

## ***Executive Board Work Sessions***

### **Concept Paper**

August 19, 2021

In February of 2020 the National Council of the Boy Scouts of America entered into Chapter 11 bankruptcy. This was necessary due to the large number of sexual abuse claims and the potential financial obligations that would result from these claims. These claims were brought forth by past participants in the Scouting program nationwide. Two primary goals of the bankruptcy were to equitably compensate victims of past abuse while allowing the mission of Scouting to continue.

Since the February 2020 filing, Minsi Trails Council has been an active participant (one of eight Councils nationwide) in the process by its participation on the Ad Hoc Committee of Local Councils. The Ad Hoc Committee is a committee recognized by the Bankruptcy Court and involved in negotiations and other high-level aspects of the bankruptcy proceedings. During the bankruptcy process, Minsi Trails and all other local councils have been protected against abuse claims and litigation by a preliminary injunctive order of the Bankruptcy Court. Following successful confirmation of a BSA chapter 11 plan, BSA and all local councils will be protected against historical abuse claims and liabilities, by operation of a permanent channeling injunction issued under the terms of the confirmed chapter 11 plan. Simply put, this channeling injunction will protect all local councils and the National Council permanently from any and all historical sexual abuse claims and liabilities. These protections are dependent on BSA and all local councils making significant financial contributions to trust for the benefit of abuse survivors.

One major step in fulfilling National bankruptcy requirements will be the creation of a victim's trust fund. All local councils will be required to make a land or cash contribution to the trust fund to receive continued protection through the channeling injunction. Through the work of the Ad Hoc Committee a formula was created that calculates a council specific contribution amount based on three factors specific to that council: The statute of limitations within the state(s) the council serves, the total number of claims in which the council is named in and lastly, the overall financial standing of the council. Minsi Trails Council's contribution amount has been calculated at \$2,580,917.

On July 20, 2021 the Minsi Trails Council Executive Board met and voted to approve a cash contribution in the amount noted above. This amount will need to be paid at a date to be determined through the court proceedings but is expected to be no earlier than October 31, 2021. Most likely payment will need to be made in the November/December 2021 timeframe. The Executive Board also tasked the Finance Committee to combine all existing council debt (see chart below) into one loan and work with a group of local banks to secure funding to cover the full combined amount.

Total debt impact on Minsi Trails (Trust contribution plus existing debt):

A. Economic Injury Disaster Loan (EIDL)	\$ 150,000
B. Existing Mortgage (May 31, 2021)	\$ 1,128,409
C. Victims Trust Contribution	\$ 2,580,917
D. Fees	\$ 400,000 (estimate until final transaction is complete)
E. Interest	<u>\$ 200,000</u> (estimate until final transaction is complete)
	<b>\$ 4,459,326</b>

Above number is roughly \$441,000 annually.

The goal of our three work sessions will be to review the overall Council financial, membership and programmatic metrics to better understand the best option for the council to pay off the total debt package within the next three years. Four initial thoughts discussed at the July 20<sup>th</sup> Executive Board Meeting were as follows:

1. Take no action. Fund the entire debt package from annual operating proceeds. *Initial thoughts are this will be extremely difficult both financially and optically. Significant detrimental impacts on mission delivery will be expected.*
2. Raise funds through a specific fundraising campaign similar to a capital campaign. *Board members felt while certainly an option, many donors may not find this type of campaign appealing, making it highly unlikely it would be successful.*
3. Make payment from our unrestricted endowment fund. *Discussion at the Executive Board Meeting on July 20<sup>th</sup> felt it would set a bad tone for fiscal stewardship of donated funds making it challenging to raise future funds. Also, it will significantly decrease proceeds from the endowment fund into the operating fund for decades into the future. Having little to no unrestricted endowment funds will also make it difficult for future boards to secure loans as this is traditionally used as collateral.*
4. Monetize council assets (land, buildings, etc.) which could include camp(s) and our service center. *This could be a viable option based on demand for these assets but may be unfavorable with volunteers and community members.*

We ask all Executive Board members to do their best to attend as many work sessions as possible. Your input will be incredibly important as we discuss the future of Minsi Trails Council and mission delivery. Three work sessions have been scheduled, each with specific topics. Below is the schedule.

<u>Date/Time</u>	<u>Topics</u>
Monday, August 30, 2021 (12:00 Noon-4 PM)	Finance and Membership
Monday, September 20, 2021 (12:00 Noon-4 PM)	Camping, Service Center & Neighboring Councils
Thursday, October 14, 2021 (12:00 Noon-4 PM)	Minsi Trails Council in 2030