2009 REPORT OF THE TREASURER

AND CONSOLIDATED FINANCIAL STATEMENTS

100 YEARS
Celebrating the Adventure ★ Continuing the Journey
OF SCOUTING

BOY SCOUTS OF AMERICA

2009 IN REVIEW

The National Council is well positioned to continue its support of the 299 local Boy Scout councils. In 2009, the organization continued its internal reorganization begun in 2008. It relocated its four regional operations from being in separate regional offices to instead residing within the National Office. This and other organizational changes positioned its staff to continue better serving local councils and promoting the Scouting brand, particularly in preparation for the 100th Anniversary Celebration of Scouting in America in 2010.

Also in 2009, the National Council looked further to the future and purchased land in West Virginia to be a new high-adventure base, The Summit Bechtel Family National Scout Reserve (the Summit), and a permanent home for the National Scout Jamboree. This is a very exciting development for which the major support that has been provided is apparent in a number of places in the financial statements. Amidst all this, the Boy Scouts continued to deliver an exciting and valuable program to young people in 2009, with youth members and Explorers registered in approximately 2,912,000 individual programs. Moreover, adult leaders providing support to these youth were registered in approximately 1,138,000 individual programs. Over 49,000 Scouts and Scouters attended national high-adventure bases.

The following further discusses sources, uses, and stewardship of the National Council's resources during 2009.

Unrestricted net assets:
Unrestricted net assets, which includes general operations and other unrestricted net assets, increased overall by $84,644,000 during 2009. The investment portfolios within other unrestricted net assets account for the majority of this increase; however, the day-to-day activities of general operations did generate a surplus available for appropriations of $10,556,000 during 2009, an increase of $9,446,000 from 2008. General operating surpluses are important for two reasons: (1) demonstrating fiscal responsibility in ensuring adequate resources are available to satisfy all obligations and (2) enabling special initiatives such as the 100th Anniversary Celebration and capital improvements that otherwise might not be possible.

Other unrestricted net assets comprise funds previously appropriated by the Board, such as for endowment, land, buildings and equipment, and special program and administrative initiatives. Also included are funds related to the Retirement Benefits Trust (RBT), the General Liability Insurance Program (GLIP), and self-funding events, such as the world and national jamborees or Top Hands.

Revenues –
Fees decreased $3,004,000 or 3.8 percent from 2008 to 2009. This correlates with a decline in membership.

Net results of Supply operations increased $9,614,000 to $28,953,000 from its 2008 amount of $19,339,000 due to increases in wholesale and retail sales.

Magazine publications' net operating results decreased by $97,000 from 2008 to 2009, primarily due to a decline in advertising sales.

Contributions from local councils related to the RBT decreased by $2,374,000 as a result of decreasing the percentage contribution directed to the RBT and increasing the funding to the pension plan, which is not included within these financial statements.

Net investments reported gain/loss went from a 2008 loss of $146,005,000 to a $97,130,000 gain for 2009. The total return for investments held in the unrestricted endowment was 23.9 percent during 2009 compared with a 27.7 percent loss during 2008. The endowment, RBT, and GLIP investments are among the designated assets within this portfolio, and these are overseen by a committee of the Board that also oversees restricted investment portfolios. The related investment purchases and sales are primarily the result of the decisions of investment managers in fulfilling their investment mandates.

Expenses –
Due to the uncertain nature of the current economic environment, the National Council maintained its daily operations below its 2008 levels in the areas of payroll, benefits, travel, and office expenses.

Total expenses decreased by $13,301,000 in 2009, down from $153,946,000 during 2008. Overall, total program services expenses accounted primarily for the decline while supporting services expenses decreased by $232,000 in 2009. Nearly $12,200,000 of the program services expense decrease from 2008 can be attributed to the combination of a decrease in the GLIP reserve requirement and no GLIP dividend in 2009.

Board actions during 2010 –
At its February 2010 meeting, the National Executive Board appropriated the aforementioned $10,556,000 surplus generated from general operations along with $191,000 in remainder funds from prior appropriations as follows: $5,022,000 for program development and program marketing initiatives, $1,080,000 for administrative initiatives, and $4,645,000 for 100th Anniversary Celebration initiatives.

Restricted net assets:
Net assets restricted by donors are either permanently restricted (endowment) and may not be spent or they are temporarily restricted and their use is restricted to a specific purpose or during a specific time period.

Temporarily restricted contribution income increased to $49,530,000, an increase of $40,733,000 from 2008 donation levels. The majority of this represents pledges receivable that are designated for the Summit.

During 2009, $4,625,000 of temporarily restricted net assets was used for donor-specified purposes, compared with $3,922,000 in 2008.

Overall, net assets restricted by donors increased in 2009 by $60,420,000 to a total of $125,468,000.

Total net assets:
The National Council's total net assets increased in 2009 by $145,064,000 compared to a decrease of $191,924,000 in 2008. As mentioned earlier, during both 2008 and 2009, a significant portion of the changes in the National Council's net assets was attributable to investment performance of the endowment and other investment portfolios. In 2009, the organization totaled $112,119,000 in investment gains compared with a loss in 2008 of $171,915,000.

Financial Condition, Liquidity, and Capital Resources

Cash and cash equivalents increased by $23,597,000 during 2009. $29,458,000 of cash was provided by operations during 2009. Management believes that cash generated from operations, together with liquidity provided by existing cash balances, will be sufficient to satisfy its liquidity requirements during the next 12 months.

In 2009, $21,075,000 was borrowed to finance the purchase of the land for the Summit. The organization did repay $5,850,000 of this debt in January 2010. Total projected cost for the Summit is approximately $176,000,000 through December 31, 2013. Funding of the Summit will be provided through a combination of debt financing and donations.

In addition to the land purchase, capital is required to expand, improve, or replace the National Council's high-adventure facilities, its distribution center and retail stores (Scout shops), and the rest of its infrastructure in order to maintain a high level of service to its constituents. During 2009, the National Council added $32,106,000 to its properties. It sold one of its regional facilities and intends to sell the remaining three in 2010. With the exception of the aforementioned land purchase, these capital investments were funded from existing cash balances.

The National Council remains in solid financial condition, thanks to the efforts of the National Executive Board, Advisory Council, other dedicated volunteers, and staff who make Scouting what it is. A strong National Council helps to make sure the Scouting program remains effective and true to its mission.

Respectfully,

Aubrey B. Harwell, Jr.
Treasurer

March 18, 2010

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To the Executive Board of the
Boy Scouts of America

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of revenues, expenses and other changes in net assets, functional expenses, and cash flows present fairly, in all material respects, the financial position of the Boy Scouts of America and its subsidiaries at December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Boy Scouts of America's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Boy Scouts of America 2008 financial statements, and in our report dated March 18, 2009, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 18, 2010

CONSOLIDATED BALANCE SHEET

December 31, 2009 and 2008 (In thousands) Boy Scouts of America

	2009	2008
Assets		
Cash and cash equivalents	$ 47,369	$ 23,772
Investments, at fair value including collateral for securities on loan of $40,305 (2008--$36,867) (Note 2)	632,959	519,692
Accounts receivable, less allowance of $121 (2008--$122)	25,264	18,111
Pledges receivable, less discount of $6,556 (2008 -- $257) (Note 14)	42,419	966
Other receivables	1,418	1,449
Inventories, less provision for obsolescence of $3,850 (2008--$1,905)	50,915	53,844
Land, buildings, and equipment, net (Note 4)	100,183	80,523
Other	28,688	16,646
Total assets	$ 929,215	$ 715,003
Liabilities and Net Assets		
Accounts payable and accrued liabilities	46,542	37,105
Unearned fees and subscriptions	61,291	34,675
Notes payable (Note 15)	21,075	0
Insurance reserves (Note 7)	65,529	68,176
Payable upon return of securities loaned (Note 2)	40,305	36,867
Total liabilities	234,742	176,823
Local councils' minority interest in limited partnership	14,494	3,265
Net assets:		
Unrestricted (Note 9):		
General operations	35,787	27,048
Board designated	518,724	442,819
Total unrestricted	554,511	469,867
Temporarily restricted (Note 10)	64,308	15,077
Permanently restricted (Note 10)	61,160	49,971
Total net assets	679,979	534,915
Total liabilities and net assets	$ 929,215	$ 715,003

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

Consolidated Statement of Revenues, Expenses, and Other Changes in Net Assets

Year ended December 31, 2009 (with comparative totals for 2008) (In thousands) Boy Scouts of America

	Unrestricted (Note 9)	Temporarily Restricted (Note 10)	Permanently Restricted (Note 10)	Total 2009	Total 2008
Revenues:					
Fees (Note 5)	$ 76,757			$ 76,757	$ 79,761
Supply operations – Sales	143,333			143,333	124,229
Cost of sales and expenses	(114,380)			(114,380)	(104,890)
	28,953			28,953	19,339
Magazine publication – Sales	16,844			16,844	17,820
Cost of production and expenses	(14,916)			(14,916)	(15,795)
	1,928			1,928	2,025
Retirement Benefits Trust – Contributions from local councils (Note 11)	8,423			8,423	10,797
Contributions and bequests	4,375	$ 49,530	$ 526	54,431	15,255
Other – Including trading post sales	8,072			8,072	11,664
Cost of sales and expenses	(3,237)			(3,237)	(5,105)
	4,835			4,835	6,559
Total revenues before net investment gain (loss)	125,271	49,530	526	175,327	133,736
Net investment gain (loss)	97,130	4,326	10,663	112,119	(171,915)
Total revenues (losses)	222,401	53,856	11,189	287,446	(38,179)
Net assets released from restrictions:					
Donor restrictions satisfied	4,625	(4,625)			
Expenses:					
Program services:					
Field operations	33,274			33,274	39,368
Human resources and training	9,196			9,196	11,026
Program development and delivery	55,651			55,651	51,754
Program marketing	9,018			9,018	9,981
World Scout Bureau fees	1,361			1,361	1,344
Insurance programs – Losses and costs (Notes 7 and 8)	21,830			21,830	29,986
Premiums	(6,000)			(6,000)	(6,060)
	15,830			15,830	23,926
Total program services	124,330			124,330	137,399
Supporting services:					
Management and general	14,502			14,502	16,067
Fundraising	1,813			1,813	480
Total supporting services	16,315			16,315	16,547
Total expenses	140,645			140,645	153,946
Change in net assets including local councils' minority interest	86,381	49,231	11,189	146,801	(192,125)
Less: local councils' minority interest in limited partnership gain/(loss)	(1,737)	-	-	(1,737)	(201)
Change in net assets	84,644	49,231	11,189	145,064	(191,924)
Net assets, beginning of year	469,867	15,077	49,971	534,915	726,839
Net assets, end of year	$ 554,511	$ 64,308	$ 61,160	$ 679,979	$ 534,915

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Years ended December 31, 2009 and 2008 (In thousands) Boy Scouts of America

PROGRAM SERVICES

	Field Operations		Human Resources and Training		Program Development and Delivery		Program Marketing	
	2009	2008	2009	2008	2009	2008	2009	2008
Salaries	$16,225	$17,082	$4,160	$4,462	$16,241	$14,244	$3,533	$4,769
Benefits	4,289	5,129	1,251	1,435	4,379	3,573	899	1,086
Travel	2,945	3,793	564	789	868	1,027	534	464
Office expense and occupancy	6,190	6,957	468	1,042	4,017	4,572	1,465	1,813
Depreciation and amortization	896	1,330	208	288	2,532	2,425	297	364
Insurance losses and costs								
Premiums								
Net insurance programs								
All other expenses	2,791	5,098	2,777	3,203	25,296	23,825	2,920	1,980
Allocated expenses[1]	(62)	(21)	(232)	(193)	2,318	2,088	(630)	(495)
Total expenses	$33,274	$39,368	$9,196	$11,026	$55,651	$51,754	$ 9,018	$9,981

PROGRAM SERVICES

	World Scout Bureau Fees		Insurance Programs		**Total Program Services**	
	2009	2008	2009	2008	2009	2008
Salaries					$40,159	$40,557
Benefits					10,818	11,223
Travel					4,911	6,073
Office expense and occupancy					12,140	14,384
Depreciation and amortization					3,933	4,407
Insurance losses and costs			$21,830	$29,986	21,830	29,986
Premiums			(6,000)	(6,060)	(6,000)	(6,060)
Net insurance programs			15,830	23,926	15,830	23,926
All other expenses	$ 1,361	$ 1,344			35,145	35,450
Allocated expenses[1]					1,394	1,379
Total expenses	$ 1,361	$ 1,344	$15,830	$23,926	$124,330	$137,399

SUPPORTING SERVICES

	Management and General		Fundraising		**Total Supporting Services**		**Total Expenses**	
	2009	2008	2009	2008	2009	2008	2009	2008
Salaries	$12,589	$14,300	$ 1,077	$ 319	$13,666	$14,619	$53,825	$55,176
Benefits	2,923	3,180	250	100	3,173	3,280	13,991	14,503
Travel	711	886	118	29	829	915	5,740	6,988
Office expense and occupancy	2,882	1,927	52	7	2,934	1,934	15,074	16,318
Depreciation and amortization	1,621	1,483	4	1	1,625	1,484	5,558	5,891
Insurance losses and costs							21,830	29,986
Premiums							(6,000)	(6,060)
Net insurance programs							15,830	23,926
All other expenses	3,522	3,854	312	24	3,834	3,878	38,979	39,328
Allocated expenses[1]	(9,746)	(9,563)			(9,746)	(9,563)	(8,352)	(8,184)
Total expenses	$14,502	$16,067	$ 1,813	$ 480	$16,315	$16,547	$140,645	$153,946

[1] Certain expenses have been allocated to Supply operations, Magazine publications, and Program services.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 2009 and 2008 (In thousands) Boy Scouts of America

	2009	2008
Cash Flows from Operations:		
Change in net assets	$ 145,064	$ (191,924)
Adjustments to reconcile change in net assets		
to net cash provided (used) by operations:		
Depreciation and amortization	7,593	7,822
Net (gains) losses on sales of securities and unrealized changes in the fair value of investments	(94,472)	190,900
Interest and dividends reinvested	(7,727)	(8,313)
Contributions to the permanently restricted endowment	(493)	(2,666)
Contributions restricted for purchases of fixed assets	(2,731)	(286)
Losses on disposal of assets	140	44
Local councils' minority interest in partnership gain / (loss)	1,737	(201)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(7,153)	(4,172)
(Increase) decrease in pledges receivable	(41,453)	69
Decrease in other receivables	31	562
Decrease (increase) in inventories	2,929	(2,016)
(Increase) in other assets	(7,413)	(1,334)
Increase (decrease) in accounts payable and accrued liabilities	9,437	(4,939)
Increase in unearned fees and subscriptions	26,616	1,143
(Decrease) increase in insurance reserves	(2,647)	5,924
Net cash provided (used) by operations	29,458	(9,387)
Cash Flows from Investing:		
Additions to properties	(18,081)	(11,304)
Net (purchases) sales of investments	(11,068)	22,835
Increase (decrease) in securities lending payable	3,438	(28,762)
Proceeds from sale of property and other	1,284	41
Net cash (used) by investing activities	(24,427)	(17,190)
Cash Flows from Financing:		
Increase in line of credit financing	5,850	0
Contributions to the permanently restricted endowment	493	2,666
Contributions restricted for the purchase of fixed assets	2,731	286
Contributions by local councils to limited partnership	9,836	3,558
Withdrawals by local councils from limited partnership	(344)	(92)
Net cash provided by financing activities	18,566	6,418
Increase (decrease) in cash and cash equivalents	23,597	(20,159)
Cash and cash equivalents, beginning of year	23,772	43,931
Cash and cash equivalents, end of year	$ 47,369	$ 23,772
Supplemental Cash Flow Information:		
Non-cash asset financing	$ 15,225	$ 0

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

On June 15, 1916, the Boy Scouts of America was officially chartered by Congress with the stated purpose to promote ". . . the ability of boys to do things for themselves and others, to train them in Scoutcraft, and to teach them patriotism, courage, self-reliance, and kindred virtues. . . ." Toward this purpose, major activities of the National Council include merchandise sales, magazine publications, and the conduct of national events. The National Council also provides local councils with program materials and support in the areas membership growth, fundraising, communications, administration, insurance, employee benefits, investment management, and human resources.

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 - Learning for Life, the Learning for Life Foundation, Boy Scouts of America Commingled Endowment Fund, L.P., the Boy Scouts of America National Foundation, and Arrow WV, Inc. Arrow WV, Inc. is a new entity that was formed in 2009 to support the future home of the National Scout Jamboree and a new high-adventure base, the Summit. Results of operations and activities of local councils are not included. All significant intercompany transactions have been eliminated.

Net Assets. Restricted net assets comprise those amounts restricted by donors, grantors or applicable state law for endowment or other specific purposes. Temporarily restricted net assets comprise those amounts restricted by donors or grantors for use during a specified time period or for a particular purpose. The expiration of a temporary restriction is evidenced by a transfer of net assets to the unrestricted classification.

Unrestricted net assets include "general operations" and "board designated." General operations comprise the ongoing, day-to-day activities of the National Council, including, but not limited to, merchandise sales, magazine publications, high-adventure base operations, program development, field support, and program marketing. Board designated net assets are designated by the Executive Board of the National Council or an authorized committee of the Executive Board of the National Council. These assets act as endowment; help defray future health costs for National Council and local council employees and their retirees; are invested in property, plant and equipment; support the general liability insurance program (Note 7); or, fund specific program efforts.

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, accounts receivable, accounts payable and debt are deemed to be stated at their fair values. Investments are reported at fair value (Note 2). Held for sale properties are reported at the lesser of carrying cost or fair value less cost to sale and are classified on the balance sheet as other assets.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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 gift. Depreciation is 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 amortized over 20 years. Leasehold improvements are amortized over the lesser of the lease term or the life of the asset.

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. Contributions received from local councils for the Retirement Benefits Trust (Note 11) are recorded as revenue in the period that the contribution is receivable.

Pledges (Note 14) 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 which 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 fixed assets are 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.

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. Services that create or enhance nonfinancial assets (e.g., camps, buildings, etc.) or require specialized skills and are performed by people possessing those skills are recorded as contributions and as expenses or as additions to land, buildings and equipment. Amounts recorded as contributed services are not material, and it is not practicable to estimate the fair value of all donated services received.

Collections. The National Council has paintings and artifacts in various museums and National Council-owned buildings. The largest collection resides at the National Scouting Museum in Irving, Texas, which houses

Note 1. Summary of Significant Accounting Policies (continued)

collectibles appraised at approximately $45,000,000. The last appraisal was conducted in June 2006. Costs associated with acquisition and maintenance of these collections has been expensed. During 2009, no major additions or disposals of collection items occurred.

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, 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 of fees 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 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, 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 from those estimates.

Income Tax Status. The National Council and its other affiliates: Learning for Life, the Learning for Life Foundation, and the Boy Scouts of America National Foundation, 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. Arrow WV, Inc., which was formed in June 2009, has submitted paperwork to the Internal Revenue Service requesting its 501(c)(3) tax exemption and awaits approval. Legal counsel does not anticipate any issues with the approval for exempt status, and these financial statements have been prepared with an exempt tax status assumption. Each of the partners of the Boy Scouts of America Commingled Endowment Fund, L.P. is responsible for reporting its allocable share of the partnership's income or loss on their individual tax returns.

Income from certain activities (primarily magazine advertising income 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, 2009, the National Council has a cumulative net operating loss of approximately $25,348,000. 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.

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, 2009, the National Council had not recorded any amounts

Note 1. Summary of Significant Accounting Policies (continued)

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.

Nature of Comparative Totals for 2008. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Alone, such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the National Council's financial statements for the year ended December 31, 2008, from which the summarized information was derived. PricewaterhouseCoopers LLP issued an unqualified opinion on those financial statements.

Reclassifications. Certain comparative prior year amounts in the financial statements and accompanying notes have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets or changes in net assets.

Recent Accounting Pronouncements.

- **Accounting Standards Codification.** In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles: A Replacement of FASB Statement No. 162*. On July 1, 2009, the FASB ASC became the source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. The ASC supersedes all non-SEC accounting and reporting standards, effective for financial statements issued for annual periods ending after September 15, 2009. The adoption of the FASB ASC did not have a material impact on the financial statements.

- **Subsequent Events.** The National Council has performed a review of subsequent events through the date of the audit opinion, which is the date the financial statements were available to be issued, and concluded there were no events or transactions during this subsequent event reporting period that required recognition or disclosure in the consolidated financial statements.

Note 2. Investments

At December 31, 2009, investments comprised the following:

	Fair Value
Money market	$ 17,767,000
Fixed income	
Government (includes securities lending collateral of $12,527,000)	61,294,000
Corporate (includes securities lending collateral of $13,529,000)	81,861,000
Common/collective trusts*	88,083,000
Other	20,463,000
Total fixed income	251,701,000
Equities	
Common stocks-domestic (includes securities lending collateral of $9,973,000)	208,061,000
Common stocks-foreign (includes securities lending collateral of $4,276,000)	136,110,000
Real estate partnerships	17,568,000
Other	1,752,000
Total equities	363,491,000
Total investments	$632,959,000

*Common/collective trust investments comprise the following domestic, investment and non-investment grade securities: U.S. Treasury, agency, corporate, mortgage-backed, and asset-backed.

Note 2. Investments (continued)

For 2009, net investment income includes $14,753,000 of interest and dividends and $98,458,000 of net realized gains and unrealized changes in the fair value of investments less $1,092,000 in investment manager expenses.

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.

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, 2009, the market value of securities on loan to approved brokers was $39,112,000. Collateral received for securities on loan was invested in the State Street Navigator Securities Lending Prime Portfolio. Total collateral of $40,305,000, received for securities on loan at December 31, 2009, is held by State Street on behalf of the National Council. Income associated with the securities lending program amounted to $420,000 for 2009, and is included in net investment income. The following table summarizes the securities loaned and the related collateral as of December 31, 2009:

Securities Loaned and the Related Collateral		
Securities	**Fair Value**	**Fair Value of Collateral**
Common stocks - foreign	$ 4,050,000	$ 4,276,000
Common stocks - domestic	9,594,000	9,973,000
Corporate obligations	13,240,000	13,529,000
Government obligations	12,228,000	12,527,000
Total investments purchased with cash collateral	$39,112,000	$40,305,000

Investments Purchased with Collateral	
State Street Navigator Securities Lending Prime Portfolio	$40,305,000

Effective January 1, 2008, the National Council adopted fair value accounting guidance issued by the FASB. Doing so did not have a material impact on the National Council's financial statements. Fair value accounting guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and

Note 2. Investments (continued)

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 professional judgment in determining the fair value assigned to such assets or liabilities. Level 3 investments comprise primarily real estate investment funds and bank loans at December 31, 2009.

Real estate investment 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 will be determined by an annual valuation prepared in accordance with standard industry practice by an independent third-party appraiser which is licensed and has an 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 which is licensed and has an 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.

Note 2. Investments (continued)

Bank loans are valued using a pricing model. When a pricing model is used to value investments, inputs to the model are adjusted when changes to inputs and assumptions are corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows.

At December 31, 2009, investments comprised the following levels of assets:

Level 1	$ 64,796,000
Level 2	547,239,000
Level 3	20,924,000
Total	$632,959,000

During 2009, Level 3 investments changed as follows:

Balance December 31, 2008	$ 29,247,000
Purchases	3,228,000
Sales	(3,719,000)
Realized (losses)	(201,000)
Unrealized (losses)	(7,631,000)
Transfers from other levels	0
Balance December 31, 2009	$ 20,924,000

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.

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.

Note 3. Endowment

The National Council's endowment consists of approximately 85 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 either permanently or temporarily restricted. Investment returns in excess of spending authorized by the "spending policy" (the spending policy is defined below) are classified as permanently restricted net assets, absent explicit donor stipulations to the contrary. The Executive Board of the National Council has determined that

Note 3. Endowment (continued)

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.

Endowment net asset composition and changes in composition by type of fund as of and for the year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2008	$187,246,000	$4,072,000	$49,972,000	$241,290,000
Investment return:				
Interest and dividends	5,541,000	230,000	1,513,000	7,284,000
Realized and unrealized investment gains (losses)	42,328,000	358,000	12,369,000	55,055,000
Investment manager fees	(683,000)	(29,000)	(202,000)	(914,000)
Net investment return (loss)	47,186,000	559,000	13,680,000	61,425,000
Contributions	387,000	94,000	493,000	974,000
Spending allocation	(11,770,000)	1,914,000	(3,018,000)	(12,874,000)
Net assets released from restriction		(1,587,000)		(1,587,000)
Other (net)	(257,000)	(33,000)	33,000	(257,000)
Balance December 31, 2009	$222,792,000	$5,019,000	$61,160,000	$288,971,000

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 organization must hold in perpetuity or for a donor specified period(s) as well as board designated funds. 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, over time, to provide an average annual, nominal rate of return of approximately 7.75 percent. After inflation, expected to average 2.75 percent annually, the average annual real rate of return is expected to be 5 percent. Actual returns in any given year may vary significantly from this expectation.

Note 3. Endowment (continued)

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 June 30 of the year preceding the fiscal year in which the distribution is planned. In establishing this policy, the organization considered the long-term expected return on its endowment.

Note 4. Land, Buildings, and Equipment

At December 31, 2009, land, buildings and equipment comprised the following:

National office, less accumulated depreciation of $12,478,000	$13,649,000
High-adventure bases, less accumulated depreciation of $17,612,000	38,256,000
National Distribution Center, less accumulated depreciation of $4,554,000	4,831,000
West Virginia land (Note 1)	23,484,000
Furniture, equipment and software, less accumulated depreciation and amortization of $58,335,000	19,963,000
Total land, buildings, and equipment, less accumulated depreciation and amortization of $92,979,000	$100,183,000

Depreciation and amortization expense was $7,593,000 in 2009. In 2008, "land, buildings, and equipment" included four regional facilities. One of these properties was sold in 2009 at a loss of $19,000, and the other three were reclassified as "held for sale" within other assets on the balance sheet at $3,429,000.

Note 5. Fees

During 2009, fees comprised the following:

Registration and license fees	$36,751,000
National service fees from local councils	8,060,000
High-adventure	25,347,000
Other	6,599,000
Total fees	$76,757,000

Note 6. Credit Arrangements

At December 31, 2009, the National Council had provided a $186,000 irrevocable letter of credit for the benefit of an insurance company to guarantee payments in conjunction with a self-insured workers' compensation program. In addition, the National Council had provided a $10,000,000 import letter of credit to guarantee payments in conjunction with Supply Group international purchases. Additional letters of credit are discussed in Note 7.

Note 7. General Liability Insurance Program

The National Council has a general liability insurance program which operates primarily for the benefit of local councils. The program is partially self-insured with deductible features as follows: $1,000,000 per incident and, annually, a $9,000,000 aggregate excess limit. The program is funded by payments received from the National Council, local councils, and chartered units and from investment income. Premiums received during 2009 for this program were $6,000,000 and losses and costs were $14,820,000.

The insurance reserves of $65,529,000 at December 31, 2009, include $62,462,000 established by the National Council as a reserve for estimated self-insured losses and loss adjustment expenses of this program, based on an independent actuarial estimate of ultimate losses. The remaining reserves apply primarily to directors and officers' liability insurance and workers' compensation insurance.

As of December 31, 2009, $86,038,000 of investments and other assets were designated to this insurance program. Net assets of this insurance program are reported as board designated net assets in the accompanying balance sheet. No distributions were made from the program in 2009 to the local councils or the National Council. At December 31, 2009, the National Council had provided irrevocable letters of credit totaling $36,662,000 for the benefit of insurance companies in conjunction with the assumed deductible portion of the program. The letters of credit are collateralized by assets equal to 110 percent of their amounts.

Note 8. Health, Life, and Other Welfare Insurance Programs

The National Executive Board currently offers health, life, and other welfare insurance programs which operate for the benefit of employees of local councils and the National Council and their dependents and retirees and their dependents. The 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. Premiums, losses and costs of the medical, dental and vision insurance plans are the responsibility of the Welfare Benefits Trust, a VEBA trust whose beneficiaries are the same as those previously described.

During 2009, the National Council's total expense for the benefits covered by the Welfare Benefit Trust was $13,810,000. $7,504,000 was contributed by the National Council from the Retirement Benefits Trust to the Welfare Benefits Trust to subsidize the cost of retiree insurance coverage. This amount is included in "insurance losses and costs." The remaining $6,306,000 represents National Council costs for employees' insurance coverage of the benefits covered by the Welfare Benefits Trust. This amount is included in the cost of benefits for Supply operations, Magazine publications and the respective functional areas included in the Consolidated Statement of Functional Expenses.

Note 9. Unrestricted Net Assets

At December 31, 2009, unrestricted net assets comprised the following:

General operations	$ 35,787,000
Board designated:	
General endowment	222,792,000
Properties	76,699,000
Retirement Benefits Trust (Note 11)	141,236,000
General liability insurance program (Note 7)	25,166,000
Other	52,831,000
Total board designated net assets	518,724,000
Total unrestricted net assets	$554,511,000

Note 10. Restricted Net Assets

At December 31, 2009, restricted net assets comprised the following:

Permanently restricted net assets:	
John W. Watzek, Jr. (income supports general operations)	$ 8,060,000
Waite Phillips Scholarship (income supports Philmont scholarships)	4,565,000
National Scouting Museum (income supports museum operations)	4,069,000
Cooke Eagle Endowment (income supports Eagle Scout scholarships)	3,787,000
Genevieve and Waite Phillips (income supports maintenance of Philmont)	3,621,000
DeWitt-Wallace Foundation (income supports leadership programs)	2,503,000
High-adventure (income benefits high-adventure program)	1,888,000
Kenneth McIntosh (income supports Scouting around the world)	1,834,000
Scoutmaster Recognition (income supports scholarships for outstanding Scoutmasters)	1,759,000
Hall Scholarship (income supports Eagle Scout scholarships)	1,351,000
Steve Fossett High-adventure Base Endowment (income supports high-adventure bases)	1,311,000
Sonia S. Maguire (income supports Philmont camperships)	1,266,000
Southern Region Trust Fund (income supports Southern Region)	1,157,000
Mortimer L. Schiff (income supports professional training and development)	1,156,000
Northeast Region Main Trust Fund	1,138,000
Thomas J. Watson (income supports general operations)	1,132,000
Augustus F. Hook, Jr. (income supports professional staff in Indiana)	1,117,000
Genevieve Phillips (income maintains Philmont Villa and grounds)	1,022,000
Belcher Eagle Fund (income supports Eagle Scout scholarships)	1,000,000
Milton H. and Adele R. Ward (income supports local councils)	995,000
Other	16,429,000
Total permanently restricted net assets	61,160,000
Temporarily restricted net assets	64,308,000
Total restricted net assets	$125,468,000

The amounts above include $14,295,000 of net realized gains and unrealized changes in the fair value of investments earned on permanently and temporarily restricted net assets during 2009.

Note 11. Retirement Benefits Trust

The National Executive Board currently chooses to subsidize the cost of medical and life insurance benefits for retired employees of local councils and the National Council. These subsidies are currently provided through the Retirement Benefits Trust (the "Trust"), a grantor trust. The aforementioned benefits are provided under plans that require retiree contributions.

The Trust is funded, at the discretion of the National Council, by payments from local councils and the National Council and by investment income. The percentage allocation to the Trust decreased in 2009 as a portion of the allocation was redirected to the pension plan. In 2009, the National Council's required contribution to the Trust was $2,467,000 and the local councils' required contribution to the Trust was $8,423,000. At December 31, 2009, the Trust's net assets were $141,236,000. 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 ($7,504,000 was used for this purpose in 2009); (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 12. Benefits

The National Council of the Boy Scouts of America participates in a "qualified" defined benefit retirement plan covering National and local council employees with at least one year of service. 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. Additionally, there is a "non-qualified" defined benefit retirement plan (the "non-qualified plan"). The non-qualified plan exists to ensure that all employees receive retirement benefits on a comparable basis, notwithstanding limitations imposed upon qualified retirement plans by the tax laws. The National Council sponsors a “qualified” elective thrift plan (the “thrift” plan) where one-half of National Council employee contributions are matched by the National Council, subject to certain limits. In 2009, the National Council’s match was temporarily suspended and subsequently reset at a quarter of the employee contribution. The Board has approved that the match will return to its previous percentage of one-half the employee contribution, effective January 1, 2010. The National Council's pension expense for the qualified and 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 2009 expense related to the qualified retirement plan was $1,444,000, and the expense related to the non-qualified retirement plan (Note 11) was $1,654,000. The National Council expense in 2009 related to the thrift plan was $685,000.

Note 13. 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 2014. 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, 2009, amounted to $9,787,000. The estimated minimum rental commitments under operating leases that have initial or remaining non-cancellable terms as of December 31, 2009, are as follows (as of December 31 for each year):

2010	$ 9,419,000
2011	$ 7,848,000
2012	5,388,000
2013	3,610,000
2014	1,513,000
After 2014	0
Total minimum payments required	$27,778,000

The National Council has been named as a beneficiary of several estates which are in various stages of probate. No income from future anticipated distributions has been recorded because the amounts and timing of future distributions are uncertain.

The National Council is subject to certain legal actions and claims arising in the ordinary course of business. Based upon the nature of and management's understanding of the facts and circumstances which give rise to such actions and claims, management believes that such litigation and claims will be resolved without material effect on the National Council's financial position or results of operations.

Note 14. Pledges Receivable

Included in pledges receivable are the following:

Unconditional promises to give before discount	$48,975,000
Less discount	(6,556,000)
Net unconditional promises to give	$42,419,000
Amounts due in:	
Less than one year	$3,575,000
One to five years	37,900,000
More than five years	7,500,000
Total	$48,975,000

Discount rates for 2009 for valuing pledges ranged from 2 to 7 percent.

Note 15. Notes Payable

Notes payable consists of the following three debt instruments as of December 31, 2009:

- A note payable to the seller with a principal balance of $14,025,000 and an interest rate of 5.5 percent is due in 5 equal annual principal payments of $2,805,000, maturing on November 1, 2014. $14,025,000 was outstanding as of December 31, 2009. The collateral is the deed of trust on the property.

- A note payable to the seller with a principal balance of $1,200,000 and an interest rate of 5 percent is due in 5 equal annual principal payments of $240,000, maturing on December 18, 2014. $1,200,000 was outstanding as of December 31, 2009. The collateral is the deed of trust on the property.

- A revolving line of credit for $25,000,000, maturing on October 27, 2010, was opened in October 2009 with an interest rate of LIBOR plus 1.35 percent on any amount withdrawn (a 1.59 percent total rate as of December 31, 2009) plus an expense of 0.25 percent for unused credit. $5,850,000 was outstanding as of December 31, 2009. The balance outstanding was repaid in January 2010. The line of credit did not require collateral. The revolving line of credit includes covenants and events of default typical for this type of facility, including limitations on incurring additional indebtedness, a requirement to maintain unrestricted net assets of at least $350,000,000, and a requirement to maintain a minimum ratio of available cash to average daily operating expense. At December 31, 2009, the National Council was in compliance with these debt covenants.

2009 National Officers, Executive Board, and Advisory Council

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