

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2015 AND 2014

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

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Independent Auditors' Report

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Heart of America Council, Boy Scouts of America
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Opinion

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

Mark Nelson LLC

Kansas City, Missouri
June 6, 2016

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	Assets							
	Operating Fund		Capital Fund		Endowment and Related Funds		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Current assets:								
Cash and cash equivalents	\$ 1,835,177	\$ 1,685,267	\$ 514,732	\$ 204,556	\$ 57,304	\$ 19,258	\$ 2,407,213	\$ 1,909,081
Short-term investments	2,232,641	2,223,473	300,225	300,193	55,035	53,419	2,587,901	2,577,085
Accounts receivable	45,823	24,362	-	-	-	-	45,823	24,362
Pledges receivable, net	90,945	28,251	10,291	124,224	13,760	9,135	114,996	161,610
Inventories	407,250	475,253	-	-	-	-	407,250	475,253
Prepaid expenses	313,656	268,747	-	-	-	-	313,656	268,747
Total current assets	4,925,492	4,705,353	825,248	628,973	126,099	81,812	5,876,839	5,416,138
Land, buildings and equipment, net	-	-	16,279,809	16,690,455	1,500,000	1,500,000	17,779,809	18,190,455
Beneficial interests in perpetual trusts	-	-	-	-	525,208	558,004	525,208	558,004
Long-term investments	-	-	-	-	16,433,843	17,340,130	16,433,843	17,340,130
Other assets	-	-	11,562	11,816	-	-	11,562	11,816
Total noncurrent assets	-	-	16,291,371	16,702,271	18,459,051	19,398,134	34,750,422	36,100,405
Total assets	<u>\$ 4,925,492</u>	<u>\$ 4,705,353</u>	<u>\$ 17,116,619</u>	<u>\$ 17,331,244</u>	<u>\$ 18,585,150</u>	<u>\$ 19,479,946</u>	<u>\$ 40,627,261</u>	<u>\$ 41,516,543</u>
	Liabilities and Net Assets							
Current liabilities:								
Current portion of long-term debt	\$ -	\$ -	\$ 44,248	\$ 26,747	\$ -	\$ -	\$ 44,248	\$ 26,747
Accounts payable	131,345	33,440	3,158	1,686	-	-	134,503	35,126
Accrued expenses	31,635	44,346	188	-	-	-	31,823	44,346
Payroll taxes withheld	23,226	23,525	-	-	-	-	23,226	23,525
Custodial accounts	1,187,781	1,238,278	-	-	-	-	1,187,781	1,238,278
Deferred activity income	56,182	67,930	-	-	-	-	56,182	67,930
Deferred camp income	427,320	423,765	-	-	-	-	427,320	423,765
Deferred special event income	-	50	-	-	-	-	-	50
Other current liabilities	19,551	17,023	-	-	-	-	19,551	17,023
Total current liabilities	1,877,040	1,848,357	47,594	28,433	-	-	1,924,634	1,876,790
Long-term liabilities:								
Long-term debt	-	-	47,993	37,783	-	-	47,993	37,783
Total liabilities	1,877,040	1,848,357	95,587	66,216	-	-	1,972,627	1,914,573
Net assets:								
Unrestricted	2,736,885	2,745,568	4,981,870	5,327,154	928,764	928,764	8,647,519	9,001,486
Temporarily restricted	311,567	111,428	12,039,162	11,937,874	5,414,585	6,710,884	17,765,314	18,760,186
Permanently restricted	-	-	-	-	12,241,801	11,840,298	12,241,801	11,840,298
Total net assets	3,048,452	2,856,996	17,021,032	17,265,028	18,585,150	19,479,946	38,654,634	39,601,970
Total liabilities and net assets	<u>\$ 4,925,492</u>	<u>\$ 4,705,353</u>	<u>\$ 17,116,619</u>	<u>\$ 17,331,244</u>	<u>\$ 18,585,150</u>	<u>\$ 19,479,946</u>	<u>\$ 40,627,261</u>	<u>\$ 41,516,543</u>

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

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

	2015			2014 Total
	Operating Fund	Capital Fund	Endowment and Related Funds	
Unrestricted net assets				
Support and revenue:				
Support:				
Direct support:				
Friends of Scouting, gross	\$ 1,574,433	\$ -	\$ -	\$ 1,574,433
Less provision for uncollectible	(123,050)	-	-	(123,050)
Net Friends of Scouting	1,451,383	-	-	1,422,224
Project sales	271,140	-	-	262,349
Special events, gross	810,198	-	-	695,537
Less cost of special events	(171,246)	-	-	(139,838)
Net special events	638,952	-	-	555,699
Foundations and trusts	275,832	-	-	193,900
Total direct support	2,637,307	-	-	2,434,172
Indirect support - grants	670,452	-	-	714,100
Fees from government agencies	-	-	-	75,860
Total indirect support	670,452	-	-	789,960
Total support	3,307,759	-	-	3,224,132
Revenue:				
Sale of supplies:				
Sale of supplies, gross	159,911	-	-	182,642
Less cost of goods sold	(157,764)	-	-	(184,421)
Net sales of supplies	2,147	-	-	(1,779)
Product sales:				
Product sales, gross	2,333,806	-	-	2,178,730
Less cost of goods sold	(819,354)	-	-	(630,318)
Less commissions paid to units	(849,476)	-	-	(708,619)
Net product sales	664,976	-	-	839,793
Investment income	306,643	390,032	-	309,953
Net realized and unrealized gains on investments	98	-	-	38,411
Camping revenue	4,266,594	-	-	4,174,691
Activity revenue	589,647	-	-	827,340
Other revenue	436,555	-	-	291,863
Total revenue	6,266,660	390,032	-	6,480,272
Net assets released from restrictions:				
Reclass Friends of Scouting	89,755	-	-	64,528
Reclass project sales	4,549	-	-	596
Reclass special events	13,170	-	-	12,655
Reclass foundations	22,023	-	-	26,153
Total net assets released	129,497	-	-	103,932
Total support and revenue	9,703,916	390,032	-	9,808,336
Expenses:				
Program services	7,981,151	935,375	-	9,073,128
Support services:				
Management and general	209,756	5,032	-	212,453
Fundraising	1,230,955	7,417	-	1,243,063
Total support services	1,440,711	12,449	-	1,455,516
Charter and national service fee	78,229	-	-	78,229
Total expenses	9,500,091	947,824	-	10,606,873
Increase (decrease) in unrestricted net assets	203,825	(557,792)	-	(798,537)

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

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

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

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

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

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

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENTS OF CASH FLOWS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

Supplemental Disclosure of Non-Cash Investing and Financing Activities

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

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies

a. Nature of Organization

The Heart of America Council, Boy Scouts of America (the Council) operates in eastern Kansas and western Missouri, including the counties of Anderson, Douglas, Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte in Kansas, and Bates, Cass, Carroll, Clay, Henry, Jackson, Johnson, Lafayette, Platte, Ray, and St. Clair in Missouri. The Council office is located in Kansas City, Missouri. The Council has two camping facilities, the Theodore Naish Scout Reservation in Bonner Springs, Kansas and the H. Roe Bartle Scout Reservation in Osceola, Missouri. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America (BSA) and in accordance with the Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys, young men, and women to do things for themselves and others, training them in Scoutcraft and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts of America.

The Council's programs are classified as follows:

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

Cub Scouting - Family- and community-centered approach to learning citizenship, compassion, and courage through service projects, ceremonies, games, and other activities promoting character development and physical fitness for boys 7-10 years old.

Boy Scouting - With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts (ages 11-18) develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

a. Nature of Organization (Continued)

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

Learning for Life - Program that enables young people, ages 13-20, to become responsible individuals by teaching positive character traits, career development, leadership, and life skills so they can make ethical choices and achieve their full potential.

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

b. Basis of Accounting

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

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

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions requiring that the principal be maintained in perpetuity but permit the Organization to expend the income earned thereon.

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

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

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

c. Use of Estimates

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

d. Contributions

Contributions receivable are recognized upon notification of a donor's unconditional promise to give to the Organization. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value in accordance with the Contributions Received section of the FASB ASC. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

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

e. Donated Materials and Services

Donated property, marketable securities and other non-cash donations are recorded as contributions at their fair market value at the date of donation. The Council reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

HEART OF AMERICA COUNCIL, BOY SCOUTS OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (Continued)

e. Donated Materials and Services (Continued)

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

f. Advertising

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

g. Investments and Investment Return

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

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

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