



100 YEARS OF SCOUTING

Celebrating the Adventure ★ Continuing the Journey

November 12, 2008 [Edited on January 27, 2009, as noted]

TO: Lewis Kamb, *Seattle Post-Intelligencer*
Todd Bensman, *San Antonio Express-News*
Nadja Drost, *Albany Times Union*
Lise Olsen, *Houston Chronicle*
Seth Rosenfeld, *San Francisco Chronicle*

FROM: Deron Smith: Edelman on behalf of the Boy Scouts of America

RE: Response to various inquiries regarding the Boy Scouts of America

On behalf of the national council of the Boy Scouts of America (BSA) I am writing you regarding the story you and several of your Hearst Newspapers colleagues are writing about the BSA.

We very much welcome the opportunity to participate in this story and look forward to seeing the final product. However, we do have several general concerns and some specific clarifications that we feel require your attention.

For the past six months we have responded to multiple requests and inquiries you and your team have made regarding the BSA. In the past three months alone we have granted roughly 20 individual interviews, in writing and in person, at the local council and national council level and spent literally hundreds of hours preparing information in response to your investigation.

Throughout this process, it has become clear that there have been a number of false assumptions made about BSA as well as some fundamental misunderstandings about the organization's operations. As a result, it appears that some of those working on the story have come to unfair or, in some cases, wrong conclusions.

In an effort to ensure accuracy in your final report, we want to take a moment to provide you the following points of clarification, on several key issues that we have repeatedly discussed. Also, we've provided you an addendum which addresses the specific questions you have collectively raised. In the following points of clarification, we've annotated each so they can be located in the addendum in an efficient manner.



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1. The relationship between the national council and local councils (Addendum, Lewis Kamb, Questions 1-4).

While chartered by the national council, local councils are governed by their local volunteers and executive boards. Each council's Scout Executive manages council operations—including finance, property management, advancement and awards, registrations, unit and council fundraising and merchandise sales.

The local council collects, and forwards to the national council, registration fees from each youth and adult that wishes to become a member of the Boy Scouts of America and pays an annual service fee to the national council.

The national council is funded through membership fees, investments, Scouting and Boys' Life magazines, sale of uniforms and equipment, and contributions from individuals. The national council does not otherwise receive any share of revenue from local councils' land management programs or any other source of local council revenue.

The national council does not direct the use of local council properties and assets. While the national council sets program standards and provides guidelines for the use of resources, all decisions are made by the local volunteer leadership board and Scout Executive. All money generated from land management stays at the local level. The local council provides to the national council an annual charter fee and a service fee (based on the combined salaries of the council) and the membership fees (\$10 per person) it collects.

Further, the BSA is a volunteer organization, governed by a national executive board and local executive boards. These boards oversee the operation of the national and local councils, respectively. Whether it is at a local or national level, the BSA's activities have volunteer leadership and oversight.

In the end, both the local councils and national council are connected in that they share the same mission: to prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Law.

2. Executive compensation (Addendum, Lewis Kamb, Questions 10-15; Todd Bensman, Question 12).

As with any organization, the BSA must provide competitive compensation in order to attract and retain the best talent in delivering on their business or social missions.

Compensation at BSA is set by the Compensation Committees of the local and national boards respectively. These committees are comprised of executive board members who are in senior management positions for their companies and who know the local labor markets. Their expertise in understanding local wage and benefit scales help to keep BSA employee compensation in line with the rest of the community.

The BSA is an intensely human resource oriented program; the BSA must provide competitive compensation in order to continue recruiting and retaining the high caliber individuals needed to support BSA programs. Good stewardship of benefactors' and volunteers' gifts of time and money demand that we seek nothing less than the best talent available.

3. The impact of the BSA's membership standards and readjusting troop numbers on funding (Addendum, Lewis Kamb, Questions 22-23; Todd Bensman, Question 9-11).

As with any nonprofit organization, funding can fluctuate significantly from year to year and from community to community. In addition, the source and amount of funding is unique to each community.

The decision by the BSA to defend its membership standards and the BSA becoming more stringent about its reporting procedures for membership and participation may have had an adverse impact on funding in some communities; however, any adverse impact on revenue in these councils for the most part was temporary. In fact, the organization continues to enjoy very strong support in most communities.

4. The interpretation of the BSA's financial reports (Addendum, Lewis Kamb, Questions 22-23; Todd Bensman, Question 1-12).

We have a grave concern about the interpretation of the national council's 990 reports, particularly given some of the inflammatory questions (e.g., "Jarringly steep descent," etc.). As you will see in the attached, we have provided clarifications to several fundamentally inaccurate assumptions. We encourage you and your team to review our 990s again after reviewing these points of clarification.

5. The use of money generated by land management (Addendum, Lewis Kamb, Questions 22-23; Todd Bensman, Question 1-12).

The BSA believes the principles of conservation and responsible land management are included in the pillars of Scouting, which the BSA has practiced and promoted for nearly 100 years.

Local councils own and manage their properties. All decisions regarding land usage are made by the councils' volunteer leadership and professional staff, typically in the form of strategic planning task forces. These task forces often work with local or federal forestry and game experts, county extension agents and professional conservationists to implement land management policies.

Almost every local council has a conservation or properties committee. These committees often include representation from local conservation and environmental professionals from state or federal agencies or college or university faculties; laypeople representing local environmental organizations or local chapters of national organizations; and active Scouters with an intense interest in conservation.

All decisions about local council issues ranging from executive compensation to property management are directed and approved by the local boards and are used in local communities to administer the BSA program.

Timber harvesting has been a part of many council land management plans for decades as a way of practicing good stewardship of land resources. However, it's important to note that all BSA funds are used to further the BSA's mission and reach as many American youth as possible.

Throughout this process we have tried our best to work with you and your colleagues on this story. However, many of our councils have been approached in a less-than-transparent manner and based on the questions and feedback from them we believe you have several preconceived notions about the Scouts. In the interest of accuracy, we would encourage you to consider these points as well as the detailed explanations below.

Last, we have stressed the positive impact of Scouting multiple times and provided you a tremendous amount of material on the subject. While the BSA's management and standards have not been without their share of controversy or detractors, we have absolute confidence in the BSA's ability to have a positive impact on the lives of scouts. For 100 years we have prepared young Americans to become exceptional adults by cultivating in them a sense of community, family, ambition, leadership, and priority so that they will make the world a better place. We would encourage you to investigate this aspect of the BSA, as it is the real story to be told.

ADDENDUM:

Lewis Kamb: *Seattle Post-Intelligencer*

1. Please describe the relationship between National and local councils.

The mission of the Boy Scouts of America is to prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Law. The Boy Scouts of America charters more than 300 councils that administer the Scouting program, with each covering a specific geographic area. Councils receive an annual charter from the national council and are incorporated as charitable organizations. While chartered by the national council, local councils are governed by their local volunteers and executive boards. Each council's Scout Executive manages council operations—including finance, property management, advancement and awards, registrations, unit and council fundraising and merchandise sales. The national council of the Boy Scouts of America is administered by paid professional Scouters and volunteer Scouters. The national program is directed by the national Executive Board and administered by the Chief Scout Executive.

2. What kind of services and/or support does the national organization provide?

Following are the key functions of the national council:

- Create a climate of positive understanding and support for Scouting
- Provide local councils with program as well as tools for camp and office planning and evaluation, extensive financial counseling, planned giving and fund-raising information, and professional personnel support
- Coordinate a communications network through magazines and literature (handbooks, merit badge pamphlets, brochures, training materials, and professional development training)
- Make available uniforms, equipment, and program supplies
- Administer national high-adventure bases and national events (jamborees, National Eagle Scout Association and Order of the Arrow conferences, and National Council meetings)
- Maintain communication with chartered organizations that use the Scouting program (religious institutions, civic organizations, labor unions, professional organizations, business, and industry)
- Maintain liaison with Scouting associations in other countries as a member of the World Scout Conference
- Set and maintain program standards (e.g., Advancement, health and safety, etc.) to ensure consistency of the brand throughout councils across the country.

3. In turn, what do local councils provide to national in terms of membership, fees, etc?

The local council collects, and forwards to the national council, registration fees from each eligible youth and adult that wishes to become a member of the Boy Scouts of America and pays an annual service fee to the national council. The national council is funded through membership fees, investments, Scouting and Boys' Life magazines, sale of uniforms and equipment, and contributions from individuals. The national council does not otherwise receive any share of revenue from local councils' land management programs.

4. How does BSA National and/or Regional figure into land use activities?

Local councils own and manage their properties with the national council playing an advisory role. All decisions regarding land usage are made by the councils' volunteer leadership and professional staff, typically in the form of strategic planning task forces. These task forces often work with local or federal forestry and game experts, county extension agents and professional conservationists to implement land management policies.

The national council provides to local council volunteers and executives, camp usage guidelines which serve as tools needed to complete an orderly and thorough analysis and conclusion in property management. However, it is the local council's key volunteers and professionals who determine when to form a strategic planning task force, who should serve on it, and how it will proceed.

5. What are the BSA's nationals policies, programs, guidelines and standards related to conservation and the environment? Beyond the forestry merit badge and its qualifications; the promotion, adoption and teachings of "Leave No Trace" principles, the Outdoor Code, etc., are there additional BSA policies and guidelines related to this subject?

(Note: the following answers are in addition to the ArrowCorps5 information we've forwarded previously.)

General Overview:

Scouting has a conservation program designed to be incorporated throughout the organization. The program and its activities serve to promote awareness and understanding of conservation as a wise and intelligent way to manage natural resources.

The development of good citizens is one of Scouting's aims and it teaches that citizens need to practice sound environmental living and conservation of natural resources. The BSA believes there is a need for an extended program that encourages young people to:

- Look at the entire process of resource use
- Analyze how actions and judgments often create problems
- Understand decision-making processes related to the environment

- Seek out commonsense methods that can be applied at home, in the community, in the state, and in the nation
- Help improve the quality of life

This emphasis is directed toward making all who are active in Scouting—youth, adult members, and their families—aware of their responsibility for the future. There is an increasing awareness that Scouting members and other individuals are an integral part of their environment and that their action or inaction affects the quality of life throughout this nation and the world. The BSA’s conservation program emphasis has been developed to create a positive commitment to improving the environment and conserving natural resources through firsthand experiences and “learning by doing.”

Program Emphasis:

Because Scouting’s youth generally have an active interest in the outdoors, they possess a ready curiosity that can be expanded. These young people can find their own answers, learn how to make sound judgments, and find social and environmental significance in actions that they undertake.

The BSA encourages every Cub Scout, Boy Scout, Varsity Scout, and Venturer—and their units—to join in so that 100 percent of Scouting’s members can become committed to the importance of conservation.

Backcountry Use:

All private or publicly owned backcountry land and designated wilderness areas are included in the term “backcountry areas.” The Outdoor Code of the BSA applies to outdoor behavior generally, but for treks into backcountry or wilderness areas, the principles of Leave No Trace apply.

Wherever they go, Cub Scouts, Boy Scouts, and Venturers are taught to adopt attitudes and patterns of behavior that respect the rights of others and make it possible for others and future generations to enjoy the outdoors.

The BSA teaches that in wilderness areas, it is crucial to minimize our effect on all ecosystems, such as mountains, lakes, streams, deserts, and seashores. Since our impact varies from one season to the next, it becomes important for us to adjust to these changing conditions to avoid damaging the environment.

Conservation Good Turn:

A conservation Good Turn emphasis was launched in January 1995 and is ongoing. The conservation Good Turn is an opportunity for Cub Scout packs, Boy Scout troops, Varsity Scout teams, and Venturing crews to join with conservation and environmental organizations (federal, state, local, and private) to carry out a conservation Good Turn in their home communities.

These organizations typically have a backlog of necessary projects that they have been unable to carry out because of lack of funding or volunteers. Often, Scouts volunteer their time to complete these crucial projects.

William T. Hornaday Award:

The William T. Hornaday Award is presented to individuals or units in recognition of distinguished service in conservation. Applicants for the awards work under the guidance of a local conservation professional or agency or with the help of a layperson qualified in conservation. The effort must meet a local or regional need and help arouse public recognition of the importance of adequate protection and management of air, soil, water, mineral, forest, grassland, wildlife, and energy resources with full consideration of environmental conservation.

World Conservation Award:

The World Conservation Award recognizes individual Cub Scouts, Boy Scouts, Varsity Scouts, and Venturers who “think globally” and “act locally” to preserve and improve our environment.

This program is designed to make youth members aware that all nations are closely related through natural resources and that we are interdependent with our world environment.

Conservation Committees:

The BSA encourages each council to have a conservation committee. It may be a separate committee accountable to the executive board, or it may be a subcommittee of the council’s camping committee. It should include representation of three qualifications in its membership: local conservation and environmental professionals from state or federal agencies or college or university faculties; laypeople representing local environmental organizations or local chapters of national organizations; and active Scouters with an intense interest in conservation.

The conservation committee prepares and regularly updates the council’s master conservation plan. It supervises the ongoing activities of natural resource management called for in the council’s plan. This includes identifying and prioritizing projects that range from individual boy or unit projects to major development needs affecting all council properties. Finally, the committee seeks ways to encourage and publicize activities by individuals and units that further the cause of conservation.

6. Does the National Council have standards for timber harvests and land use?

The BSA is guided by the Scout Oath and Law.

The Scout Oath is: “On my honor I will do my best, to do my duty to God and my country and to obey the Scout Law; to help other people at all times; to keep myself physically strong, mentally awake, and morally straight.”

The Scout Law is: “A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent.”

The BSA believes the principles of conservation and responsible land management are included in these pillars of Scouting, which the BSA has practiced and promoted for nearly 100 years.

Regarding specific land usage standards for local councils, the national council provides camp usage guidelines to local council volunteers and executives, which serve as tools needed to complete an orderly and thorough analysis and conclusion in property management. However, local councils own and manage their properties with the national council playing an advisory role. Any income realized from wise land management and good stewardship remains at the local council level to fund activities as directed by the volunteer leadership and Scout Executive.

As a general principle, all public charities are bound by their fiduciary obligation to manage their assets for the benefits of their constituents.

7. Can you tell us how many and/or how much property in total that the Boy Scouts of America (national and local councils) own? If possible, please answer this by giving us the number of camps and/or properties, plus the amount of acreage.

The national council and local councils own, lease and manage their properties separately so there is no comprehensive list. Most of the 304 local councils throughout the country own or lease at least one camp facility used as Boy Scout long term summer camp. These properties are not only used for summer camps but are also used throughout the year to help with the delivery of other aspects of the Scouting program (e.g. Cub Scout and family camping, adult leader training, weekend campouts and youth leader training, just to name a few). Some councils own other properties, such as properties formerly used as camps, properties intended for camp use in the future, properties received as charitable donations, or properties on which their council headquarters are located.

8. Can you please give us a list of the top 20 largest BSA councils in the U.S.?

Following are the top 20 largest BSA councils. They are ranked by traditional membership and Learning for Life participation combined.

1. New York, NY
2. Bethesda, MD
3. Salt Lake City, UT
4. Houston, TX
5. Dallas, TX
6. St. Paul, MN
7. Orem, UT
8. Miami Lakes, FL
9. Orlando, FL
10. Philadelphia, PA
11. St. Louis, MO
12. Jacksonville, FL
13. San Leandro, CA
14. Los Angeles, CA
15. Phoenix, AZ

16. Denver, CO
17. Birmingham, AL
18. Atlanta, GA
19. Pittsburgh, PA
20. Seattle, WA

Note: Added on January 27, 2009

The top 20 Councils by traditional membership, alone, are:

1. Salt Lake City, UT
2. Orem UT
3. Bethesda, MD
4. Houston, TX
5. Ogden, UT
6. Phoenix, AZ
7. St. Paul, MN
8. Dallas, TX
9. St. Louis, MO
10. Kansas City, MO
11. Denver, CO
12. Santa Ana, CA
13. Baltimore, MD
14. Portland, OR
15. Atlanta, GA
16. Fort Worth, TX
17. Orlando, FL
18. Seattle, WA
19. Indianapolis, IN
20. St. Charles, IL

9. Please explain the requirements for becoming a BSA executive and/or professional staff member (i.e., what are training and education requirements).

To be considered for a professional position, an individual must have a deep commitment to the values of Scouting and in addition, with certain limitations, must have a four year degree from an accredited university. Also, the BSA requires individuals to complete a fundamental BSA training course in order to be a commissioned professional.

10. Please tell us how scouting executive jobs are awarded in local councils nationwide? Must executives be chosen from another council? If so, why is that? Are there any time restrictions for how long an executive can serve within a council? If so, why are such rules in place?

Scout Executives are selected by the local volunteer executive board from a list of qualified and approved candidates. Only Scout Executives, who are the local council's CEO, must come from outside the council. Other professional scouting executive positions may be promoted from within the council. There is no time limit for an individual to hold a professional position at any level. The BSA is a unique organization

and believes that in order to effectively serve as the CEO of a local council, it is important for professionals to have diverse and rich experiences within the BSA.

11. What annual performance goals and/or objectives does national provide to local council executives?

The volunteer leadership of local councils sets goals and reviews the achievements of each local Scout Executive. Also, those are internal human resource documents which are not shared with those outside of the BSA.

12. Please provide us a copy of the annual performance goals and/or objectives for local councils.

The volunteer leadership of local councils sets and reviews the goals of each local Scout Executive. Also, these are internal human resource documents, which are not shared with those outside of the BSA. Because goals are set at the local level, there is not one set of goals and/or objectives for local councils.

13. Please explain the merit pay guidelines that national provides local councils for determining annual pay increases for executives.

Based on the position of the individual, the national council provides a suggested range of annual pay increases. The local council's volunteer leadership may choose to use these guidelines to award annual pay increases. Percentages range from 0-8 percent, with 3-5 percent adjustments being the most common. In the end, all salary adjustments are determined by resources available in a local council.

14. Please provide us a current or recent copy of merit pay guidelines for local councils.

Please see the answer to question #13 for an explanation of the merit pay guidelines. These are internal human resource documents, which are not shared with those outside of the BSA .

15. Salaries of BSA executives nationally, regionally and locally often reach into the six and seven figure categories. How does the BSA justify paying such high salaries for a nonprofit?

It is inaccurate to say salaries reach into "seven figures." As described in the answers to similar questions (*Response to Todd Bensman, question #12*), it's important to note that stated "benefits" as reported on our 990 forms include retirement benefits that will be paid in monthly increments after retirement. A close examination of all of the Boy Scouts of America's 990s will clearly indicate that no one in the BSA has ever had a salary even close to \$1 million.

Also, most executives at that level have served the BSA for more than 30 years, and these reported benefits are based upon the same defined retirement benefit formula that applies to all BSA employees in the BSA Retirement Plan.

As an intensely human resource oriented program, the BSA must provide competitive compensation in order to continue recruiting and retaining the high caliber individuals

needed to support BSA programs. Good stewardship of benefactors' and volunteers' gifts of time and money demand that we seek nothing less than the best talent available.

16. Please explain the formula used to calculate a local council's annual charter fee.

There is an annual charter fee of \$100. The local council's annual service fees are based on the total salaries of employees of the council. Each local council pays 3.5% of the total salaries paid to employees of its council.

17. Please tell us how much BSA national derives nationally from local councils for membership fees and/or charter fees.

This varies from year to year, but is consistently reported on the BSA's annual 990 forms.

18. Regarding the 5-year plan heading into the BSA's 100th year anniversary, please explain the philosophy behind the goal of making each and every local council financially viable.

For nearly 100 years, the BSA has positively impacted the lives of youth and adult volunteers helping to make a difference in the lives of millions of American citizens. The rationale behind this goal really goes back to serving America's youth. The BSA believes that in order to provide and administer its program to as many young Americans as possible, each local council must be financially sound. However, local councils are expected to set their own program expectations, develop a budget to pay the expenses of their expectations, and then generate the necessary revenue.

19. How do logging and land sales fit in within this philosophy?

The national strategic plan outlines the national council's goals. However, the national council of the BSA does not direct local council's land management practices. The national council's philosophy is to help councils focus on the fundamentals of fundraising which are building solid relationships with individuals in each community, ensuring a quality program, and providing service to each community. Not every council owns camp property and because of council mergers, some have property in excess of program needs, which may be considered for sale.

As we've previously discussed, while chartered by the national council, local councils are governed by their local executive boards. Each council's Scout Executive manages council operations—including finance, property management, advancement and awards, registrations, and merchandise sales.

20. What are national's guidelines, if any, for local councils using their assets such as timber and/or land sales to make up for lost revenues?

All decisions regarding land usage are made by the councils' volunteer leadership and professional staff, typically in the form of strategic planning task forces. These task forces often work with local or federal forestry and game experts, county extension agents and professional conservationists to implement land management policies.

The national council provides to local council volunteers and executives, camp usage guidelines which serve as tools needed to complete an orderly and thorough analysis and conclusion in property management. However, it is the local council's key volunteers and professionals who determine when to form a strategic planning task force, who should serve on it, and how it will proceed.

21. How does maximizing revenues from land sales and/or logging fit within the BSA's guiding principles as a tax-exempt nonprofit agency?

The two are not mutually exclusive. The mission of the Boy Scouts of America is to prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Law. Any money generated from the wise stewardship of its resources helps achieve this mission.

22. Please tell us how the national and local councils made up for revenues lost from the United Way and/or charities that eliminated or reduced annual revenue streams in the aftermath of the controversial gay and atheist membership bans?

This question assumes there was revenue lost and that it was caused by one issue. (Please see *Response to Todd Bensman, question #1*).

It is impossible to accurately measure the impact these issues had, as they affected different councils and communities in different ways. However, throughout this period the BSA as a whole remained the nation's largest youth service organization with a strong financial outlook.

With that said, local economies and local issues primarily affect revenue streams and not every council is affected in the same way. Finding ways of raising more funds varies in each local community, but in most cases councils will create fundraising events and spend more time developing new relationships with potential donors in their communities.

23. Please explain how local councils made up revenue losses from membership corrections caused by inflated troop counts?

This situation only affected a handful of local councils. And, in most cases the volunteer leadership worked with BSA executives to create fundraising events and spent more time developing new relationships with potential donors in their communities.

Note: Added on December 17, 2008

24. Is there a conflict of interest of policy at the National level? What is it and are there safeguards? Also, how is it applied with national board members who work for companies that the BSA does business with?

BSA has had a Conflict of Interest Policy for approximately 32 years. All board members, professional and professional-technical employees are required to read and sign a copy of this policy each year.

The BSA believes the principles of avoiding conflicts of interest are included in the pillars of Scouting, its Oath and Law. With that in mind, a fundamental principle of ethics is that any person who exercises discretionary authority on behalf of the Corporation may not use this authority for his or her own benefit.

It is therefore the basic policy of the BSA that all Executive Board members or members of any committee thereof or officers or employees of BSA have a duty to be free from the influence of any conflicting interest when they act on behalf of the BSA or represent it in negotiations or advise others in the BSA with respect to dealing with third parties.

They are expected to deal with suppliers, customers, contractors, and others having dealings with the BSA on the sole basis of that which is in the best interest of the BSA without favor or preference to third parties based on personal considerations.

Following is the policy of the BSA:

- No member of the Executive Board or member of any committee thereof or officer or employee of the BSA shall accept from any person, directly or indirectly, whether by himself or herself or through his or her spouse or a member of his or her family or through any partner or business or professional associate, any gift, favor, service, employment, or offer of employment or any other thing of value which he or she knows or has reason to believe is made or offered to him or her with the intent to influence him or her in the performance of his or her duties as a member of the Executive Board or member of any committee thereof or officer or employee of the BSA.
- No member of the Executive Board or member of any committee thereof or officer or employee of the BSA who is a partner, officer, or employee of a partnership, firm, or corporation or who owns or controls, directly or indirectly, more than 10 percent of the stock of such corporation, shall represent, appear for, or negotiate on behalf of the BSA in connection with the acquisition or sale by the BSA of any interest in real or tangible or intangible personal property from or to such partnership, firm, or corporation or any purchase of services from or to such partnership, firm, or corporation.
- No member of the Executive Board or member of any committee thereof shall participate by discussion, voting, or by any other action taken by the Executive Board, or any committee thereof, in the enactment of or defeat of a motion in which that member has an interest. In case any such matter is discussed at any meeting where any Executive Board or committee member who has such an interest is present, the member shall promptly disclose that interest in the matter to be voted on to the chairman of the meeting. The member shall not vote on the matter and at the discretion of the disinterested members present may be required to leave the meeting during the discussion and the voting on the matter.
- The BSA shall not enter into any transaction with any individual or entity which is a "disqualified person" with respect to the BSA under Section 4958 of the Internal Revenue Code, if such transaction would constitute an "excess benefits transaction" under that same section.

Note: Added on December 17, 2008

25. Records show there were two major fires at or near Philmont in 1998 and 2002. The BSA did a salvage timber harvest after those fires. Many forestry professors and ecologists are now saying this practice is environmentally adverse. What is our reaction to that? How much money was raised from those harvests and what did it go for?

The BSA believes establishing a healthy forest is essential to insuring that future generations will enjoy a wilderness adventure at Philmont Scout Ranch that will last a lifetime.

In 2003 Philmont became a member of the Sustainable Forest Initiative. This program provided a way to establish a set of objectives that would emphasize the recreational nature of the Ranch and insure that sound forestry practices were being undertaken. An intensive inventory has begun with two thirds of the Ranch complete. During the fall of 2008 an audit of Philmont was undertaken by an independent auditor from the Sustainable Forest Initiative. Philmont was awarded a certificate of conformance for meeting the standards.

As part of establishing the Sustainable Forest Initiative Standards the following six objectives were adopted:

- Protect Philmont's recreational and educational assets and infrastructure from catastrophic forest fires.
- Maintain Philmont's ability to deliver its Scouting and High Adventure Programs.
- Improve long term forest health and maintain desired forest conditions in perpetuity.
- Protect and enhance Philmont watersheds and water quality.
- Enhance and protect wildlife habitat.
- Provide demonstration of sustainable forestry practices for visiting Scouts and Scouting leaders, as well as local stakeholders.

Regarding the fires and timber harvests you specifically mentioned, the Dan Beard fire of 1998 and the Ponil Complex fire of 2002, both took place on or near Philmont. The Dan Beard fire burned about 4,300 acres including 1,500 acres of Philmont and the Ponil Complex fire burned 93,000 acres, including 28,000 acres of Philmont.

Following both fires the BSA conducted a salvage timber harvest. The Dan Beard harvest involved 190 acres and resulted in approximately 180,000 board feet of timber which was valued at approximately \$25,000. After the Ponil Complex fire the BSA conducted three timber harvests between 2002 and 2003 on 840 acres, resulting in approximately 990,000 board feet valued at \$220,000. The money generated by these harvests were used to support the forestry and conservation efforts of the Ranch.

There are various opinions regarding salvage timber harvests – many of which may have changed since the 1998 and 2002 harvests – and it would be inappropriate for us to discuss the thoughts of forestry professors and ecologists who are unfamiliar with our timber management plans and have not visited Philmont Scout Ranch. However, we can say that the decisions made after the 1998 and 2002 fires were supervised by

forestry experts, complied with all necessary regulations, were designed to promote the health of the forest and preserve the natural environment of the ranch.

Following the Ponil Complex fire, Philmont undertook various projects to speed up the recovery of the Ponil Watershed, with a focus on reducing the sediment runoff, improving the quality of the streams in the area, and reestablishing the plants, shrubs and trees.

For example, as part of the salvage timber harvest requirements the BSA had 100 plus stems per acre of non marketable timber dropped and placed on a contour. These were placed to help reduce the sediment run off and trap the soil. The operations also assisted in breaking up the surface and helping to encourage natural as well as aerial seeding efforts.

Also, the BSA has conducted a number of additional projects, including:

- 2002: Philmont funded a project of aerial seeding 8,600 acres with a mixture of four species.
- 2002-2003: Philmont, along with a matching NRCS Emergency Watershed Funding, conducted a contour log felling of 391 acres over 16 sites. This consisted of between 45 and 60 trees cut and placed contourly with wing ditches. These areas were also seeded.
- 2002-2005: Philmont, along with a matching 319 Grant from the New Mexico Water Quality Bureau, seeded and mulched 591 acres over 29 sites. This included seeding, raking contourly and covering with a 70% covering of straw. Straw and seed was hand carried to selected sites.
- 2008: Philmont funded the planting of 3,000 ponderosa pine seedlings on 41 acres over five sites.
- 2009: Philmont will fund the planting of 4,300 Ponderosa Pine Seedlings. The planting of Ponderosa Pine seedlings is taking place to ensure that shade trees will be available in strategic areas for future hikers at the Ranch.

Further, each summer more than 22,000 Scouts and Leaders participate in twelve-day backpacking treks across Philmont. As part of the trek, each participant is asked to give back three hours of service to the improvement of the Ranch. This amounts to about 66,000 hours each summer. The projects have included meadow encroachment, small diameter timber thinning, stream improvements, new trail construction, trail maintenance, campsite development, invasive plant species removal, and fire rehabilitation.

All of these projects take place under the leadership of the Philmont Conservation Department. The Department includes 80 seasonal staff members. In addition to the conservation work of the participants, additional projects are undertaken by the Conservation Department staff members. The department is also involved in mapping and maintaining the Ranch GIS System and developing sustainable initiatives across the Ranch.

In addition, three trek experiences are conducted throughout the summer to provide unique conservation experiences for Scouts from across the country, including:

- Roving Outdoor Conservation School – A 21-day trek that focuses on the many parts of the natural environment. Throughout the trek the participants take

part in activities that help them understand how the natural environment works together.

- Trail Crew Trek – A 14-day trek that focuses on learning to build and maintain sustainable hiking trails. An emphasis is placed on encouraging participants to continue a two year quest to earn the William T. Hornaday Silver Conservation Award.
- Order of the Arrow Trail Crew – A 14-day trek that focuses on learning servant leadership through service. The focus of the projects for this program deal mainly with new trail construction and trail maintenance.

Last, in the past 20 years Philmont has been actively involved in numerous conservation projects. A few examples include:

- New Mexico Black Bear Study: An eight year study that included tracking of 50 bears on Philmont.
- Return to Natives Program: A partnership with New Mexico Department of Game and Fish that reestablished the Rio Grand Cut Throat Trout in south Ponil Creek.
- Mule Deer Study: A three-year study that covered nearly 2 million acres.
- A partnership with the Cimarron Watershed Alliance to establish wildlife water sources using solar technology.
- A 50-acre demonstration forest in cooperation with the Tree Farm Association where more than 8,000 participants hike through the Demonstration Forest to learn about forest health.
- Identification of superior seed source trees in cooperation with the New Mexico Forestry Division to ensure the perpetuation of tree species important to New Mexico.

Note: Added on January 27, 2009

26. Is BSA concerned about the overall loss of land/camps documented by this report?

The mission of the BSA is to prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Scout Law. Local executive boards have the duty to use all council assets in the best interests of Scouting—which might include the sale of properties. While the selling of property is one of the most difficult and emotional decisions councils must make, in order to be good stewards of their resources, they must sometimes do so to ensure that the BSA is able to achieve its mission.

Note: Added on January 27, 2009

27. If so, does BSA plan to do anything about it (i.e. establish national save Scouts land fund, fundraising campaign, offer training showing how some groups have been able to save real estate; establish guidelines to help groups make better decisions, develop property management plans, etc.)

Each local council, and its volunteer leadership, is responsible for managing its resources. As it has for nearly 100 years, the BSA will continue to rely on its volunteers to successfully address these issues as well as those that youth and families face today.

For many years the National Council has provided resource materials to local councils, and upon request, consultation to aid the council in its overall strategic plan. For decades the Engineering Services Department has been advising local councils on how best to use property to meet the program goals of the council in various ways, including site visits.

Acquiring and managing property is not the purpose of the BSA, but it is a tool to help accomplish its mission. With that in mind, the BSA takes its responsibility of good stewardship of property very seriously, as it does with all its resources.

Note: Added on January 27, 2009

- 28. During our conference call yesterday, you, Stephen and Dave noted that the BSA, particularly at the local level, has been involved in "thousands upon thousands of conservation projects" across the United States. Could you please provide us a counterpoint statement in this regard (We're looking for something more general, such as what we discussed during yesterday's conversation, than the specific information about various BSA programs that you provided to us in the November 12 memo).**

The development of good citizenship is one of Scouting's aims. It teaches that citizens need to practice sound environmental living and conservation of natural resources. This emphasis is directed toward making all who are active in Scouting—youth, adult members, and their families—aware of their responsibilities for the future.

As part of the Good Turn for America initiative, a national call to service by the Boy Scouts of America, thousands of Scouts and volunteers from more than 300 councils across the country, complete conservation projects such as planting trees, recycling, trail restoration, litter and garbage cleanup, removal of invasive plants, and clearing creeks and streams of debris. This is all inspired by their dedication to the Scout Oath and Scout Law. In a very conservative estimate, since 2004 more than 384,000 Scouts and adult volunteers have given more than 1 million Good Turn for America service hours on conservation-related projects.

One example of how Scouting serves to promote awareness and understanding of conservation as a wise and intelligent way to manage natural resources happened last summer. The BSA's national honor society, Order of the Arrow, partnered with the U.S. Forest Service to conduct its largest service project since World War II—ArrowCorps5. Thousands of Arrowmen from around the country contributed more than 280,000 man-hours of service, resulting in more than \$5 million worth of improvements, conservation, and construction work at five national forests.

In addition to ArrowCorps5, in 2008 the BSA entered into a partnership with the National Park Service to work cooperatively to reach youth and new audiences through environmental education and volunteer service at national parks, recreation areas, historic sites, and monuments. They will support the Good Turn for America initiative so that more Scouting youth members, families, and adults will be better trained in the responsibilities of good citizenship and will contribute to the conservation of national parks.

1. Starting in 2002, steadily rising BSA membership dues and assessments flattened out and then began what looks like a jarringly steep descent from about \$114 million in 2003 to \$66 million in 2004.

It is inaccurate to say the BSA's membership dues and assessments had a "jarringly steep descent." Audited financial records for the year ended December 31, 2003 show that membership fees collected from individual youth and adults were \$34,818,000. Audited financial records for the year ended December 31, 2004 show that membership fees collected from individual youth and adults were \$34,618,000. There were no changes in the annual fee an individual paid in either 2003 or 2004.

When reviewing the BSA's 990s it's important to understand the following reporting procedures and requirements:

- Prior to January 1, 2004, medical and other welfare benefits were provided directly by the National Council. Premiums collected from local councils, local and national council employees and their dependents, and retirees and their dependents were reported on Form 990 as "Membership dues and assessments." Costs and expenses of those benefits provided were reported on Form 990 as Program Services expense.
- Effective January 1, 2004, in an effort to more effectively manage its resources, the Boy Scouts of America Employee Welfare Benefits Plan (the "Plan") became responsible for the aforementioned premiums collected, which include premiums paid by the National Council for the benefit of its employees, and costs and expenses incurred. The Plan is not consolidated with the National Council, rather, it files its own separate Federal returns. Therefore, those numbers are no longer reported on the IRS Form 990.
- During 2004, the Plan recognized \$74,845,043 in premium revenue and incurred costs, expenses and changes in benefit obligations of \$68,335,342. Any surplus or deficit in the Plan's annual operations is retained by/paid by the Plan and any accumulated surplus is held in trust for the benefit of those who are entitled to its benefits.

The change you noticed from 2003 to 2004 is a result of this change in reporting procedure.

2. Please define "assessments."

Instructions to line 3 "Membership Dues and Assessments" in the 2007 Form 990 define them in general as "Dues and assessments received that compare reasonably with available benefits." Instructions go on to provide quite a bit of detail information to assist the taxpayer in completing the form.

Membership dues and assessments for the Boy Scouts of America National Council include registration fees received from Cub Scouts, Boy Scouts, Varsity Scouts, Venturers and their volunteer leaders. They also include National Service fees paid to

the National Council by local Boy Scout councils, payments into a Retirement Benefits Trust and payments into a general liability insurance program.

- 3. Along those lines, between 1997 and 2001, total national revenue into BSA national coffers fell by almost half, from \$220 million to about \$120 million. In the year 2002-2003, the national organization was \$50 million in the red for the first time in known memory. Why?**

The deficit you point out was a result of the BSA's investment portfolio and did not affect the general operating budget. The general operations of the National Council generated a surplus during 2003 as reported in the Treasurer's Report which accompanies the audited financial statements.

The 2003 Form 990 reflects a deficit of \$50,644,755, including "realized" investment losses of \$67,232,501 from BSA endowment and other investment portfolios.

It's important to note that while the 2003 Form 990 reported "realized" losses from investment portfolios as noted above, tax law prohibits including \$127,742,035 of unrealized appreciation of investments held in our portfolios during 2003. That information is disclosed on line 20 of the 2003 Form 990 and in the supporting Exhibit 2.

- 4. When BSA national found itself in the hole, it responded by cutting expenditures to support scouting programs to the tune of some \$75 million. Please provide a list of what kinds of program support were cut at that time and what other measures were taken to return to the black a year or two later.**

It is inaccurate to say "BSA national found itself in the hole" and "it responded by cutting expenditures to support Scouting programs." Please see answer # 1. The BSA's programs were not affected.

- 5. In 2002, BSA national logged a sharp \$50 million spike in "admissions, the sale of merchandise, services, and facility leases." Please explain what these were and whether this was part of some new strategy to recover from the previous year's declines?**

It is inaccurate to say the BSA "logged a sharp \$50 million spike" in this line item, or that there were "declines" from the previous year. This revenue grouping is part of the "public support test" in Part IV-A, Schedule A of Form 990.

The test is retrospective, so it's important to look at the 2003 Form 990 to see "gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organizations' charitable, etc. purpose" for 2002. This is line 17 in Part IV-A, Schedule A. This line in the 2003 Form 990 reports:

- 2002 - \$172,137,106
- 2001 - \$177,600,108
- 2000 - \$169,250,433
- 1999 - \$159,196,430

6. During this same period, youth membership declined from 3.3 million in 2001 to 2.8 million in 2006. To what would BSA ascribe this decline and could this partly explain the sharp decline in membership dues to BSA national?

The premise of this question seems to be based the assumptions made in question #1. Again, it is inaccurate to say the BSA's membership dues and assessments had a "jarringly steep descent," or a "sharp decline in membership dues to BSA national."

There was a decline in membership numbers during those years. There were several factors which contributed to this decline which include:

- Perhaps more than ever before, the BSA began to face challenges for the attention of America's youth in the form of technology, entertainment, the rise in competitive sports and time constraints placed on families.
- Youth in the prime age for Scouting programs were getting older. For example, the children of the baby boomers were steadily aging out of Scouting. Tiger Cubs, one of the BSA's largest programs, showed some of the largest membership declines during this period.
- The BSA faced several high profile challenges to its membership standards. The BSA was reluctantly drawn into this discussion but believed the ideals and principles set forth in the Scout Oath and Law were central to the mission of teaching young people to make better choices over their lifetimes. These challenges forced the organization to allocate resources and effort into ensuring that, as with any private organization, the BSA had the right to maintain standards for membership.
- The nation faced several tragic events, like the events of 9/11 and the natural disasters that devastated the Gulf Coast in both 2004 and 2005. These events hit the BSA hard and affected recruitment, fund-raising product and funding from key sources such as the United Way. Further, many councils provided housing, supplies and finances to evacuees which have challenged their local operations and budgets.
- During this period the BSA learned from independent studies that it could improve its reporting procedures. The BSA became more stringent about its registration procedures, and several councils saw a decline in their membership numbers as a result.

It is very important to note that during this period of time there was also a great deal of positive news about the Scouting movement. Between the years of 2001 and 2006 the BSA remained true to its vision, and as the nation's largest youth service organization continued to build the character and integrity of America's youth. The organization during those years made, and will continue to make, an immense positive impact on the country. A few examples include:

- Each year more young men earned the rank of Eagle Scout than ever before. This is one of Scouting's greatest gifts to America.
- The BSA conducted a study called "The Values of Americans - A Study of Ethics and Character" which demonstrated the impact of Scouting. Approximately 70 percent of adult men who were Scouts said Scouting had a positive effect on them and their families when they were Scouts, and 57 percent reported that Scouting had a positive effect on their school life in the years after they were

Scouts. Fully half said Scouting positively impacted their career development and advancement.

- Congress passed the Support Our Scouts Act of 2005. This law preserves the Boy Scouts' access to federal, state and local government facilities. It is just another indication of the deep respect and affection most Americans have for Scouting.
- The governors of all 50 states, 19 out of 21 members of the U.S. Conference of Mayors Board, and senators and congressional representatives from every state voiced support for our Good Turn for America national service initiative – a call to meeting the needs of hunger, inadequate housing and healthy living. To date, the BSA has logged millions of Good Turn for America volunteer hours in service of this nation.

7. The 990s do not show the youth membership figures for the years 2002-2005. Can you please provide them, accounting for them the same way as in 2001?

Youth membership numbers are disclosed consistently from year to year. They are included in Exhibit 3 for 2001-2004 and in Exhibit 8 for 2005.

8. What's been BSA national's formula for levying "membership dues"? For instance, does BSA national get dues per child, adult and unit? How much are they today, and how have those levies changed annually since 2000?

The local council collects, and forwards to the national council, registration fees from each youth and adult that wishes to become a member of the Boy Scouts of America and pays an annual service fee to the national council. Fees were \$7 annually, per member, from 2000-2002. Fees have been \$10 annually, per member, since January 1, 2003.

9. The "gay membership" controversy broke out as a national media story in about 2000, and there was fallout for several years afterward. To what extent did this controversy impact BSA national's revenue stream and youth membership numbers?

It is impossible to accurately measure the impact of this issue as it affected different councils and communities in different ways. However, throughout this period the BSA as a whole remained the nation's largest youth service organization with a strong financial outlook. The BSA was reluctantly drawn into this discussion but believed the ideals and principles set forth in the Scout Oath and Law were central to the mission of teaching young people to make better choices over their lifetimes. Perhaps the most significant impact this issue had was that it forced the organization to allocate resources and effort into ensuring that, as with any private organization, the BSA had the right to maintain standards for membership.

Today, as the BSA approaches its 100th anniversary, it has laid an assertive strategic plan for moving the Boy Scouts of America into our next century of service with plans to reintroduce Scouting to America and to celebrate our rich heritage and to reinforce the important role Scouting will play in shaping our country's future.

10. (Regarding the “gay membership issue”) Press reports nationwide stated that United Way chapters reassessed giving to their local scouts councils. Did this cause the impact to BSA's income in following years?

The premise of this question seems to be based the assumptions made in question #1. Again, it is inaccurate to say the BSA’s membership dues and assessments were impacted in the form of a “jarringly steep descent,” or a “sharp decline in membership dues to BSA national.”

The BSA has a longstanding relationship with the United Way, which positively impacts communities across the United States. Each United Way chapter and community has a different standard of outcomes that affect the distribution of its funds, so it’s impossible to point to any single factor in the United Way’s decision-making process.

In many communities across America, United Way chapters are raising less money than they were in 2002 and therefore have had less money to allocate to the agencies they have traditionally funded. We would refer you to local United Way chapters to discuss the rationale behind the distribution of its funds.

Currently, a great majority of local councils are supported by the United Way.

11. Starting in 2000, The *Dallas Morning News* ran a series of stories about fraudulent "ghost troop" accounting in the BSA's large Circle Ten council, as well as other councils from California to Mississippi and Florida. At least in Dallas, a Circle Ten membership audit forced a significant downward adjustment in membership. The local United Way cut funding accordingly. BSA national's "gifts, grants and contributions" fell by nearly half from 1999 to 2000. So, did publicity about fraudulent membership accounting lead to accounting audits anywhere else in the country, and similar cuts in United Way funding? Did BSA National demand any membership accounting changes or audits in its council system during this period?

First, it’s important to note that from time to time the national council receives bequests from estates. When received, they are included in Form 990 on Part 1, line 1. In 1999, the National Council of the Boy Scouts of America received a number of bequests, including approximately \$3,051,000 from a single estate. These bequests vary from year to year, and it is inaccurate to say there was an “unusual” drop or that they were connected in any way to the membership issues you mention.

The BSA has a longstanding relationship with the United Way which positively impacts communities across the United States. The BSA charters more than 300 councils that administer the Scouting program. While chartered by the national council, local councils are governed by their local executive boards. Similarly, the United Way is a national network of nearly 1,300 local organizations. The BSA and United Way relationship is maintained between our local councils and the United Way’s local chapters. Currently, a great majority of local councils are supported by the United Way.

Each United Way chapter and community has a different standard of outcomes that affect the distribution of its funds, so it’s impossible to point to any one single factor in the United Way’s decision making process. We would refer you to local United Way chapters to discuss the rationale behind the distribution of its funds.

Following the issues you reference, the BSA made a serious effort to report membership and participation numbers more accurately. In each case the councils' volunteer leadership responded positively and appropriately to solve the issue when inaccuracies were discovered. As a whole, the BSA became more stringent about its registration procedures. One example is allowing online re-registration, which allows unit leaders to be able to review their roster and make changes without any input from the council. Throughout this period, the BSA's membership numbers – locally and nationally – were adjusted accordingly.

12. Salaries for three or four of BSA national's top executives, including Kenneth Connolly, Roy Williams and David Ross, began a sharp ascension during the 2000-2003 revenue and membership downturns. Their salaries doubled, making all of them millionaires. Salaries for many other executives also rose sharply. Please explain why and describe the process by which executive compensation, including bonus pay, is determined for these individuals.

First, it's important to note that stated "benefits" as reported on our 990 forms include retirement benefits that will be paid after retirement in the form of monthly retirement checks. The executives you referenced all served the BSA for more than 30 years and these reported benefits are based upon the same defined retirement benefit formula that applies to all BSA employees in the BSA Retirement Plan.

The BSA's top management compensation is authorized by the Executive Board, an all-volunteer group. Detailed study and analysis is assigned by the Executive Board to its Management Compensation Review Committee, comprising the volunteer President, Executive Vice President & Treasurer. The Management Compensation Review Committee engages third-party executive compensation specialists to make recommendations regarding competitive compensation arrangements for like services in other organizations.

The BSA is a merit-pay based organization. Increases and bonuses are awarded based upon achievements. A close examination of all of the Boy Scouts of America's 990s will clearly indicate that no one in the BSA has ever had a salary even close to \$1 million.

The BSA is by far the largest youth serving organization in America. The position of Chief Scout Executive for the BSA includes providing leadership for more than 300 local Boy Scout councils who serve approximately 5 million youth members and participants and 1.2 million adult volunteers. In addition, these positions provide leadership to nearly 7,000 employees in all 50 states and in three international Boy Scout council offices who serve American citizens.

As an intensely human resource oriented program, the BSA must provide competitive compensation in order to continue recruiting and retaining the high caliber individuals needed to support BSA programs. Good stewardship of benefactors' and volunteers' gifts of time and money demand that we seek nothing less than the best talent available.

Note: Added on December 17, 2008

There are three primary elements included in an executive's compensation, as reported on the BSA's 990s, including annual compensation, deferred compensation and the retirement plan.

Deferred compensation:

Like many major youth-serving, not-for-profit-organizations, deferred compensation is used as an appropriate method for rewarding executives who achieve their performance goals. As a not-for-profit organization, the BSA's volunteer executive compensation committee has chosen to utilize deferred compensation, in lieu of bonuses or stock options, that commonly would be offered in a for-profit company.

Under the BSA's deferred compensation plan the organization contributes a percentage of an employee's salary, which may be paid at a later date.

The BSA is a merit-based pay organization and each year the BSA's executive compensation committee and national executive board set goals for its executives, evaluate their achievements and award deferred compensation accordingly. An executive's goals might include a variety of objectives like making sure the organization is fiscally sound, ensuring a structure that provides the appropriate support to the BSA's local councils, recruiting the right levels of volunteers who give leadership to the organization and providing overall management of the professional staff.

Retirement plan:

The third element of the BSA's executive compensation is the retirement plan. This plan is open to all employees and provides each participating employee a retirement benefit based on salary and the number of years of the employee's service. (Note: the BSA's top executives typically retire with 35 years, or more, of service to the organization.)

The BSA's retirement plan has a qualified and non-qualified portion – and U.S. tax law requires reporting of these benefits in such a way that can be confusing because benefits attributed by the non-qualified portion, which will be paid out over many years, are reported as a lump sum on the tax return.

Specifically, as directed by tax law, the qualified retirement plan provides benefits on up to \$225,000 of an individual's annual salary. In the event an employee's annual salary is higher than this cap, the BSA has a non-qualified retirement plan that provides supplemental retirement benefits on the remainder of the employee's salary.

For income tax purposes, a participant in the non-qualified retirement plan is treated as having immediately earned all benefits expected to be paid to him or her and is therefore taxed each year on the value of these future benefits. The non-qualified plan pays this additional tax burden for the participant in the current year. Therefore, the BSA's 990 reports the full retirement benefit for that individual in lump sum for that year – even though this amount will actually be paid out to the employee at a later time during the remainder of his or her life.

Upon retirement all participating employees receive the total retirement benefits promised by both the qualified and non-qualified plans, minus the tax payments previously paid by the non-qualified plan. Again, retirement benefits are paid in installments during the remainder of that employee's life.

Note: Added on December 18, 2008

13. Wouldn't the fiscal soundness of councils might have something to do with "making sure the organization is fiscally sound" and therefore be something about which the top tier execs might be judged in performance reviews?

You would be correct in saying the local councils collect, and forward to the national council, registration fees from each youth and adult that wishes to become a member of the BSA and pays an annual service fee to the national council. Also, the national council is funded through membership fees, investments, *Scouting and Boys' Life* magazines, sale of uniforms and equipment, and contributions from individuals. However, the national council does not otherwise receive any share of revenue from local councils' land management programs or any other source of local council revenue.

When it comes to setting an executive's goals, they include a variety of objectives. One of which might be making sure the organization, as a whole, is fiscally sound. But again, this would apply to the sum total of councils. I'm not an expert on other non-profits but this is probably true of similar organizations.

Note: Added January 13, 2009

14. In looking at BSA's national council 990s, I see that your top executives are booking amounts of "deferred compensation" bit by bit through the years. Then, upon retirement, the amount booked in that last year suddenly doubles, triples and so forth. So what portion of these last retirement-year amounts are "deferred compensation in lieu of bonuses or stock options," and what portion might be the "non-qualified retirement plan that provides supplemental retirement benefits on the remainder of the employee's salary" which "upon retirement all employees receive the total retirement benefit..."? And, what would be the breakdown between the two types of compensation for every regular year that is not a retirement year? In summary, what were your execs getting exactly in the "deferred compensation" line of the 990s in the years leading up to their retirements and in the last year's payout?

The BSA reports a consistent amount of deferred compensation for its executive's year-over-year, followed by an increase upon the year of retirement because, as directed by tax law, the BSA must report some portions of deferred compensation twice, first when attributed and again if and when the sum is paid. For example, if an executive is awarded \$1 in deferred compensation for three years, it would be reported as \$1 in the first and second years and then \$3 in the third year when actually paid. So, even though the executive received \$3, a total of \$5 is reported on the tax returns during the subject three year period. Deferred compensation is up to 20% of the annual salary for the Chief Scout Executive and up to 15% of the annual salary for Assistant Chief Scout Executives.

15. In the TY 2006 Compensation Explanation, which is filed with 990s, there are explanations of, for instance in the case of Kenneth Connelly, a payment that was made "by separate related organizations or entities after retirement of \$240,579." For David Ross, that number paid by "separate related organizations or entities" of \$126,672. What are these "related organizations or entities"? And are these amounts reported on this sheet incorporated in other parts of the 990 for salary and benefits and deferred compensation? Or are these in addition to salary/benefits/deferred compensation reported elsewhere in the 990s?

The \$240,579 and \$126,672 for Ken Connelly and David Ross, respectively, disclosed in Statement 16 supporting the 2006 Form 990, represent amounts paid by the BSA Employee Retirement Plan which is a separate entity. These amounts are included in the total amounts disclosed for Mr. Connelly and Mr. Ross on Statement 16, however, they are excluded from amounts reported elsewhere on Form 990, as they were not paid by the National Council.

Note: Added January 15, 2009

16. We did a comparative analysis on the salaries of the council executives for the 20 biggest councils you sent us a few weeks ago. We compared their salaries with average private sector CEO salaries in their respective regions, based on Bureau of Labor statistics. We concluded that in general, scout executives receive comparatively high compensation. The analysis showed that in 18 of the 20 councils, executive pay far exceeded the average private sector CEO compensation. In seven of the councils, the executives received more than \$300,000.

Scout Executive compensation is set by all-volunteer local compensation committees and executive boards, based on recommended ranges provided by the National Council. Local council's compensation committees are comprised of members who are in senior management positions for their companies and who know local labor markets. Their expertise in understanding local wage and benefit scales help to keep councils' employee compensation in line with the rest of the community.

In addition, The BSA is a unique organization and it's not at all unusual for BSA personnel at these levels to have 30 or more years of experience with the BSA. While the BSA's councils are not-for-profit organizations and are not in business to make money, they must provide the best possible program to the youth they serve. Good stewardship of benefactors' and volunteers' gifts of time and money demand that the BSA seek, and retain, nothing less than the best talent and experience available.