

## West Virginia mega-camp adds to the Boy Scouts' troubles

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*Craig Cunningham / Charleston Daily Mail A construction crew works on the welcome center at Summit Bechtel Family National Scout Reserve in Glen Jean, W. Va. Some 40,000 Scouts, leaders and others will descend on southern West Virginia for the first National Scout Jamboree at the site next week.*

In the misty woods of West Virginia, the Boy Scouts of America are building their answer to Disney World.

Known as The Summit Bechtel Family National Scout Reserve, the 10,600-acre park opens Monday, when 30,000 scouts are expected to visit for the quadrennial National Jamboree. The Summit will have more than five miles of zip lines, a whitewater-rafting circuit, a 120-foot tree house and a stadium for 85,000 people.

The Summit is more than the ultimate Scout camp. It was envisioned as a way to shore up the finances of an organization burdened by a

long-term drop in membership, costly sexual-abuse lawsuits and a bruising battle over whether to admit gay members. The park would bring in even more in donations than it would cost to build, Scout leaders concluded.

"The Summit gives us the opportunity to reintroduce ourselves to America and raise \$1 billion for the best youth development in the world," says a slide from a June 2010 presentation on the project.

It isn't panning out that way. Costs are rising. Initially budgeted at \$176 million through 2013, the Summit's cost is now estimated to reach at least \$350 million by the end of this year and \$439 million by the end of 2015, according to Scouts documents reviewed by Reuters. To keep up, the Scouts issued new bonds last year - more than doubling their previous borrowing for the project.

The Scouts' efforts to pay for the Summit are off target, too. Internal financial updates show that the Scouts' national organization, based in Irving, Texas, was \$108 million behind its capital-raising goal for the Summit as of the end of March.

### Long-term pressure

The Summit shortfall is part of a broader financial crunch facing the Boy Scouts as the organization shrinks. That decline has been exacerbated by the protracted gay-membership battle. A compromise adopted by Scout leaders in May -- allow gay youth, but not gay adults -- appears to be doing little so far to ease the pressure.

Conservative troops are threatening to secede; one splinter group said last week it is forming a rival to the Scouts. Liberal troops are meanwhile establishing more-inclusive policies. Many corporate donors continue to sit on the sidelines, even as some regional Scout councils face severe deficits, according to Boy Scout executives and council members across the country.

"We cannot support an organization that has a policy that is discriminatory," said Joanne Dwyer, a spokeswoman for CVS Caremark, which stopped all funding to local Boy Scout councils and the national organization a decade ago



*Craig Cunningham / Charleston Daily Mail The tents below will house staff members at the Summit Bechtel Family National Scout Reserve.*

The bottom line, said Doug White, who teaches nonprofit management at Columbia University, is that the Scouts "have real problems." The combination of the Summit fundraising slowdown, extra borrowing for the project and the financial impact of the gay-rights controversy "puts them in a very precarious position."

The Boy Scouts declined requests to interview chief scout executive Wayne Brock or national President Wayne Perry about the nonprofit's financing. In a statement, the Scouts denied

that Summit fundraising is suffering.

"It is inaccurate to review this document and draw a conclusion that fundraising is behind schedule," said Deron Smith, Boy Scouts spokesman. "Projections are just that, and serve as estimates that are adjusted throughout a project."

Smith said the estimated \$439 million cost of the Summit was "subject to change" and "contingent upon securing donor funding." As for the May compromise on gay members, Smith said it is still too early to assess the impact on donors.

### **A bold investment**

The Scouts' appeal hasn't kept pace with changing times and competing pastimes such as video games and extreme sports. There were 2.7 million Boy Scout members in 2011, down from a peak of 4.9 million in 1972. The U.S. population grew 49 percent in that time.

To help stem the decline, the Boy Scouts National Council launched a plan for a bold investment in 2009: The Summit. The brainchild of former chief scout executive Robert Mazzuca and other board members, the Summit was seen as a means to help resuscitate the ailing 103-year-old nonprofit, according to internal marketing documents.

Some board members considered the project a potential white elephant, according to two people familiar with the matter. Rising spending soon became a concern for some.

By 2015, cumulative spending is projected to reach \$439 million, according to internal records seen by Reuters. That is more than the organization's \$274 million endowment.

Spokesman Smith said the Summit's cost expanded as the Scouts secured donations and determined it was "wise to increase the investment in the infrastructure of the property." He declined to elaborate.

Mazzuca, chief executive when the Summit was launched, declined to talk for this article.

Last year, the Scouts drew up a plan to address rising Summit spending. A February 2012 internal memo from President Perry advised senior Boy Scout executives that available cash from donations would be insufficient to cover the "cash burn" rate for the Summit.

Perry, a former telecom executive and a part-owner of the Seattle Mariners baseball team, declined to comment.

To cover construction costs, the memo shows, the Scouts last year more than doubled their borrowings for the project.

They did this mainly by a form of tax-exempt municipal bond known as a "conduit," in which an organization essentially borrows the name of a local government to raise cheap long-term financing.

### **Conduit bonds**

The Boy Scouts added \$175 million in new conduit-bond debt last year to a pair of existing issues worth \$100 million - bringing total Summit borrowing to \$275 million.

The bonds were issued in the name of Fayette County, W. Va., where the Summit is located. The county received a \$100,000 fee to issue the bonds on behalf of the Scouts, but is not responsible for payments, according to bond documents and the Scouts' 2012 annual report.

Fayette County won a competition in 2009 to be the site of the Summit. It was chosen for its rugged terrain and its location within a 10 hour drive of two-thirds of the U.S. populace, according to the Scouts. Fayette County commissioners say they approved the bond deal to generate jobs and exposure.

The Scouts' national organization has a strong balance sheet. The Scouts could operate for nearly three years on their readily available funds alone, according to an analysis by Daniel Borochoff of charity-evaluation service CharityWatch.

Still, spending has grown faster than revenue. Revenue from membership fees and product sales grew 21 percent from 2003 to 2012, to \$229 million. But spending on salaries, insurance, and programs nearly doubled, to \$212 million.

The pressures at headquarters are felt in other corners of the country, too.

The Los Angeles Boy Scouts Council was once flush with donations. Then, in 2000, the Supreme Court ruled the Boy Scouts of America had the right to bar gays. The United Way, which once gave \$1 million a year to the local council, ended its funding, says a former council president.

Some of the Hollywood glitterati also fled -- including director Steven Spielberg, an Eagle Scout who once credited the Scouts with inspiring him to make his first film. Spielberg resigned from the Boy Scouts' advisory board and stopped contributing to the local council, stating that it was "a real shame" to see the Scouts "actively and publicly participating in discrimination."

A representative said Spielberg had no statement on whether he would resume participating in the Scouts.

Today, the Los Angeles Council is relying on its endowment to fund program services. The council ran a \$3.25 million deficit in 2011.

### **Troubling projections**

"It's like spending your IRA to pay your bills, because you don't have a job anymore," said John Harbison, a former president of the Los Angeles Council. "That's obviously not a sustainable model."

Scouts spokesman Smith said the percentage of councils with money troubles has fallen since 2005 through a program to "help ensure councils are financially sustainable."

The conflicting demands of liberal and conservative Americans leave the Scouts in a bind. Indeed, the May decision came shortly after an internal study projected continuing financial damage if the Scouts stuck with their total ban on gays -- and continuing damage if they ended it, too.

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Spokesman Smith said the reaction of donors has been mixed, and it's too early to know the net effect. "We are aware of some donors withdrawing support of Scouting, but there have also been former donors now making contributions," he said.

The financial pinch could worsen. A bill in the California state Legislature would deny tax-exempt status to youth groups that discriminate based on sexual orientation. The bill was triggered by the Scouts' policy on gays, said state senator Ricardo Lara. A similar bill has been proposed in New York.

The May compromise appears to be alienating traditionalists, too.

On July 9, a coalition of parents and scout leaders said it would launch a rival, faith-based outdoors program for boys in January. Gay children will be allowed, but won't be permitted to profess their sexuality.

"It remains to be seen what the exodus is going to look like," said John Stemberger, founder of OnMyHonor.net, a group helping to form the new program. "But we're seeing it in droves every day in thousands of people contacting us."

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