

Accounts receivable are recorded primarily for product sales and are reported a 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, 2021 and 2020.

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Revenue Recognition

Revenue from Exchange Transactions: The Council recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Council records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2021 and 2020:

Product sales (as applicable)—To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of 33% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail's End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its statements of activities and changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions (retained by or paid to the unit).

Scout units have the right to return to the Council any unsold product, subject to a return-by an specific date. As of December 31, 2021, and 2020, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Camping and Activity revenue— The Council conducts program-related experiences such as Day Camps, Day Hikes, Weekend Overnights, Camporees, and Summer Camps where the performance obligation is delivery of the program. Fees for camps and activities are set by the Council. For resident camps, fees include program supplies, meals, lodging, recognition items, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Revenue Recognition (Continued)

Activities such as the National Scout Jamboree may include a transportation component in the transaction price. Some special camp programs do incur additional fees (shooting sports, for example), which are separately priced. BSA activities such as Wood Badge may involve program supplies, recognition items, and meals, and are also considered to be one performance obligation. Fees collected in advance of delivery of the camp or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the program has occurred.

Special fundraising event revenue: The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the (consolidated) statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Council separately presents in its statements of activities and changes in net assets or notes to financial statements] the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Other Revenue: Other revenue consists primarily of rent revenue and is recognized on a monthly basis as earned.

8. Functional allocation of expenses

The cost of providing the various program and supporting services have been summarized on a functional basis in the 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.

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Functional allocation of expenses (continued)

In accordance with the policy of the National Council of Boy Scouts of America (“National Council”), the payments of the charter and national service fees to the National Council are not allocated as functional expenses.

9. Land, Buildings and Equipment

Donated land, buildings and equipment are recorded at their approximate fair market value at 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 cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts, and the resulting gain or loss is reflected in earnings, except for a gain or loss on assets traded where it is reflected on the basis of the newly acquired asset.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis.

10. Impairment of long-lived assets

The Council 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 2021 and 2020.

11. Income taxes

Puerto Rico Council of Boy Scouts of America, Inc., 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 income tax under Section 1101.01 of Act No.1 of January 31, 2011 of the Puerto Rico Internal Revenue Code of 2011 (formerly Section 1101 of the 1994 Code, as amended).

Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Council currently has no unrelated business income.

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Income taxes (continued)

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 Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits. Income tax returns for the years ended 2017 and thereafter remain subject to examination by the Department of Treasury.

12. Concentration of credit risk

Financial instruments, which potentially subject the Council to concentration of credit risk, consist of cash and accounts receivables. Bank deposits, at times, may exceed federally insured limits; however, management does not foresee significant credit risks on these deposits. In relation to accounts receivable, the Council establishes an allowance for doubtful accounts based on experience and other information. Management believes that no significant concentration of credit risk exists with respect to these financial instruments in excess of the amount for which a provision has been established.

13. Fair Value Measurement

The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability (referred to as the "exit price") in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration of nonperformance risk.

In determining fair value, the Council uses various valuation approaches. The FASB established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Council. Unobservable inputs are inputs that reflect the Council's assumptions about assumptions market participants would use in pricing the assets or liabilities developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

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

**PUERTO RICO COUNCIL OF
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Fair Value Measurement (Continued)

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Council in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an organization-specific measure. Therefore, even when market assumptions are not readily available, the Council's own assumptions are set to reflect those that the Council believes market participants would use in pricing the asset or liability at the measurement date.

14. Paycheck Protection Program

During the year, the Council received proceeds under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for forgivable loans to qualifying organizations up to 100% of a loan is forgivable. The forgiveness amount will be reduced if the organization terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over certain loan terms. The Council used the PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness within 10 months of the end of the covered period.

**PUERTO RICO COUNCIL OF
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Paycheck Protection Program (Continued)

The Council met the PPP's eligibility criteria and the grant that was forgiven. Accordingly, the Council has initially recorded the loan as a refundable advance and recorded the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived.

15. Accounting pronouncements adopted

In 2020, the Council adopted the provisions of FASB ASU 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. Adoption of this pronouncement had no effect on the Council's current or previously issued financial statements.

16. Recently issued accounting standards

Leases (Topic 842) Discount Rate for Lessees That Are Not Public Business Entities (ASU-2021-09)—Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in this Update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. Entities, including local councils, that have not yet adopted Topic 842 as of November 11, 2021, are required to adopt the amendments in this Update at the same time that they adopt Topic 842.

Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities (ASU 2020-05). In order to give immediate relief to certain entities as a result of the widespread, adverse economic effects caused by the COVID-19 pandemic, on June 3, 2020, the FASB issued ASU No. 2020-05, This Accounting Standards Update defers the effective dates of FASB ASC Topics 606 and 842 to fiscal years beginning after December 15, 2019 and December 15, 2021, respectively, for certain entities that had not issued their financial statements (or made them available for issuance) as of June 3, 2020. The Council adopted FASB ASC 606 in 2020 with no effect on its net assets.

**PUERTO RICO COUNCIL OF
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Recently issued accounting standards (Continued)

Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08). Effective in 2019, this accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Adoption of this standard had no effect on the Council's net assets.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

NOTE B - ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Rent	\$ 2,584	\$ 917
Product sales	1,183	-0-
Fideicomiso de los niños (See note D)	133,509	133,509
Other	<u>1,946</u>	<u>-0-</u>
	<u>\$ 139,222</u>	<u>\$ 134,426</u>

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE C—LIQUIDITY AND AVAILABILITY OF FUNDS

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

	<u>2021</u>	<u>2020</u>
Cash operating fund	\$ 76,544	\$ 113,917
Accounts receivable	<u>5,713</u>	<u>917</u>
Total financial assets as year ended	<u>\$ 82,257</u>	<u>\$ 114,834</u>
Appropriation from quasi-endowment for general expenditure in subsequent year	<u>-0-</u>	<u>-0-</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 82,257</u>	<u>\$ 114,834</u>

The Council’s endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As of December 31, 2021 and 2020 no appropriations were recorded.

As part of the Council’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Council does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

NOTE D – PLEDGES RECEIVABLE

In 2002, the Council received a conditional promise of \$7,477,000, from “Fideicomiso de los Niños”, a public instrumentality and not-for-profit corporation of the Commonwealth of Puerto Rico. On February 8, 2002, the Council signed a contract that was amended on November 8, 2002 and November 3, 2004.

**PUERTO RICO COUNCIL OF
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE D – PLEDGES RECEIVABLE (CONTINUED)

The purpose of this grant was to construct a new camp to serve Cub Scouts (boys of six to ten years) next to the existing camp, acquire additional land to support both camps, and make both camps capable of accommodating the increasing number of women and individuals with physical needs that participate in the camp activities. This project has been divided into three phases. Under this contract the Council is required to comply with time limitations and other specific requirements of in order to receive these benefits. At December 31, 2009, the management of Fideicomiso granted an extension of the contract until June 30, 2012.

Thereafter, the Council’s Board met with the management of the “Fideicomiso de los Niños” to extend and change the conditional promise agreement. As a result, the management of “Fideicomiso de los Niños” agreed to pay directly to contractors, based on contract certifications, and decided to extend the conditional promise until the completion of the construction. In 2017 the Council received a payment of \$68,948 for the purchases of various equipments. The Council does not have the unconditional right to receive these funds.

The Council has an account receivable balance related to the Fideicomiso de Los Niños amounting to \$133,509.

NOTE E –LAND, BULDINGS AND EQUIPMENT

	<u>2021</u>	<u>2020</u>
Land	\$ 1,022,732	\$ 1,022,732
Buildings	2,846,544	2,846,544
Building improvements	5,407,327	5,405,976
Furniture, fixtures and equipment	629,285	620,613
Motor and aquatic vehicles	<u>413,588</u>	<u>413,588</u>
	10,319,476	10,309,453
Less accumulated depreciation and amortization	<u>(4,051,141)</u>	<u>(3,649,300)</u>
	<u>\$ 6,268,335</u>	<u>\$ 6,660,153</u>

NOTE F – INVESTMENT IN MARKETABLE SECURITIES

The investment consists of marketable securities traded in the open market, which are stated at fair value. The securities cost and its fair values at December 31, 2021 and 2020 are summarized as follows:

**PUERTO RICO COUNCIL OF
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE F – INVESTMENT IN MARKETABLE SECURITIES (CONTINUED)

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Investment in mutual funds	<u>\$ 262,959</u>	<u>\$ 294,657</u>	<u>\$ 306,876</u>	<u>\$ 443,640</u>

NOTE G – LONG-TERM DEBTS

	<u>2021</u>	<u>2020</u>
Mortgage note, at 6.50%, payable in equal monthly installments of \$2,225, including interest through September 1, 2020, collateralized with 26.50 “cuerdas” land lot located at Camp Guajataca in San Sebastian, included in note D.	\$ -0-	\$ 1,464
Economic Injury Disaster Loan due in monthly installments of \$641, including interest at 2.75% through August 2021. The loan payments were deferred until August 2023.	<u>149,900</u>	<u>149,000</u>
	149,900	149,000
Less current portion	<u>-0-</u>	<u>(3,085)</u>
	<u>\$ 149,900</u>	<u>\$ 148,279</u>

Principal payments required to be made for each of the next five years are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ -0-
2023	3,085
2024	3,309
2025	3,402
2026 and thereafter	<u>140,104</u>
	<u>\$ 149,900</u>

**PUERTO RICO COUNCIL OF
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE H – OPERATING LEASE AS LESSOR

The Council leases the Scout Shop to the National Council under an operating lease which expired on June 1, 2012. The lease was renewed on a month-to-month basis until a new agreement is signed. Rent income as of December 31, 2021 and 2020 amounted to \$24,102 and \$13,064, respectively.

NOTE I – COMMITMENTS AND CONTINGENCIES

In December 1962, pursuant to a ratify deed of purchase, the Council acquired a parcel of land (Guajataca 1). The property received was restricted for purposes consistent with those of the Boy Scout policies and in case of cease in operations or a change in the use of the land for other than scouting purposes, the land and any improvement will revert with no mediation of money to the Puerto Rico Commonwealth. The market value of the property was the amount paid of \$1. Another land (Guajataca 2) was acquired on June 21, 2005. Pursuant to the deed of purchase the land shall be used only for Council activities and scouting development. These activities could not include any religious or political activity. The land was purchased to build and improve the property with the “Servicios de Ayuda del Fideicomiso de Los Niños” funds. The Council is not allowed to rent, sell, levy, transfer or dispose of the property without the written consent of the Fideicomiso until July 1, 2026.

The Council is subject to legal proceedings and claims, which have arisen in the ordinary course of business. Although there can be no assurances in this regard, in the opinion of management and after consulting with its attorneys, such proceedings as well as the aforementioned actions will not have a material adverse effect, if any, on the Organization's financial condition or results of operations. The Council holds an insurance policy with National which provides full defense and coverage in all judicial matters upon the deductible payment of \$15,000 per case. Upon payment, the Council no longer has any bearing in the litigation and all decisions regarding the litigation as well as any potential adverse judgment becomes the financial responsibility and concern of the National Office.

On February 18, 2020, the Boy Scouts of America National Council (National Council) filed a Chapter 11 bankruptcy petition in the U.S. District Court for the District of Delaware. The National Council has stated that the goal of the Chapter 11 reorganization is to compensate alleged victims of sexual abuse while ensuring the future of the National Council. The Puerto Rico Council of the Boy Scouts of America (Puerto Rico Council) is chartered by the National Council, but it is a separate legal entity from the National Council. The Puerto Rico Council has not filed for bankruptcy protection, and, moreover, the Puerto Rico Council is not part of the bankruptcy proceedings filed by the National Council.

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE I – COMMITMENTS AND CONTINGENCIES – (CONTINUED)

In 2020 the National Council, the Ad Hoc Committee of Local Councils (Committee that represents the 253 Local Councils of BSA), and the Tort & Coalition Committees (representing the plaintiffs), have participated in a court-mandated mediation process whose aim is to come to an agreement that would terminate all the claims by the alleged victims of abuse against the National Council, but also any future claims against the local councils, including the Puerto Rico Council. A final agreement between the parties has not been reached. If and when such a final agreement is reached, it must be approved by the bankruptcy court. The Ad Hoc Committee of Local Councils is working under the operating premise that all local councils, including the Puerto Rico Council, will have to contribute to the final agreement with a combination of cash and real property. Such contribution shall be allocated amongst all councils in accordance with a formula under development that will consider many factors, including, but not limited to the number of proof of claims arising from each council. At present, a contribution of \$233,058.86 will be required by the Puerto Rico Council if a final agreement is reached.

The stated goal of the parties in the mediation process is to reach a final agreement during 2022.

NOTE J —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 net 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.

NOTE K – 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 Puerto Rico Council of Boy Scouts of America, Inc. The plan name is the Boy Scouts of America Master Pension Trust-Boy Scouts of America Retirement Plan for Employees. Effective August 1, 2020, the plan was frozen to all employees. Through January 31, 2021, the Council contributed 7.75 percent of eligible employees' compensation to the BSA retirement program. Effective February 1, 2021, the Council's contribution to the BSA retirement program increased to 12 percent of eligible employee's compensation. Pension expense (excluding the contributions made by employees) was \$39,174 and \$19,925 in 2021 and 2020, respectively, and covered current service cost. The actuarial information for the plan as of February 1, 2021, indicates that it is in compliance with ERISA regulations regarding funding.

**PUERTO RICO COUNCIL OF
BOY SCOUTS OF AMERICA, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE K – RETIREMENT PLAN (CONTINUED)

BSA Match Savings Plan

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

The Council matches employee contributions to the BSA Match Savings Plan up to 100 percent of contributions from each participant, limited to 6 percent of each employee's gross pay. The Council contributed \$6,942 and \$12,261 to the BSA Match Savings Plan in 2021 and 2020, respectively.

NOTE L – SUBSEQUENT EVENTS

The Council has evaluated subsequent events through the date the financial statements were issued. The Council has determined that there are no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements.