2021
CONSOLIDATED FINANCIAL STATEMENTS
DEBTOR IN POSSESSION

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BOY SCOUTS OF AMERICA®

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Report of Independent Auditors

To the Executive Board of the National Council of the Boy Scouts of America

We have audited the accompanying consolidated financial statements debtor in possession of the National Council of the Boy Scouts of America and its affiliates (the "National Council"), which comprise the consolidated statement of financial position debtor in possession as of December 31, 2021, and the related consolidated statements of revenues, expenses, and other changes in net assets debtor in possession, of functional expenses debtors in possession, and of cash flows debtor in possession for the year then ended.

Management's Responsibility for the Consolidated Financial Statements debtor in possession

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Council of the Boy Scouts of America & its affiliates as of December 31,2021 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the National Council's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the National Council will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the National Council and certain of its affiliates filed a voluntary petition for Chapter 11 bankruptcy relief. The bankruptcy filing, reorganization proceedings and an overall negative asset position as of December 31, 2021, raise substantial doubt about the National Council's ability to continue as a going concern.

Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Dallas, Texas
August 31, 2023

Consolidated Statement of Financial Position
DEBTOR IN POSSESSION

As of December 31, 2021 (In thousands) Boy Scouts of America

Assets	
Cash and cash equivalents	$ 196,598
Investments, at fair value including collateral for securities on loan of $2,311 (Note 2)	443,043
Accounts receivable, less allowance of $218	14,054
Pledges receivable, less discount of $9,482 (Note 4)	15,977
Other receivables	508
Gift annuities	5,289
Prepaid and deferred charges	11,091
Inventories, less provision for obsolescence of $9,629	37,375
Land, buildings, and equipment, net (Note 5)	459,702
Other	11,383
Total assets	$ 1,195,020
Liabilities and Net Assets	
Liabilities Not Subject to Compromise:	
Accounts payable and accrued liabilities	$ 90,520
Gift annuities	5,289
Unearned fees and subscriptions	57,203
Notes payable including line of credit (Note 6)	35,000
Claims and other reserves (Note1)	5,809
Payable upon return of securities loaned (Note 2)	2,311
Total liabilities not subject to compromise	196,132
Liabilities Subject to Compromise:	
Accounts payable and accrued liabilities	5,180
Notes payable including line of credit (Note 6)	222,262
Claims and other reserves (Note 1)	2,400,000
Total liabilities subject to compromise	2,627,442
Total liabilities	2,823,574
Commitments and contingencies (Note 1 and 8)	
Net assets:	
Without Donor Restrictions (Note 9):	
Controlling interest:	
General operations	226,528
Board-designated	(2,282,201)
Total without donor restrictions—controlling interest	(2,055,673)
Noncontrolling interest (Commingled Endowment LP)	203,118
Total without donor restrictions	(1,852,555)
Total with donor restrictions (Note 10)	224,001
Total net assets	(1,628,554)
Total liabilities and net assets	$ 1,195,020

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

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS
DEBTOR IN POSSESSION

Year ended December 31, 2021 (In thousands) Boy Scouts of America

	Without Donor Restrictions (Note 9)	With Donor Restrictions (Note 10)	Total
Revenues:			
Fees (Note 11)	$ 144,852		$ 144,852
Supply operations—sales	73,586		73,586
Cost of sales and expenses	(63,162)		(63,162)
	10,424		10,424
Magazine publication—sales	5,861		5,861
Cost of production and expenses	(5,157)		(5,157)
	704		704
Contributions and bequests	8,956	$ 4,408	13,364
Other—including trading post sales	20,670		20,670
Cost of sales and expenses	(4,749)		(4,749)
	15,921	0	15,921
Total revenues before net investment income	180,857	4,408	185,265
Investment income, net of fees	511	25,374	25,885
Revenues, net	181,368	29,782	211,150
Net assets released from restrictions:			
Donor restrictions satisfied	10,173	(10,173)	
Expenses:			
Program services:			
Field operations	27,316		27,316
Human resources and training	5,448		5,448
Program development and delivery	71,649		71,649
Program marketing	3,294		3,294
World Scout Bureau fees	1,404		1,404
Insurance programs—losses and costs (Notes 1 and 12)	61,924		61,924
Premiums	(7,358)		(7,358)
	54,566		54,566
Total program services	163,677		163,677
Supporting services:			
Management and general	156,927		156,927
Fundraising	2,862		2,862
Total supporting services	159,789		159,789
Total expenses	323,466	0	323,466
Change in net assets—controlling interest	(131,925)	19,609	(112,316)
Change in net assets—noncontrolling interest (Commingled Endowment LP)	(12,943)	0	(12,943)
Change in net assets	(144,868)	19,609	(125,259)
Net assets, beginning of the year	(1,707,687)	204,392	(1,503,295)
Net assets, end of year	$ (1,852,555)	$ 224,001	$ (1,628,554)

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
DEBTOR IN POSSESSION

Year ended December 31, 2021 (In thousands) Boy Scouts of America

	PROGRAM SERVICES			
	Field Operations	Human Resources and Training	Program Development and Delivery	Program Marketing
Salaries	$ 9,037	$ 3,163	$ 39,321	$ 2,381
Benefits	3,257	886	9,663	609
Travel	225	45	414	(5)
Office expense and occupancy	5,381	717	21,338	471
Depreciation and amortization	1,598	183	6,357	41
Insurance losses and costs				
Premiums				
Net insurance programs				
Jamboree (world/national)			0	
All other expenses	7,818	550	33,120	240
Allocated expenses[1]	0	(96)	(38,564)	(443)
Total expenses	$ 27,316	$ 5,448	$ 71,649	$ 3,294

	PROGRAM SERVICES			
	World Scout Bureau Fees	Insurance Programs	Product Sales Cost of Sales	**Total Program Services**
Salaries				$ 53,902
Benefits				14,415
Travel				679
Office expense and occupancy				27,907
Depreciation and amortization				8,179
Insurance losses and costs		$ 61,924		61,924
Premiums		(7,358)		(7,358)
Net insurance programs		54,566		54,566
Jamboree (world/national)				0
Cost of goods sold – scout shop & trading post			$ 31,929	31,929
All other expenses	$ 1,404			43,132
Allocated expenses[1]			(31,929)	(71,032)
Total expenses	$ 1,404	$ 54,566	$ 0	$ 163,677

	SUPPORTING SERVICES			
	Management and General	Fundraising	**Total Supporting Services**	**Total Expenses**
Salaries	$ 11,391	$ 2,115	$ 13,506	$ 67,408
Benefits	2,797	524	3,321	17,736
Travel	102	25	127	806
Office expense and occupancy	981	110	1,091	28,998
Depreciation and amortization	13,238	21	13,259	21,438
Insurance losses and costs				61,924
Premiums				(7,358)
Net insurance programs				54,566
Jamboree (world/national)				0
Cost of goods sold – scout shop & trading post				31,929
Reorganization Cost	124,143		124,143	124,143
All other expenses	6,403	49	6,452	49,584
Allocated expenses[1]	(2,128)	18	(2,110)	(73,142)
Total expenses	$ 156,927	$ 2,862	$ 159,789	$323,466

[1] Certain expenses have been allocated to Supply operations, Magazine publications, and Program services. Supply operations and Magazine publications expenses are included with revenue on the statement of activities.
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
DEBTOR IN POSSESSION

Year ended December 31, 2021 (In thousands) Boy Scouts of America

Cash Flows from Operations:	
Change in net assets	$ (125,259)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operations:	
Depreciation and amortization	21,436
Net realized and unrealized (gains) on investments	(58,632)
Interest and dividends reinvested	(933)
Contributions to the permanently restricted endowment	(1,317)
Contributions restricted for capital expenditures and debt service	(126)
Net losses on disposal of land, buildings, and equipment	2,174
Changes in assets and liabilities:	
(Increase) in accounts receivable	(3,739)
Decrease in pledges receivable	1,259
Decrease in other receivables	158
Decrease in inventories	21,208
Decrease in prepaid charges/other assets/gift annuities	5,067
Increase in accounts payable/accrued liabilities/gift annuities	32,009
(Decrease) in unearned fees and subscriptions	(8,463)
(Decrease) in claims and other insurance reserves	(780)
Net cash and cash equivalents (used in) operations	(115,938)
Cash Flows from Investing:	
Additions to land, buildings, and equipment	(3,562)
Proceeds from the sale of investments	782,979
Purchases of investments	(598,350)
Net cash and cash equivalents provided by investing activities	181,067
Cash Flows from Financing:	
Increase in line of credit financing	25,000
Increase in securities lending payable	1,036
Contributions from non-controlling interest	7,421
Distributions to non-controlling interest	(54,204)
Contributions to the permanently restricted endowment	1,317
Contributions restricted for capital expenditures and debt service	126
Net cash and cash equivalents (used in) financing activities	(19,304)
Increase in cash and cash equivalents	45,825
Cash and cash equivalents, beginning of the year	150,773
Cash and cash equivalents, end of year	$ 196,598
Supplemental Cash Flow Information:	
Interest paid	$ 7,165
Gifts-in-kind	69

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

Note 1. Organization, Bankruptcy Proceedings, Going Concern, Litigation and Summary of Significant Accounting Policies

The major activities of the Boy Scouts of America, National Council are providing local councils with program materials and support in the areas of membership growth, fundraising, communications, administration, insurance, employee benefits, investment management, and human resources. The National Council's activities also include merchandise sales, magazine publications, and the coordination of national events.

Consolidation. The consolidated financial statements combine the accounts and results of operations and activities of the National Council of the Boy Scouts of America and its affiliates (National Council): Learning for Life; the Learning for Life Foundation; BSA Asset Management, LLC (BSAAM); BSA Commingled Endowment Fund, LP (Partnership); the Boy Scouts of America National Foundation (the Foundation), NewWorld19, LLC; and Arrow WV, Inc (collectively the "Affiliates"). NewWorld19, LLC was formed in 2015 to host the 2019 World Jamboree with Asociación de Scouts Mexico, A.C. and Scouts Canada. Arrow WV, Inc. was formed in 2009 to develop the future home of the national Scout jamboree and a new high-adventure base, the Summit Bechtel Reserve (SBR). The National Council is the sole member of BSAAM, and BSAAM is the General Partner of the Partnership, whose limited partners consist primarily of the National Council and local councils. Thus, the National Council has a limited partner interest in the Partnership as well as a general partner interest as the sole member of BSAAM. As such, the financial statements include the consolidation of the Partnership's assets, liabilities, capital, and operations. The limited partner interest of the local councils in the Partnership is presented in the consolidated financial statements as a noncontrolling interest. Other results of operations and activities of local councils are not included. All significant intercompany transactions have been eliminated.

Petitions for Relief Under Chapter 11

On February 18, 2020 (the "Petition Date"), the National Council of the Boy Scouts of America, excluding the Affiliates, and Delaware BSA, LLC, formed in 2019 (together, the "Debtors"), filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"). The Debtors' chapter 11 cases (collectively, the "Chapter 11 Cases") are being jointly administered under the caption *In re Boy Scouts of America and Delaware BSA, LLC*, Case No. 20-10343 (LSS), in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Documents filed on the docket of, and other information related to, the Chapter 11 Cases are available free of charge online. The Debtors filed the Chapter 11 Cases to achieve two key objectives: (i) to equitably compensate abuse survivors who were harmed during their time in Scouting and (ii) to ensure that the National Council emerges from bankruptcy with the ability to continue Scouting's mission. Upon the filing of the Chapter 11 Cases, sexual abuse-related litigation against the Debtors was stayed and, based on subsequent orders of the Bankruptcy Court, the automatic stay was extended to stay Scouting-related sexual abuse litigation against local councils and chartered organizations.

The application of the accounting requirements of ASC 852 *Reorganizations, Overall*, which provides guidance for entities that have filed petitions in bankruptcy court, began upon the filing of the Debtors' voluntary bankruptcy petitions; however, due to the financial statement date being as of and for the year ended December 31, 2018 and prior to the Petition Date, the applications and disclosure required by ASC 852-10 are not included and the consolidated financial statements as of and for the year ended December 31, 2021. Also, as of December 31, 2021, $124,143 of reorganization costs were incurred.

Filing of Proofs of Claim and Restructuring Plan

On May 26, 2020, the Bankruptcy Court entered an order establishing, among other deadlines, November 16, 2020, as the deadline for all holders of abuse claims and other claims to assert claims against the Debtors and approving certain procedures for the filing of claims in the Chapter 11 Cases. The Bankruptcy Court approved special procedures for providing notice to known and unknown survivors of Scouting-related abuse. Approximately 82,200 non-duplicative proofs of claim on account of sexual abuse, and 14,000 claims indirectly related or unrelated to sexual abuse, were filed against the Boy Scouts of America prior to the claims deadline. The Bankruptcy Court appointed $2,400,000 as payment for claims.

In order to globally resolve abuse claims against the Debtors and certain other parties in interest, the Debtors filed a plan of reorganization in the Chapter 11 Cases that establishes a settlement trust to compensate holders of abuse claims and provides for a channeling injunction of such abuse claims and nonconsensual third-party releases related thereto (as may be amended, modified, or supplemented, the "Plan") Specifically, the Plan incorporates agreements and settlements with, among others, the Debtors' secured lender, the official committees appointed to represent unsecured creditors and tort claimants in the Chapter 11 Cases, an ad hoc committee representing counsel of a majority of the holders of sexual abuse claims, an ad hoc committee representing the interests of the local councils, certain of the Debtors' chartered organizations, and certain of the Debtors' insurance companies. In return for contributions from or on behalf of certain of such settlement parties to the settlement trust established under the Plan for the benefit of abuse survivors, the Plan channels to the settlement trust abuse claims against the Debtors, related non-debtor entities, local councils, chartered organizations, settling insurance companies, and their respective representatives and provides for a coextensive nonconsensual release of such abuse claims related to acts prior to the Petition Date.

After a confirmation hearing that was contested by certain participants that spanned twenty-two days and included the submission of testimony and evidence and oral argument supporting confirmation of the Plan, the Bankruptcy Court issued an opinion on July 29, 2022, with respect to confirmation of the Plan (the "Confirmation Opinion"). The Confirmation Opinion did not confirm or deny the Plan, but the Bankruptcy Court approved the key elements of the Plan which included (a) the required contribution (as outlined below) of the National Council to a settlement trust to be established for the benefit of survivors in exchange for a release from all abuse claims arising prior to the petition date, (b) settlements with the local councils of any liability on the account of abuse claims arising prior to the petition date, (c) settlements with four of the Boy Scouts of America's insurers, settlements with certain chartered organizations and releases described above. After the Debtors and the parties supporting the Plan made modifications to the Plan to conform to the rulings in the Confirmation Opinion, the Bankruptcy Court held subsequent hearings to consider such modifications. On September 8, 2022, the Bankruptcy Court entered an order confirming the Third Modified Fifth Amended Chapter 11 Plan of Reorganization (with Technical Modifications) for Boy Scouts of America and Delaware BSA, LLC (the "Confirmation Order").

On April 19, 2023(emergence date), the Boy Scouts of America and Delaware BSA, LLC received affirmation from the bankruptcy court of the confirmation order resulting in the following required contributions for the National Council:

> Based on the emergence date and the amount of professional fees incurred by the National Council totaling $325,301 no additional unrestricted cash and investments were required.
>
> The National Council contributed its owned artwork with a deemed value in the Plan of $59,000. The owned artwork is not recognized as an asset in the Consolidated Statement of Financial Position at December 31, 2021.
>
> Oil and gas mineral rights with a deemed value in the Plan of $7,600. The oil and gas mineral rights being contributed are not recognized as assets at December 31, 2021.
>
> An $80 million 10 year note payable with fixed and variable principal payments, payable annually, and an interest rate of 5.5%.
>
> As of the date of emergence the contingent obligation based on achievement of certain future membership thresholds was $0.

Additional elements of the Plan which directly relate to the National Council as confirmed by the Confirmation Order include:

All liabilities of abuse occurring before the petition date are transferred to the settlement trust and liabilities for any other claims are extinguished for the treatment provided in the Plan, resulting in a significant decrease in the general reserve liability balance upon emergence.

New debt will be entered into by the National Council with the approximate amounts totaling approximately $262,700 with JP Morgan (replacing the existing debt), the settlement trust note of $80,000, and an intercompany loan from the Foundation of $42,800, which will eliminate in the National Council's consolidated financial statements. In addition, the National Council will be obligated to pay prepetition unsecured creditors a total of $25,000 in 4 semi-annual installments. The Boy Scouts of America will be subject to two financial covenants, a debt service coverage ratio and minimum liquidity. The Boy Scouts America will also be subject to average estimated debt service of $39,000 per year based on these debt balances.

The National Council will be bound by the terms of the Plan and Confirmation Order related to youth protection.

Commitments and Contingencies - General Liability Insurance Program

The National Council had a general liability insurance program (GLIP) through the Petition Date. For the fiscal year ending December 31, 2021, the program is fully funded with no deductible. The program is funded by payments received from the National Council, local councils, chartered units, and from investment income. Premiums received during 2021 for this program were $6,075 and insurance losses, costs and provision expense were $59,846. On the Consolidated Statement of Revenues, Expenses, and Other Changes in Net Assets, which includes the stated insurance losses and costs total, is $2,078 of insurance losses and costs from other insurance programs. Similarly, $1,283 is included in premiums revenue from other insurance programs.

As previously mentioned, on the Petition Date, the Debtors filed the Chapter 11 Cases as a result of both mounting numbers of lawsuits filed alleging sexual abuse as well as additional claims asserted for which lawsuits had not yet been filed. Filing for bankruptcy had the impact of staying pending abuse litigation. Subsequent to December 31, 2018, the date of these consolidated financial statements, and continuing during the Chapter 11 Cases to the date hereof, the number of alleged sexual abuse claims grew significantly due in part to the removal or expansion of the statutes of limitations on sexual abuse claims in certain states and the filing of claims in the Chapter 11 Cases and associated noticing and advertising of the claims-filing deadline in connection therewith. While the overwhelming majority of abuse claims became known subsequent to December 31, 2021, the vast majority of the incidents giving rise to the alleged claims occurred prior to December 31, 2021. ASC 450-20 *Liabilities* specifies that if a loss contingency was incurred prior to the date of the financial statements and the loss is probable and can be reasonably estimated, the loss contingency must be accrued as of the date of the financial statements even if knowledge of the claim arose after the balance sheet date but prior to the issuance of the financial statement.

As a part of the Plan confirmation process in the Chapter 11 Cases, an expert in estimating mass tort contingencies was hired to determine the aggregate valuation of abuse claims in connection with confirmation of the Debtors' Plan. The expert developed an estimated likely range of the aggregate value of abuse claims and concluded that the aggregate value as of the Petition Date was between $2,400,000 and $7,100,000 with the most likely range being $2,400,000 to $3,600,000. The Bankruptcy Court concluded in the Confirmation Opinion that the aggregate valuation of the abuse claims was most likely between $2,400,000 and $3,600,000. Under ASC450-20, *Liabilities*, when the estimate of a probable loss contingency is a range of loss and no amount within that range is the best estimate, then the low end of the range should be recorded. Management evaluated the expert's analysis and determined that no amount within the range represented the best estimate of the probable loss. Accordingly, a loss contingency of $2,400,000 is recorded as of and for the year ended December 31, 2021. The ultimate settlement of the claims through the execution of the Plan could differ materially from the amounts recorded.

The approximately $2,400,000 loss contingency recorded as of December 31, 2021 was estimated without consideration of the ultimate disposition of the claims though the Chapter 11 Cases, the allocation of such liability for such claims between the Boy Scouts of America, the local councils and chartered organizations, the amount of such claims that may be covered and reimbursed by insurance as that reimbursement cannot be accurately estimated, or the amount that the Debtors may be required to contribute to the settlement trust. Accordingly, the liability recorded does not represent the amount the Debtors may be required to pay to the settlement trust in the approved Plan but rather represents the estimated liability for sexual abuse related litigation that existed at December 31, 2018 taking into consideration all information known as of the date these consolidated financial statements were issued.

The GLIP contained $18,536 of investments, receivables, other assets, and $2,400,060 of liabilities and loss contingency for a net deficit of $2,381,524 as of December 31, 2021. The net deficit of the GLIP is reported within board designated net assets in the accompanying Consolidated Statement of Financial Position. In addition, the National Council provided standby letters of credit totaling $70,142 for the benefit of insurance companies in conjunction with the assumed deductible portion of the GLIP as of December 31, 2021 for all claims.

Notes Payable

As a result of the Chapter 11 Cases, the National Council is in default of substantially all of its debt agreements. However, the debt is not callable as it has been stayed through the bankruptcy proceedings and is included in liabilities subject to compromise.

See Note 6 for further discussion regarding the status of outstanding debt as of the financial statement date.

As of the date of issuance of the financial statements, no debtor-in-possession financing and/or exit financing has been obtained.

Going Concern

The accompanying financial statements have been prepared on a going concern basis which assumes continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. As discussed in the preceding paragraphs, the Debtors filed voluntary petitions for chapter 11 relief, and appeals of the Plan, Confirmation Opinion, and Confirmation Order are pending in the District Court. The bankruptcy filing, reorganization proceedings and overall negative net assets at December 31, 2021 raise substantial doubt about the National Council's ability to continue as a going concern for a period of one year from the date that these financial statements were issued. These consolidated financial statements do not include any adjustments that might be necessary because of the outcome of these uncertainties including the effects of any plan of reorganization.

Long Lived Asset to Be Held or Used (Pre-Bankruptcy)

ASC 360, *Property, Plant, and Equipment*, indicates that long-lived assets within an asset group should be tested for recoverability whenever events or circumstances indicate that the carrying amount of the long-lived assets may not be recoverable. An asset or asset group is considered to be recoverable when the sum of the undiscounted cash flows expected to be generated from the asset or asset group is greater than its carrying amount. This analysis is the first step of the impairment test of long-lived assets. If an asset group is not recoverable based on the results of step one, the second step determines the extent of impairment, if any, by comparing the fair value of the asset group to its carrying amount. If the carrying amount of an asset group is recoverable (i.e., passes step one), the reporting entity is precluded from recognizing an impairment charge, even if the fair value of the asset group, or any individual asset within the group, is less than its carrying amount.

The National Council determined that the bankruptcy filing was a triggering event requiring assessment of whether the organization's gross future cash flows were sufficient to recover the carrying amount of its long-lived assets. Based upon management's analysis, the gross future cash flows are sufficient to recover the carrying value of the long-lived assets and therefore, no impairment was recognized as of December 31, 2021.

Liquidity and Capital Resources

The National Council's primary sources of liquidity are cash on hand, cash flow from operations, accounts receivable primarily from local councils, pledge payments available for operations, endowment earnings from board designated funds and borrowings from debt facilities.

The National Council regularly monitors liquidity to meet its operating needs and other contractual commitments. As part of the National Council's liquidity management, it has a policy to structure its financial assts to be available as its general expenditures, liabilities and other obligations come due. In addition, the National Council invests cash in excess of operating requirements.

Notes to Consolidated Financial Statements ($ stated in thousands)

The table reflects the National Council's financial assets as of December 31, 2021, reduced by the amounts that are not available to meet general expenditures within one year of the statement of financial position date due to contractual restrictions or internal board designations:

	2021
Cash and cash equivalents	$ 196,598
Investments	443,043
Account receivable	14,054
Pledges receivable	15,977
Total Financial Assets	669,672
Noncontrolling interest	(203,118)
Endowment donor restricted	(165,919)
Pledges receivable due in greater than one year	(10,588)
Financial assets available to meet cash needs for general expenditures within one year	$ 290,047

The National Council continues to fund its operations subsequent to the balance sheet date and monitors liquidity and capital resources through the Chapter 11 Cases. Furthermore, the National Council has a board-designated endowment of $1,748 as of December 31, 2021. As of the date of this report, no additional borrowings have been obtained to fund operations.

Statement of Cash Flows. For purposes of reporting cash flows, cash includes demand deposits with banks or financial institutions, on-hand currency, and other kinds of accounts that have the general characteristics of demand deposits. Cash equivalents include short-term investments with original maturities of three months or less but do not include short-term investment funds of third-party investment managers.

Estimated Fair Values of Financial Instruments. Financial instruments include cash, investments, accounts and pledges receivable, accounts payable, and debt. Cash, investments, accounts receivable, accounts payable, and debt are deemed to be stated at their fair values.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

The National Council has adopted the fair value accounting guidance issued by the Financial Accounting Standards Board (FASB). Fair value accounting guidance establishes 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 input be used when available.

Observable inputs are used by market participants in pricing an asset or liability based on market data obtained from sources independent of the National Council. Unobservable inputs reflect the National Council's judgment regarding assumptions market participants would use in pricing an asset or liability based on the best information available in the circumstances. In instances where the determination of the fair value measurement is based on inputs from more than one level of the fair value hierarchy, the entire fair value measurement is classified within the hierarchy based on the lowest level of input that is significant to the fair value measurement in its entirety.

The hierarchy is measured in three levels based on the reliability of inputs:

- Level l–Valuations based on quoted prices in active markets for identical assets as of the reporting date.

- Level 2–Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from independent sources.

- Level 3–Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant judgment in determining the fair value assigned to such assets or liabilities.

Regarding Level 2, the valuation of these securities is handled daily by external pricing services administered by the National Council's safekeeping and custodial agent that monitor and assign values based on secondary markets. Where this is insufficient (e.g., for bank loans and private placements), the agent utilizes its proprietary pricing matrix for valuation, taking into consideration numerous input factors such as risk and liquidity.

Real estate investments, private equity, and collective trust funds are carried at estimated fair value based on the reported net asset value provided by the general partner of the fund.

The general partner of the fund marks the underlying real estate assets to fair value using the following procedures and parameters:

- All real estate investments are valued on at least an annual basis with the objective of providing a quarterly valuation schedule that is balanced with respect to property type, location, and percentage of portfolio carrying value.

- Newly acquired investments are carried at cost until their first scheduled valuation approximately 12 months after acquisition (the initial valuation) unless within the first 12 months market factors indicate cost may not be a reliable indicator of fair value.

- Subsequent to and including the initial valuation, the fair value of an investment shall be determined by an annual valuation prepared in accordance with standard industry practice by an independent third-party appraiser that is licensed and has a MAI designation (Member of the Appraisal Institute).

- All investments not scheduled for valuation in a particular quarter will be reviewed to determine if an interim value adjustment is warranted based on property or market-level changes. If warranted, an updated valuation will be prepared by an independent third-party appraiser that is licensed and has a MAI designation.

- Any capitalized costs relating to investments incurred during periods between independent valuations will be added to the most recent independent valuation to determine the current carrying value of the investment.

The appraisal process, while based on independent third-party valuations as well as verified property and market-level information, may result in a valuation estimate that differs materially from the sales price actually realized due to the particular motivations of buyers and sellers, as well as the subjectivity inherent in the process. Although the estimated fair values represent subjective estimates, the general partner of the fund believes these estimated values are reasonable approximations of market prices. Management has obtained an understanding of the valuation methodology utilized to value the underlying assets and believes the reported net asset value of the fund is an accurate fair value of the investment.

Bank loans are priced through the Markit Loan Pricing service. It offers liquidity information for the leveraged loan market, as well as access to liquidity metrics, such as the number of dealers quoting with the size and the average size quoted. A daily price is received on every bank loan in the portfolio.

Inventories. Inventories of merchandise, printing stock, and supplies are carried at the lower of average cost or market. Periodically, but no less often than once each year, inventory is evaluated for obsolescence. If inventory quantities on hand exceed reasonably anticipated future demands, inventory is written down to its net realizable value. The difference between current carrying cost and net realizable value is a period cost. Damaged inventory items are expensed immediately.

Land, Buildings, and Equipment. These assets are stated at cost or, if acquired by gift, at the estimated fair market value at the date of the gift. Depreciation and amortization are provided over the estimated useful lives of the related assets using the straight-line method. Estimated useful lives for financial reporting purposes are as follows: buildings and improvements, 10 to 40 years; computer software and hardware, 3 to 10 years; and furniture, fixtures, and other equipment, 3 to 10 years. Land improvements are depreciated over 20 years. Leasehold improvements are amortized over the lesser of the lease term or the life of the asset. Construction in progress is not depreciated until placed into operation. Property and equipment with a cost of more than $1,500 and an estimated useful life of more than two fiscal years is capitalized.

Revenue. Registration and licensing fees are recorded as income in the applicable membership, participation, or licensing period. High-adventure and jamboree fees are recorded as income in the applicable period of attendance. National service fees are paid by the local councils for administrative services provided and are recognized in the period earned. Revenues from merchandise sales are recognized at the point of sale and are reported net of returns and allowances. Subscription and advertising revenues are reflected as earned income when publications are issued. Investment gain (loss) includes interest and dividends earned during the period as well as realized and unrealized gains and losses on investments, net of investment expenses.

Pledges (Note 4) and contributions are recognized as revenues in the year in which an unconditional promise to give is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Restricted pledges and contributions that are to be utilized in the same period as donated are initially recorded as restricted revenues. Bequests are recorded when the amount and timing of receipt of funds are known. Contributions of land, buildings, and equipment are generally recorded as board-designated net assets as no time restriction is assumed for their use. Insurance premium revenue is recognized pro rata over the terms of the related policies.

Concentration of Market and Credit Risk. Market risk represents the potential loss the National Council faces due to a decrease in the value of its investments and assets held at fair value. Credit risk represents the potential loss the National Council faces due to possible nonperformance by obligors and counterparties of the terms of their contracts. Financial instruments that potentially subject the National Council to concentrations of credit risk consist principally of cash equivalents, the investment portfolio (Note 2), and accounts receivable and pledges receivable. Credit risk on pledges receivable is managed by discounting the pledges based on a rate that reflects the risk of that pledge not being collectable.

In order to limit credit risk with respect to cash equivalents and the investment portfolio, the National Council invests in obligations of the United States government, mutual funds, and other marketable securities. These investments are held by diverse, high-quality financial institutions. The National Council grants unsecured credit to local councils and others for merchandise sales and insurance coverage within established guidelines for creditworthiness. These transactions make up the majority of accounts receivable.

Underwater Endowment Funds. The National Council considers its endowment funds to be underwater if the fair value is less than the sum of (1) the original value of the initial and subsequent gift amounts donated to the endowment fund and (2) any accumulations to the endowment fund that are required to be maintained in perpetuity per the direction of the donor. From time to time, the fair value of assets with individual donor- restricted endowment funds may fall below the level required to be maintained by the donor or required by law. At December 31, 2021, there were no endowment funds with deficiencies.

Donated Services. A substantial number of volunteers have donated significant amounts of their time to the operations of the National Council, and numerous media organizations have provided public service advertising. Volunteer services that create or enhance nonfinancial assets (e.g., camps, buildings) or require specialized skills, and are performed by people possessing those skills, are recorded as contributions and as expenses or additions to land, buildings, and equipment. Due to practical reasons, not all donated services are recorded. Where practical and of significant materiality, the National Council records donated services at fair value of the services received as contribution revenue on the Consolidated Statement of Revenues, Expenses, and Other Changes in Net Assets.

Collections. The National Council possesses artifacts, fine art, and multimedia archives. The owned artwork will be contributed to the settlement trust at emergence from bankruptcy as required by the Plan (see Note 1). The collections are located at the National Scouting Museum in Cimarron, New Mexico, Summit Bechtel Reserve, and the National Service Center. The majority of the high-valued fine art is on loan to the Foundation Medici in Warren, Ohio. The museum also houses collections of Scouting memorabilia, objects, and archival documents. In conformity with accounting policy generally followed by museums, these collections are not recognized as assets in the Consolidated Statement of Financial Position; however, costs associated with insuring and maintaining these collections have been expensed. During 2021, no major additions or disposals of collections items occurred.

Functional Expenses. The costs of providing the Scouting program and supporting services have been summarized on the consolidated statement of revenue, expenses and other changes in net assets on a functional basis. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, accounting, information technology personnel, and payroll taxes. The basis of the allocation of these expenses is the result of a time study of staff activities which is performed every two years. The percentage of time allocated to each of the programs and the supporting functions is based on the time study and is applied to the expenses that are allocated. The consolidated financial statements report expenses by function in the consolidated statement of functional expenses.

Program Services Expenses comprise:

- **Field Operations.** Support for local councils, including but not limited to, administration of standards of performance, inspection of council campsites, assistance with long-range planning, conduct of regional training and conferences for professionals and volunteers, administration of an extensive program of local council financial support, and administration and funding of the defense of our private membership rights.

- **Human Resources and Training.** Administration of all aspects of human resources policies for the locals councils including recruiting, placement, and training of professional employees; promoting diversity; managing compensation and benefits programs; and monitoring employee relations.

- **Program Development and Delivery.** Development of the basic program; providing camping and outdoor literature, materials, and techniques, as well as engineering service, to local councils; managing the volunteer training programs of the Boy Scouts of America and handling all national program support in the areas of health and safety, activities, program evaluation, and low-income program; developing uniforms and insignia and other program elements; operating the National Scouting Museum; operating the high-adventure bases and the national jamboree.

- **Program Marketing.** Administration of public relations, including providing news releases, features for print and broadcast media, and internal news in the form of newsletters, fact sheets, and the annual report for the nationwide Scouting family. In addition, protection and promotion of the Scouting brand.

- **World Scout Bureau Fees.** Payment to the World Organization of the Scout Movement in support of international enrichment programs based on an established fee for each registered, uniformed youth and adult member.

- **Insurance Programs.** Support of the group medical, life, dental, and general liability insurance programs for local councils and the National Council.

The Use of Estimates in Preparing Financial Statements. The preparation of financial statements in conformity with United States of America generally accepted accounting principles (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Income Tax Status. The National Council and its other affiliates, Learning for Life, the Learning for Life Foundation, the Boy Scouts of America National Foundation, BSA Asset Management, LLC, and Arrow WV, Inc., are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not private foundations. Each of the partners of the Partnership is responsible for reporting its allocable share of the partnership's income or loss on its individual tax returns.

Income from certain activities (primarily magazine advertising income, sponsorships, and net revenue from sales of livestock) not directly related to the National Council's tax-exempt purpose is subject to taxation as unrelated business income. As of December 31, 2021, the National Council has a cumulative net operating loss of approximately $40,694. Management has determined that it is more likely than not that the net operating loss will not be realized and has therefore provided a full valuation allowance against any deferred tax asset as of December 31, 2021.

Uncertainty in Income Taxes. The National Council recognizes interest and penalties related to underpayment of income taxes as income tax expense. As of December 31, 2021, the National Council had not recorded any amounts related to unrecognized income tax benefits or accrued interest and penalties. The National Council does not anticipate any significant changes to unrecognized income tax benefits over the next year.

Recent Accounting Pronouncements. In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding "right-of-use" assets. The standard is effective for annual reporting periods in fiscal years that begin after December 31, 2021. The adoption of the standard is not expected to have a material impact on the National Council's financial statements.

Subsequent Events. The National Council has performed a review of subsequent events through the date of the financial statements were issued and noted the following: March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic, this resulted in a disruption in the organization operations, closing operations of the high adventure bases, scout shops, as well as the closing of the national office requiring the majority of the office staff to work remotely. Overall, there was not a significant financial impact on the organization from COVID-19. In conclusion, other than those items already disclosed in the consolidated financial statements, there were no events or transactions during this subsequent event reporting period that required recognition or disclosure.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 2. Investments

At December 31, 2021, investments comprised the following:

	Level 1	Level 2	Level 3	Total
Short-term investment funds and treasury bills	$ 899	$ 33,234	$ 0	$ 34,133
Investment of cash/non-cash collateral in investment trust	0	2,311	0	2,311
Debt securities				
Government (includes $877 of securities on loan)	0	22,116	0	22,116
Corporate (includes $291 of securities on loan)	0	26,088	0	26,088
Other	0	23,985	0	23,985
Total debt securities	0	72,189	0	72,189
Equity securities				
Common stocks—domestic (includes $742 of securities on loan)	11,069	4,692	0	15,761
Common stocks—foreign (includes $340 of securities on loan)	33,663	4,343	0	38,006
Total equity securities	44,732	9,035	0	53,767
Investments measured at net asset value[1]				280,643
Total investments	$ 45,631	$116,769	$ 0	$443,043

[1] Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statement of Financial Position.

No transfers between any of the levels occurred in 2021.

Notes to Consolidated Financial Statements ($ stated in thousands)

The National Council uses the Net Asset Value (NAV) to determine the fair value of all underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investee's financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category as of December 31, 2021:

2021

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Timing to Drawdown Commitments
Private Equity (Limited Partnership)	Private equity funds invest in companies not listed publicly and startup companies to earn high rate of return. The strategy allocates between middle market corporate finance focused funds and venture capital focused funds	$ 76,893	56	1 to 12 years	$ 10,730	1 to 5 years
Collective Trust	Collective trust fund is like a mutual fund, but it only sells to institutional investors. CTF funds cover broad strategies including but not limited to U.S. equity, Non U.S. equity, U.S. investment grade debt, U.S. treasury debt, high yield debt and global REITS	165,290	22	N/A	N/A	N/A
Private Real Estate (Limited Partnership)	Private real estate fund utilizing core strategy to generate income while maintain low risk profile by focusing on gateway cities and other large cities. Investments include residential, industrial, retail and office sectors to diversify portfolio.	38,460	2	5 years	6,783	N/A
High Yield (Limited Partnership)	The limited partnership focus mainly on U.S. high yield market and has small exposure to bank loans.	0	0	N/A	N/A	N/A
	Total	$ 280,643	80		$ 17,513	

The Private Equity funds have no redemption terms. The Private Real Estate funds have a 45-day notice period and quarterly redemption. Most Collective Trust funds may be redeemed daily except the ACWI ex U.S. CTF fund that can typically be redeemed twice a month. High Yield Limited Partnership funds can be redeemed monthly with a ten-business day notice.

Investment securities may be purchased or sold on a when-issued or delayed delivery basis. These transactions involve a commitment to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed delivery purchases are outstanding, liquid assets will be set aside or earmarked internally, until the settlement date, in an amount sufficient to meet the purchase price. When purchasing a security on a delayed delivery basis, the rights and risks of ownership are assumed, including the risk of price and yield fluctuations, and such fluctuations are taken into account when determining net asset values. Delayed delivery transactions may be disposed of or renegotiated after they are entered into, and when-issued securities may be sold before they are delivered, which may result in an investment gain or loss.

Investment securities of the National Council whose values are expressed in foreign currencies are translated to U.S. dollars at the bid price of such currency against U.S. dollars last quoted by an approved pricing vendor or major bank on the valuation date. Dividend and interest income and certain expenses denominated in foreign currencies are translated to U.S. dollars based on the exchange rates in effect on the date the income is earned and the expense is incurred. Exchange gains and losses are realized upon ultimate receipt or disbursement.

Net investment income on the Consolidated Statement of Revenues, Expenses, and Other Changes in Net Assets includes $3,553 of interest and dividends, $64,219 of net realized gains, and $5,575 of unrealized losses in the fair value of investments less $2,552 in investment manager expenses. Included within the change in net assets attributed to noncontrolling interests is net investment income pertaining to the local councils' limited partner interest within the Partnership which for 2021 includes $2,051 of interest and dividends, $32,746 of net realized gains, and $353 of unrealized gains in the fair value of investments less $1,390 in investment manager expenses.

Notes to Consolidated Financial Statements ($ stated in thousands)

The National Council participates in a securities lending program with its investment custodian, State Street. This program allows State Street to loan securities, which are assets of the National Council, to approved brokers. State Street requires the borrowers, pursuant to a security loan agreement, to deliver collateral at least equal to 102 percent of the market value of U.S. securities loaned, and 105 percent of the market value of non-U.S. securities loaned, to secure each loan. In the event of a default by the borrower, State Street shall indemnify the National Council by purchasing replacement securities equal to the number of unreturned loaned securities or, if replacement securities are not able to be purchased, State Street shall credit the National Council for the market value of the unreturned securities. In each case, State Street would apply the proceeds from the collateral for such loan to make the National Council whole.

As of December 31, 2021, the market value of securities on loan to approved brokers was $2,250. Collateral received for securities on loan was invested in the State Street Navigator Securities Lending Prime Portfolio. Total collateral of $2,311, received for securities on loan at December 31, 2021, is held by State Street on behalf of the National Council. Income associated with the securities lending program amounted to $8 for 2021 and is included in net investment income. The following table summarizes the securities loaned and the related collateral as of December 31, 2021:

Securities Loaned and the Related Collateral **Securities**	**Fair Value**	**Fair Value of Collateral**
Government obligations	$ 877	$ 895
Corporate obligations	291	760
Common stocks—domestic	742	298
Common stocks—foreign	340	358
Total investments purchased with cash collateral	$ 2,250	$ 2,311
Investments Purchased with Collateral		
State Street Navigator Securities Lending Prime Portfolio		$ 2,311

Risk Factors

Currency/foreign exchange risk. The National Council may hold investments denominated in currencies other than the U.S. dollar, the National Council's functional currency. In such instances, there is exposure to currency risk, as the value of the investments denominated in other currencies will fluctuate due to changes in exchange rates. To the extent that these investments create risk in respect of movements in foreign exchange rates, the National Council may hedge this risk, in a cost-effective manner, to the extent possible. As of December 31, 2021, there are no foreign currency hedges.

Interest rate/credit risk. The National Council's investment portfolios are subject to interest rate and credit risk. The value of debt securities may decline as interest rates increase. The investment portfolios could lose money if the issuer of a fixed-income security is unable to pay interest or repay principal when it is due.

Market price risk. The prices of securities held by the National Council may decline in response to certain events, including those directly involving the companies whose securities it owns. Those events may include, but are not necessarily limited to: conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; and currency, interest rate, and commodity price fluctuations.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 3. Endowment

Endowment net asset composition and changes in composition by type of fund as of and for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance December 31, 2020	$ 38,959	$ 144,137	$ 183,096
Investment return:			
Interest and dividends	(17)	1,390	1,373
Realized and unrealized investment losses	238	23,075	23,313
Investment manager fees	(36)	(995)	(1,031)
Net investment return	185	23,470	23,655
Contributions	678	1,519	2,197
Spending allocation	0	(297)	(297)
Net assets released from restriction	0	(2,725)	(2,725)
Endowment used for operations	(38,034)	0	(38,034)
Other (net)	(40)	(185)	(225)
Balance December 31, 2021	$ 1,748	$ 165,919	$ 167,667

The National Council's endowment consists of approximately 115 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Executive Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions or in accordance with the Executive Board's interpretation of relevant law.

Interpretation of relevant law. The National Council classifies net assets associated with its donor-restricted endowment as restricted. Investment returns in excess of spending authorized by the "spending policy" (the spending policy is defined below) are classified as temporarily restricted net assets, absent explicit donor stipulations to the contrary. The Executive Board of the National Council has determined that this classification is consistent with the intent of the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). Among other things, TUPMIFA creates a rebuttable presumption of imprudence if an organization authorizes a current spending rate in excess of 7 percent absent explicit donor stipulations. Amounts made available from donor-restricted endowment funds in accordance with the spending policy are classified as temporarily restricted net assets until they are expended.

In accordance with TUPMIFA, the National Council considers the following factors in establishing its spending rate for donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purposes of the National Council and its donor-restricted endowment fund;
3) General economic conditions;
4) The possible effects of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources; and
7) The National Council's investment policies.

Return objectives and risk parameters. The Executive Board of the National Council has adopted a Strategic Investment Policy and a Spending Policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the National Council must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The National Council invests its endowment assets in the Partnership. Under the Strategic Investment Policy, the endowment assets are invested in a manner that is intended to produce the highest total long-term return, consistent with prudent investment practices, sufficient to cover the maximum annual spending rate plus an allowance for inflation. The National Council expects its endowment funds to provide an average annual real rate of return of approximately 4.5 percent over the long term, after allowance for expected inflation and investment cost. Actual returns in any given year may vary significantly from this expectation.

Strategies employed for achieving objectives. To satisfy its long-term rate-of-return objectives, the National 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 National Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy. The National Council has a policy of appropriating for distribution each year up to 5 percent of its endowment fund’s average fair value over the prior 12 quarters through March 31 of the year preceding the fiscal year in which the distribution is planned. In establishing this policy, the National Council considered the long-term expected return on its endowment.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 4. Pledges Receivable

Included in pledges receivable are the following:

Unconditional promises to give before discounts	$ 51,298
Less discount	(9,482)
Net unconditional promises to give (before allowance)	41,816
Less allowance	(25,839)
Net unconditional promises to give (after allowance)	$ 15,977

Amounts due in:	
Less than one year	$ 27,503
One to five years	6,262
More than five years	17,533
Total undiscounted pledges	$ 51,298

Pledges are evaluated for collectability and assigned a discount rate related to the risk of uncollectable amounts. The discount rates for valuing 2021 pledges ranged from 1.78 to 4.02 percent.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 5. Land, Buildings, and Equipment

At December 31, 2021, land, buildings, and equipment comprised the following:

National office, less accumulated depreciation of $14,116	$ 4,738
High-adventure bases, less accumulated depreciation of $35,732	61,120
National Distribution Center, less accumulated depreciation of $7,904	2,637
Summit Bechtel Family National Scout Reserve, less accumulated depreciation of $82,006	367,696
Furniture, equipment, and software, less accumulated depreciation and amortization of $87,042	23,511
Total land, buildings, and equipment, less accumulated depreciation and amortization of $226,800	$ 459,702

Depreciation expense was $21,436 in 2021.

High-adventure bases include Philmont Scout Ranch, Florida Sea Base, Northern Tier, and the Summit.

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 6. Notes Payable

Notes payable consists of the following at December 31, 2021:

	2021 Principal Payment	Interest Rate	Maturity Date	Outstanding at December 31, 2021
Liabilities Not Subject to Compromise:				
Revolving $35,000 line of credit	0	3.25% prime rate	2022	35,000
Total Liabilities Not Subject to Compromise	$ 0			$ 35,000
Liabilities Subject to Compromise:				
Revolving $75,000 line of credit (0.15% fee for unused credit)	0	1.25% + LIBOR	2020	25,212
2010 Bond issuance (Series B) of $50,000	0	3.22% fixed	2020	40,138
2012 Bond issuance of $175,000	0	2.94% fixed	2022	145,662
Term Loan of $25,000 payable in 20 equal payments of $1,250, including interest and principal	0	1% + LIBOR	2022	11,250
Total Liabilities Subject to Compromise	$ 0			$ 222,262

As of February 2020, the National Council's has pledged as collateral the National office and the High-adventure bases to secure notes payable.

In April 2020, a revolving credit facility loan of $10,000 was drawn to pay Old Republic Insurance for GLIP claims. In October and December 2021, an additional revolving credit facility loan of $10,000 and $15,000, respectively, was drawn to pay Old Republic Insurance for GLIP claims.

In March 2012, the National Council issued debt to finance the development of the Summit. $175,000 in 10-year, tax-exempt bonds were added to the existing 2010 Series A and B bonds, and the 5-year $50,000 line of credit was increased by $25,000 to $75,000. Bond issuance costs were $100. The Series A bond was paid in 2015 and the Series B bond had a monthly principal and interest payment with a balloon payment of $40,363 that was due in 2020. No principal payments were made in 2021 due to the bankruptcy.

The $175,000 bonds payable, required monthly interest and principal payments with a balloon payment of $136,834 due in 2022. In 2022, the bonds were not paid but will be reissued as part of emergence.

The organization's entire bond proceeds have been used for development of the Summit. All the bonds are senior obligations of the organization and required collateral of the National Council's unrestricted gross revenues and the pledges pertaining to the project. The bond agreements include the standard covenants and events of default, including limitations on incurring additional indebtedness, a requirement to maintain a minimum ratio of certain cash and pledge amounts to debt, and a requirement to maintain a minimum ratio of unrestricted net assets to debt.

Notes to Consolidated Financial Statements ($ stated in thousands)

Covenants, collateral, and other terms for the $75,000 line of credit are as follows: The non-usage fee as amended is 0.15 percent per annum. The interest rate on amounts utilized is LIBOR plus 1.25 percent or prime rate of 4.5 percent for funds based on the flexibility needed on funds outstanding.

In March 2017, the National Council amended the $175,000, 10-year tax-exempt bonds and the 2010 Series A and B were amended. The amendments changed the minimum ratio of unrestricted net assets to debt.

Maturity dates of notes payable were renegotiated after exiting bankruptcy. See Note 1. Related to our bankruptcy filings.

Aggregate maturities of contractual frozen notes payable for each of the years subsequent to December 31, 2021, are as follows:

2022 and thereafter ...	$ 257,262

Interest incurred, capitalized, expensed, and paid during the year ending December 31, 2021, were:

Interest incurred	$ 7,191	Interest paid	$ 7,165
Interest expensed	$ 7,191		

Note 7. Credit Arrangements

At December 31, 2021, the National Council has provided a $700 irrevocable letter of credit for the benefit of an insurance company to guarantee payments in conjunction with a self-insured workers' compensation program. Additional letters of credit are discussed in Note 1.

Note 8. Commitments and Contingencies

The National Council rents various office equipment and occupies various Scout shops and other office space under non-cancellable operating leases expiring at various dates through 2025. Rental commitments for Scout shop leases are contingent on future sales levels. Real estate leases are renewable at the option of the National Council. Total rental expense for all operating leases for the year ended December 31, 2021, amounted to $5,337. The estimated minimum contractual rental commitments under operating leases that have initial or remaining non-cancellable terms as of December 31, 2021, are as follows (as of December 31 for each year):

2022 …………………………………………………	$ 835
2023 …………………………………………………	234
2024 …………………………………………………	43
2025 …………………………………………………	2
Total minimum payments required …………………	$ 1,114

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 9. Net Assets Without Donor Restrictions

At December 31, 2021, unrestricted net assets with a controlling interest comprised the following:

General operations	$ 226,528
Board-designated:	
Unrestricted Investments	1,747
Properties	278,936
Retirement Benefits Trust (Note 12)	64,305
Insurance Programs	(2,378,379)
Other	(248,810)
Total board-designated net assets	(2,282,201)
Total unrestricted net assets, controlling interest	$(2,055,673)

Unrestricted net assets attributed to noncontrolling interests represent the local councils' ownership in the Partnership. Total unrestricted net assets have changed as follows:

	Controlling Interest	Noncontrolling Interest	Total Unrestricted
Net assets as of December 31, 2020	$ (1,923,748)	$ 216,061	$ (1,707,687)
Change in net assets	(131,925)	(12,943)	(144,868)
Net assets as of December 31, 2021	$ (2,055,673)	$ 203,118	$ (1,852,555)

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 10. Net Assets With Donor Restrictions

At December 31, 2021, restricted net assets comprised the following:

Permanently restricted net assets:	
John W. Watzek Jr. (income supports general operations)	$ 16,497
National Scouting Museum (income supports museum operations)	12,263
Waite Phillips Scholarship (income supports Philmont scholarships)	10,296
Cooke Eagle Endowment (income supports Eagle Scout scholarships)	8,506
Genevieve and Waite Phillips (income supports maintenance of Philmont)	8,285
DeWitt-Wallace Foundation (income supports leadership programs)	5,263
Scoutmaster Recognition (income supports scholarships for outstanding Scoutmasters)	4,573
Southern Region Trust Fund (income supports Southern Region)	4,181
High adventure (income benefits high-adventure program)	4,145
Kenneth McIntosh (income supports Scouting around the world)	3,749
Sonia S. Maguire (income supports Philmont camperships)	2,747
Steve Fossett High-Adventure Base Endowment (income supports high-adventure bases)	2,719
Genevieve Phillips (income maintains Philmont Villa and grounds)	2,559
Hall Scholarship (income supports Eagle Scout scholarships)	2,467
Mortimer L. Schiff (income supports professional training and development)	2,359
Thomas J. Watson (income supports general operations)	2,351
Augustus F. Hook Jr. (income supports professional staff in Indiana)	2,281
Summerfield Endowment (income supports general operations)	2,243
NESA Scholarship (income provides academic scholarships for Eagle Scouts)	2,002
W. H. Warner (supports general operations)	1,889
Northeast Region Main Trust Fund (income supports Northeast Region)	1,673
World Scouting Development (supports Scouting around the world)	1,542
Central Region Trust Fund (income supports Central Region)	1,387
Robert E Allen Endowment Fund (income supports operations)	1,374
Other	26,695
Total permanently restricted net assets	134,046
Temporarily restricted net assets:	
Arrow WV (contributions and income supports the Summit)	27,284
Poole Gateway Endowment (supports Poole Gateway Village and related programs)	6,689
Goodrich Lake Endowment Fund (maintains lake at the Summit)	3,979
Philmont Restricted Contributions (supports Philmont projects)	3,550
Doug Cook Memorial Fund (supports Chief Okemo council)	2,387
Ute Park Fire Fund (supports Philmont)	2,020
Arnold Scoutreach (supports general charitable purposes of the BSA and related entities)	1,997
Glen Adams Eagle Scout Scholarships (supports Eagle Scout scholarships)	1,962
Waite Phillips Scholarship Income (supports Philmont scholarships)	1,952
Scoutmaster Recognition (supports scholarships for outstanding Scoutmasters)	1,834
Southern Region Trust Income (supports Southern Region)	1,591
Hafer Chaplain Expenses (supports chaplaincy services at high-adventure bases)	1,567
Cabela Family Foundation Fund (used to rehabilitate Cimarroncita at Philmont)	1,423
Mississippi Council Enhancement Fund (supports Mississippi councils)	1,388
Other	30,332
Total temporarily restricted net assets	89,955
Total restricted net assets	$ 224,001

Notes to Consolidated Financial Statements ($ stated in thousands)

Note 11. Fees

During 2021, fees comprised the following:

Registration and license fees	$ 80,280
National service fees from local councils	8,188
High-adventure bases	46,443
The Summit	7,832
Other	2,109
Total fees	$ 144,852

Note 12. Retirement Benefits Trust

The Retirement Benefits Trust (the "Trust"), a grantor trust, is funded at the discretion of the National Council by payments from local councils, the National Council, and by investment income. In 2021, neither the National Council nor the local councils made payments to the Trust. Net investment gains for the Trust in 2021 equaled $430, and at December 31, 2021, the Trust's net assets were $64,305.

In accordance with the Trust agreement, Trust funds may be used as follows: (1) to subsidize the cost of medical insurance benefits for retired employees of local councils and the National Council and their dependents; (2) to supplement the funding of the "qualified" defined benefit retirement plan, should the fair value of its assets fall below 125 percent of its accumulated benefit obligation; (3) to pay costs related to a "non-qualified" defined benefit retirement plan; or (4) for any other purpose deemed by the National Executive Board to be in the best interests of the Boy Scouts of America.

Note 13. Health, Life, and Other Welfare Insurance Programs

The National Executive Board offers health, life, and other welfare insurance programs that operate for the benefit of employees of local councils and the National Council and their dependents as well as certain retirees (defined in Note 12). These insurance programs provide health, life, dental, vision, accidental death and dismemberment, and long-term disability benefits. The health and dental programs are self-insured, and the other programs are fully insured.

Note 14. Benefits

The National Council offers a "non-qualified" defined benefit retirement plan (the "non-qualified plan") to ensure that all employees receive retirement benefits on a comparable basis, notwithstanding limitations imposed upon qualified retirement plans by the tax laws. In October 2017, the National Executive Board amended the thrift plan to the "BSA Matching Savings Plan" effective January 1, 2019. The National Council also sponsors a "qualified" elective matching savings plan where non-grandfathered employees (see Note 15) will receive an automatic contribution from the National Council of 1.75 percent of pay and $1 for $1 matching contributions on personal contributions up to 6 percent of pay. The National Council will match grandfathered employees' personal contributions, $.50 per $1 contributed, up to 6 percent of pay. The National Council's pension expense for the non-qualified retirement plans equals the amount of its contributions paid or accrued, such amounts being determined by the administrator of the plans. The National Council expense in 2021 related to the matching savings plan was $1,381.

Note 15. Defined Benefit Retirement Plan

The National Council operates as a single employer plan, but for accounting purposes, as a multiemployer plan, and thus reports accordingly, consistent with ASU No. 2011-09.

The National Council participates in a January 31 year-end qualified multiemployer defined benefit retirement plan covering National Council and local council employees with at least one year of service. The plan's legal name is the Boy Scouts of America Retirement Plan for Employees. The plan's three-digit plan number and its Employee Identification Number (EIN) are 001 EIN 22-1576300. The plan is not subject to a collective-bargaining agreement, and coverage under this plan is at the option of the employee. In the event the plan is terminated, no assets will inure to the benefit of the National Council prior to the satisfaction of all benefit obligations to the participants.

The risks of participating in the multiemployer plan are different from a single employer plan in that the assets contributed to a multiemployer plan may be used to provide benefits to employees of other participating employers (i.e., the local councils). If a participating employer stops contributing to the plan, the unfunded obligations of the plan will be borne by the remaining participating employers.

The overall number of employees participating in the plan decreased in correlation with an overall decrease in employees of 202 to 4,292 in 2021. The National Council and local councils each contributed an amount equal to 12 percent of an employee's salary in 2021. The National Council's employer contribution for 2021 was $5,059. The amounts represent in excess of 5 percent of total contributions to the plan in each year. As of August 1, 2020, there was a plan freeze and employee contributions to the defined benefit plan was suspended indefinitely, however, employer contributions will continue.

Total employer contributions to the plan, including local councils, was $24,450 for 2021. Including employees' contributions, total contributions for 2021 was $24,450. Employee contributions ended for the plan as of August 1, 2020. For the year ended December 31, 2021, the plan had net assets of $1,630,081.

The National Council and local councils contribute such amounts as necessary, on an actuarial basis, to provide the plan with assets sufficient to meet the benefits paid to the plan's members and to meet the funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Pension Protection Act of 2006 (PPA). Under a provision in the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act passed in 2010, the Boy Scouts of America retirement plan was given a temporary exemption until 2017 of funding requirements and benefit restrictions enacted by the PPA. However, in 2014 a Congressional amendment was added to ERISA which provided the Boy Scouts of America retirement plan with a permanent exemption from PPA. The actuarial present value of accumulated plan benefits, based on an annual interest rate of 6.5 percent and the PPA-prescribed mortality tables for each plan year, for the year ending December 31, 2021 was $1,346,081. As of December 31, 2021, the pension plan is believed to be at least 80 percent funded with contributions exceeding the minimum funding requirements of ERISA.

Note 16. Debtors' Statement of Financial Position

As of December 31, 2021 (In thousands)	Boy Scouts of America
Assets	
Cash and cash equivalents	$ 168,542
Investments, at fair value	189,358
Accounts receivable, less allowance of $218	13,739
Pledges receivable, less discount of $9,239	14,499
Other receivables	443
Gift annuities	5,289
Prepaid and deferred charges	10,983
Intercompany Receivable	365,801
Inventories, less provision for obsolescence of $9,629	37,375
Land, buildings, and equipment, net	83,748
Other	5,514
Total assets	$ 895,291
Liabilities and Net Assets	
Liabilities Not Subject to Compromise:	
Accounts payable and accrued liabilities	$ 78,879
Gift annuities	5,289
Unearned fees and subscriptions	56,526
Notes payable including line of credit	35,000
Claims and other reserves	5,809
Payable upon return of securities loaned	2,311
Total liabilities not subject to compromise	183,814
Liabilities Subject to Compromise:	
Accounts payable and accrued liabilities	5,180
Notes payable including line of credit	222,262
Intercompany Payable	14,080
Claims and other reserves	2,400,000
Total liabilities subject to compromise	2,641,522
Total liabilities	2,825,336
Commitments and contingencies	
Net assets:	
Without Donor Restrictions:	
Controlling interest:	
General operations	381,394
Board-designated	(2,457,977)
Total without donor restrictions	(2,076,583)
Total with donor restrictions	146,538
Total net assets	(1,930,045)
Total liabilities and net assets	$ 895,291

Note 17. Debtors' Statement of Revenues, Expenses, and Other Changes in Net Assets

Year ended December 31, 2021 (In thousands) Boy Scouts of America

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Fees	$ 144,852		$ 144,852
Supply operations—sales	73,586		73,586
Cost of sales and expenses	(63,162)		(63,162)
	10,424		10,424
Magazine publication—sales	5,861		5,861
Cost of production and expenses	(5,157)		(5,157)
	704		704
Contributions and bequests	8,266	$ 1,952	10,218
Other—including trading post sales	19,047		19,047
Cost of sales and expenses	(4,749)		(4,749)
	14,298	0	14,298
Total revenues before net investment income	178,544	1,952	180,496
Investment income, net of fees	(492)	17,774	17,282
Revenues, net	178,052	19,726	197,778
Net assets released from restrictions:			
Donor restrictions satisfied	3,332	(3,332)	
Expenses:			
Program services:			
Field operations	25,938		25,938
Human resources and training	5,365		5,365
Program development and delivery	63,971		63,971
Program marketing	3,273		3,273
World Scout Bureau fees	1,404		1,404
Insurance programs—losses and costs	61,924		61,924
Premiums	(7,358)		(7,358)
	54,566		54,566
Total program services	154,517		154,517
Supporting services:			
Management and general	137,424		137,424
Fundraising	2,862		2,862
Total supporting services	140,286		140,286
Total expenses	294,803	0	294,803
Change in net assets	$ (113,419)	$ 16,394	$ (97,025)

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