

**CAPITOL AREA COUNCIL, INC. #564  
BOY SCOUTS OF AMERICA  
CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2018 AND 2017**

**CAPITOL AREA COUNCIL, INC. #564  
BOY SCOUTS OF AMERICA**

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## **Independent Auditors' Report**

Board of Directors  
Capitol Area Council, Inc. #564  
Boy Scouts of America  
Austin, Texas

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Capitol Area Council, Inc. #564, Boy Scouts of America (the Council) which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Capitol Area Council, Inc. #564, Boy Scouts of America as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Achley & Associates, LLP*

Austin, Texas

June 3, 2019

**FINANCIAL  
STATEMENTS**

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	Operating Fund		Capital Fund	
	2018	2017	2018	2017
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 1,284,468	\$ 1,614,368	\$ 768,061	\$ 959,167
Receivables and Other Assets (Note C)	708,507	525,202	30,857	132,976
Inventory	284,639	269,519	-	-
Total Current Assets	2,277,614	2,409,089	798,918	1,092,143
Non-Current Assets				
Non-Current Pledges Receivable (Note C)	399,583	48,333	-	30,857
Other Non-Current Assets (Note E)	-	-	-	-
Property, Buildings, and Equipment, Net (Note D)	-	-	22,773,244	23,009,012
Long-Term Investments (Notes F and J)	-	-	-	-
Total Non-Current Assets	399,583	48,333	22,773,244	23,039,869
<b>TOTAL ASSETS</b>	<b>\$ 2,677,197</b>	<b>\$ 2,457,422</b>	<b>\$ 23,572,162</b>	<b>\$ 24,132,012</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts and Accrued Liabilities	\$ 252,656	\$ 285,943	\$ 7,053	\$ 21,182
Custodial Funds	652,476	701,706	-	-
Current Portion Long-Term Debt	-	-	30,857	132,976
Deferred Activity Income	44,784	95,062	-	-
Deferred Camp Income	18,793	13,441	-	-
Deferred Other Income	11,879	4,641	-	-
Total Current Liabilities	980,588	1,100,793	37,910	154,158
Long-Term Debt, Net of Current Portion (Note L)	-	-	-	30,857
Total Liabilities	980,588	1,100,793	37,910	185,015
<b>NET ASSETS</b>				
Net Assets Without Donor Restrictions, Undesignated	376,689	364,966	23,253,099	23,681,733
Net Assets With Donor Restrictions (Note H)	1,319,920	991,663	281,153	265,264
Total Net Assets	1,696,609	1,356,629	23,534,252	23,946,997
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,677,197</b>	<b>\$ 2,457,422</b>	<b>\$ 23,572,162</b>	<b>\$ 24,132,012</b>

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

Endowment Fund		Total All Funds	
2018	2017	2018	2017
\$ 860,929	\$ 653,464	\$ 2,913,458	\$ 3,226,999
713	380	740,077	658,558
-	-	284,639	269,519
<u>861,642</u>	<u>653,844</u>	<u>3,938,174</u>	<u>4,155,076</u>
-	-	399,583	79,190
377,663	591,137	377,663	591,137
-	-	22,773,244	23,009,012
19,362,983	21,861,707	19,362,983	21,861,707
<u>19,740,646</u>	<u>22,452,844</u>	<u>42,913,473</u>	<u>45,541,046</u>
<u>\$ 20,602,288</u>	<u>\$ 23,106,688</u>	<u>\$ 46,851,647</u>	<u>\$ 49,696,122</u>
\$ -	\$ -	\$ 259,709	\$ 307,125
-	-	652,476	701,706
-	-	30,857	132,976
-	-	44,784	95,062
-	-	18,793	13,441
-	-	11,879	4,641
<u>-</u>	<u>-</u>	<u>1,018,498</u>	<u>1,254,951</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>30,857</u>
<u>-</u>	<u>-</u>	<u>1,018,498</u>	<u>1,285,808</u>
18,169,621	20,632,101	41,799,409	44,678,800
2,432,667	2,474,587	4,033,740	3,731,514
<u>20,602,288</u>	<u>23,106,688</u>	<u>45,833,149</u>	<u>48,410,314</u>
<u>\$ 20,602,288</u>	<u>\$ 23,106,688</u>	<u>\$ 46,851,647</u>	<u>\$ 49,696,122</u>

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Operating Fund	Capital Fund	Endowment Fund	Total	Operating Fund	Capital Fund	Endowment Fund	Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>								
Direct Support								
Friends of Scouting	\$ 1,120,387	\$ -	\$ -	\$ 1,120,387	\$ 1,087,059	\$ -	\$ -	\$ 1,087,059
Special Events	462,308	-	-	462,308	529,787	-	-	529,787
Less: Cost of Direct Benefit	(206,983)	-	-	(206,983)	(196,565)	-	-	(196,565)
Net Special Events	255,325	-	-	255,325	333,222	-	-	333,222
Foundations and Trusts	344,019	-	-	344,019	103,448	6,000	-	109,448
Other Direct Contributions	119,689	46,728	17,515	183,932	110,141	52,250	18,720	181,111
Total Direct Support	1,839,420	46,728	17,515	1,903,663	1,633,870	58,250	18,720	1,710,840
Indirect Support								
United Way	5,093	-	-	5,093	7,974	-	-	7,974
Other Indirect	9,799	-	-	9,799	11,276	-	-	11,276
Total Indirect Support	14,892	-	-	14,892	19,250	-	-	19,250
Revenues								
Supply Sales	1,232,019	-	-	1,232,019	1,210,383	-	-	1,210,383
Less: Cost of Goods Sold	(806,905)	-	-	(806,905)	(759,459)	-	-	(759,459)
Net Supply Sales	425,114	-	-	425,114	450,924	-	-	450,924
Product Sales	2,111,062	-	-	2,111,062	1,908,444	-	-	1,908,444
Less: Cost of Goods Sold	(591,811)	-	-	(591,811)	(484,942)	-	-	(484,942)
Less: Commissions Paid	(797,989)	-	-	(797,989)	(728,691)	-	-	(728,691)
Net Product Sales	721,262	-	-	721,262	694,811	-	-	694,811
Camping	1,073,286	-	-	1,073,286	978,972	-	-	978,972
Activities	409,660	-	-	409,660	972,604	-	-	972,604
Investment Return, Net								
of \$142,970 and \$140,188 of Expenses	472,645	379,916	(2,475,465)	(1,622,904)	453,173	368,469	2,004,104	2,825,746
Other	125,032	-	2,500	127,532	88,568	7,800	-	96,368
Total Revenues	3,226,999	379,916	(2,472,965)	1,133,950	3,639,052	376,269	2,004,104	6,019,425
Net Assets Released from Restrictions (Note I)	723,949	62,528	-	786,477	594,352	125,162	-	719,514
Total Support and Revenues	5,805,260	489,172	(2,455,450)	3,838,982	5,886,524	559,681	2,022,824	8,469,029
Expenses and Losses								
Program Services	5,086,082	875,347	5,371	5,966,800	4,996,972	798,498	-	5,795,470
Supporting Services								
Management and General	138,697	8,359	1,131	148,187	176,927	11,922	-	188,849
Fundraising	500,305	33,550	528	534,383	629,881	42,076	-	671,957
Total Supporting Services	639,002	41,909	1,659	682,570	806,808	53,998	-	860,806

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



Charter and National Service Fee	63,453	-	-	63,453	61,289	-	61,289
Loss on Disposal of Fixed Assets	-	5,550	-	5,550	-	-	-
Total Expenses and Losses	5,788,537	922,806	7,030	6,718,373	5,865,069	852,496	6,717,565
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	16,723	(433,634)	(2,462,480)	(2,879,391)	21,455	(292,815)	1,751,464
NET ASSETS WITH DONOR RESTRICTIONS							
Direct Support							
Capital Campaign	-	2,787	-	2,787	-	14,768	14,768
Special Events	-	-	-	-	7,000	-	7,000
Foundations and Trusts	232,480	32,000	-	264,480	223,492	-	223,492
Friends of Scouting	797,726	-	-	797,726	344,987	-	344,987
Other Direct Contributions	19,560	43,630	35,414	98,604	4,500	44,000	85,577
Net Direct Support	1,049,766	78,417	35,414	1,163,597	579,979	58,768	675,824
Revenue							
Gain or Loss on Investments	2,440	-	(77,334)	(74,894)	-	-	275,322
Total Revenue	2,440	-	(77,334)	(74,894)	-	-	275,322
Net Assets Released from Restrictions (Note 1)	(723,949)	(62,528)	-	(786,477)	(594,352)	(125,162)	(719,514)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	328,257	15,889	(41,920)	302,226	(14,373)	(66,394)	231,632
INCREASE (DECREASE) IN TOTAL NET ASSETS	344,980	(417,745)	(2,504,400)	(2,577,165)	7,082	(359,209)	1,983,096
NET ASSETS, BEGINNING OF YEAR							
Net Assets Without Donor Restrictions	364,966	23,681,733	20,632,101	44,678,800	348,511	23,969,548	42,927,336
Net Assets With Donor Restrictions	991,663	265,264	2,474,587	3,731,514	1,029,606	308,088	3,499,882
TOTAL NET ASSETS, BEGINNING OF YEAR	1,356,629	23,946,997	23,106,688	48,410,314	1,378,117	24,277,636	46,427,218
Transfers (Unrestricted)	(5,000)	5,000	-	-	(5,000)	5,000	-
Adjustments to Net Assets - Without Restriction	-	-	-	-	-	-	-
Adjustments to Net Assets - With Restriction	-	-	-	-	(23,570)	23,570	-
NET ASSETS, END OF YEAR							
Net Assets Without Donor Restrictions	376,689	23,253,099	18,169,621	41,799,409	364,966	23,681,733	44,678,800
Net Assets With Donor Restrictions	1,319,920	281,153	2,432,667	4,033,740	991,663	265,264	3,731,514
TOTAL NET ASSETS, END OF YEAR	\$ 1,696,609	\$ 23,534,252	\$ 20,602,288	\$ 45,833,149	\$ 1,356,629	\$ 23,946,997	\$ 48,410,314

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

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			Combined Totals
	Program Services	Management & General	Fundraising	
Employee Compensation				
Salaries	\$ 2,662,267	\$ 52,164	\$ 209,368	\$ 2,923,799
Employee Benefits	453,415	10,578	42,457	506,450
Payroll Taxes	206,164	3,907	15,678	225,749
Employee Related Expenses	12,702	311	1,248	14,261
Total Employee Compensation	<u>3,334,548</u>	<u>66,960</u>	<u>268,751</u>	<u>3,670,259</u>
Other Expenses				
Conferences and Meetings	84,977	1,863	7,542	94,382
Insurance	179,026	2,774	11,134	192,934
Interest Expense	5,724	-	-	5,724
Occupancy	504,106	3,234	12,979	520,319
Other Expenses	34,846	4,625	15,091	54,562
Postage and Shipping	6,108	86	4,128	10,322
Printing and Publications	19,896	1,204	9,289	30,389
Professional Fees	77,325	51,029	75,224	203,578
Recognition Awards	159,263	260	10,997	170,520
Rent and Maintenance of Equipment	166,447	5,457	8,843	180,747
Specific Assistance to Individuals	60,819	-	-	60,819
Supplies	538,512	429	69,207	608,148
Telephone	36,134	622	2,495	39,251
Travel	151,815	2,717	10,902	165,434
Total Other Expenses	<u>2,024,998</u>	<u>74,300</u>	<u>237,831</u>	<u>2,337,129</u>
Expenses Before Depreciation	<u>5,359,546</u>	<u>141,260</u>	<u>506,582</u>	<u>6,007,388</u>
Depreciation	607,254	6,927	27,801	641,982
Total Functional Expenses	<u>\$ 5,966,800</u>	<u>\$ 148,187</u>	<u>\$ 534,383</u>	<u>\$ 6,649,370</u>

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

## 2017

<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Combined Totals</u>
\$ 2,311,104	\$ 76,527	\$ 270,094	\$ 2,657,725
368,326	13,989	49,374	431,689
173,346	5,569	19,657	198,572
19,230	773	2,728	22,731
<u>2,872,006</u>	<u>96,858</u>	<u>341,853</u>	<u>3,310,717</u>
53,873	1,777	8,842	64,492
158,655	3,948	13,933	176,536
12,170	-	-	12,170
639,416	4,946	17,456	661,818
43,748	5,358	16,313	65,419
10,837	137	8,437	19,411
18,824	2,045	10,652	31,521
82,727	45,192	56,850	184,769
153,607	287	46,126	200,020
177,024	10,133	9,074	196,231
60,625	607	2,143	63,375
540,847	1,375	78,364	620,586
33,367	940	3,318	37,625
<u>365,400</u>	<u>4,614</u>	<u>21,072</u>	<u>391,086</u>
<u>2,351,120</u>	<u>81,359</u>	<u>292,580</u>	<u>2,725,059</u>
<u>5,223,126</u>	<u>178,217</u>	<u>634,433</u>	<u>6,035,776</u>
572,344	10,632	37,524	620,500
<u>\$ 5,795,470</u>	<u>\$ 188,849</u>	<u>\$ 671,957</u>	<u>\$ 6,656,276</u>

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Operating Fund		Capital Fund	
	2018	2017	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in Net Assets	\$ 344,980	\$ 7,082	\$ (417,745)	\$ (359,209)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities				
Depreciation	-	-	641,982	620,500
Provision for Uncollectible Accounts	86,709	96,549	-	-
Net Unrealized and Realized (Gains) Losses on Investments	-	-	-	-
Donation of Equipment	-	-	-	-
Contributions of Cash - With Restriction	-	-	-	-
Transfers	(5,000)	(28,570)	5,000	28,570
Change in Interfund Accounts	-	-	-	-
(Increase) Decrease in Receivables and Other Assets	(621,264)	93,986	102,119	(6,446)
(Increase) Decrease in Inventory	(15,120)	(21,215)	-	-
Increase (Decrease) in Accounts and Other Payables	(70,975)	(199,598)	(14,129)	(2,974)
Increase (Decrease) in Custodial Funds	(49,230)	36,431	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(329,900)</b>	<b>(15,335)</b>	<b>317,227</b>	<b>280,441</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds From Sales of Investments	-	-	-	-
Purchases of Investments	-	-	-	-
Purchases of Equipment and Improvements	-	-	(406,214)	(618,818)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(406,214)</b>	<b>(618,818)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Contributions of Cash - With Restriction	-	-	-	-
Provision for Uncollectible Accounts (Note C)	-	-	45,288	62,775
(Increase) Decrease in Receivables and Other Assets	-	-	(14,431)	70,201
(Repayments) Proceeds from Long-Term Debt	-	-	(132,976)	(126,530)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(102,119)</b>	<b>6,446</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(329,900)</b>	<b>(15,335)</b>	<b>(191,106)</b>	<b>(331,931)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,614,368</b>	<b>1,629,703</b>	<b>959,167</b>	<b>1,291,098</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,284,468</b>	<b>\$ 1,614,368</b>	<b>\$ 768,061</b>	<b>\$ 959,167</b>
<b>SUPPLEMENTAL DATA</b>				
Interest Paid	\$ -	\$ -	\$ 5,724	\$ 12,170
Taxes Paid	\$ -	\$ -	\$ -	\$ -

Endowment Fund		Total All Funds	
2018	2017	2018	2017
\$ (2,504,400)	\$ 2,335,223	\$ (2,577,165)	\$ 1,983,096
-	-	641,982	620,500
-	-	86,709	96,549
2,409,829	(2,419,614)	2,409,829	(2,419,614)
-	-	-	-
(35,414)	(37,077)	(35,414)	(37,077)
-	-	-	-
-	-	-	-
(333)	380	(519,478)	87,920
-	-	(15,120)	(21,215)
-	-	(85,104)	(202,572)
-	-	(49,230)	36,431
<u>(130,318)</u>	<u>(121,088)</u>	<u>(142,991)</u>	<u>144,018</u>
2,273,656	11,228,206	2,273,656	11,228,206
(2,184,761)	(12,154,405)	(2,184,761)	(12,154,405)
-	-	(406,214)	(618,818)
<u>88,895</u>	<u>(926,199)</u>	<u>(317,319)</u>	<u>(1,545,017)</u>
35,414	37,077	35,414	37,077
-	-	45,288	62,775
213,474	98,620	199,043	168,821
-	-	(132,976)	(126,530)
<u>248,888</u>	<u>135,697</u>	<u>146,769</u>	<u>142,143</u>
207,465	(911,590)	(313,541)	(1,258,856)
<u>653,464</u>	<u>1,565,054</u>	<u>3,226,999</u>	<u>4,485,855</u>
<u>\$ 860,929</u>	<u>\$ 653,464</u>	<u>\$ 2,913,458</u>	<u>\$ 3,226,999</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,724</u>	<u>\$ 12,170</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The Capitol Area Council, Inc. #564, Boy Scouts of America (the Council) provides service to young men ages 7 to 21 and young women ages 8 to 21 in the Counties of Bastrop, Blanco, Burnet, Caldwell, DeWitt, Fayette, Gillespie, Gonzales, Hays, Lavaca, Lee, Llano, Mason, Travis, and Williamson. The Council has six camping facilities. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the congressional program, the ability of boys and young men and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage and self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts. The Council delivered the Scouting program to 22,315 youth members in 2018.

On December, 19, 1973, the Tom Wooten Trust was created as a Texas nonprofit corporation exempt under Section 501(c)(3) of the Internal Revenue Code of 1986. The Council has control of the Tom Wooten Trust. The trust was formed to provide support for the operating and capital expenditure needs of Boy Scouts of America, Capitol Area Council youth programs.

On February 19, 2004, the Council organized the CAC/BSA Griffith League Conservation Holdings, Inc. (Holdings) as a subsidiary. Holdings is a Texas nonprofit corporation and is exempt under Section 501(c)(3) of the Internal Revenue Code of 1986. The Board of Directors of Holdings is composed of officers in the Council. Holdings was formed to sell conservation easements on the Griffith League Ranch, which is a 4,848 acre Bastrop County ranch owned by the Council. At December 31, 2018 and 2017, Holdings did not have any assets, liabilities, net assets, revenues, or expenses.

**Mission and Programs**

The mission of the Boy Scouts of America is to prepare young people to make ethical and moral choices over their lifetime by instilling in them the values of the Scout Oath and Law.

The Council's programs are classified as follows:

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

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Cub Scouts - A family and community-centered approach to learning citizenship, compassion, and courage through service projects, ceremonies, games, and other activities promoting character development and physical fitness. Cub Scouts develops ethical decision-making for boys in the second through fifth grades (or who are 8, 9, and 10 years old). Fourth and fifth-grade (or 10-year-old) boys are called Webelos Scouts (We'll Be Loyal Scouts) and participate in more advanced activities that begin to prepare them to become Boy Scouts. Cub Scouting's emphasis is on quality programs at the local level, where boys and families are involved. Beginning in 2018, Cub Scouting will be made available to girls in the Council's service area.

Boy Scouting - A program for boys 11 to 17. With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or rewarding career.

STEM Scouting - This is a program for boys and girls from ages 8 to 20 that uses experiential activities and interaction with science, technology, engineering and mathematics professionals to help young people grow in character and skills as they explore their curiosity about STEM. The program is designed to expose young people to future career opportunities in STEM as well as be challenging, thought-provoking and, most importantly, fun.

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

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

The Council's website address is [www.bsacac.org](http://www.bsacac.org).

**Principles of Consolidation**

Capitol Area Council has voting control over and an economic interest in the Tom Wooten Trust Fund (the Trust), which results in the accounts of the Trust being consolidated with those of the Council in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in this consolidation. Capitol Area Council and the Trust are hereinafter collectively referred to as the Council.

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**Fund Accounting**

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

The Council also prepares consolidated financial statements in accordance with the Financial Accounting Standards Board (FASB) standards for not-for-profit organizations (Accounting Standards Codification (ASC) 958-205 and subsections). Under these standards, the Council is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Council is required to present a Statement of Cash Flows.

The consolidated financial statements of the Council have been prepared on the accrual basis using the following fund groups:

General Operating Fund - The general operating fund is used to account for the Council's operating activities.

Capital Fund - The capital fund is used to account for property, building, equipment, and legally restricted cash that is to be expended for property, buildings, and equipment and related debt payments.

Endowment Fund - Funds used to account for the assets, designated by the Board, in the Tom Wooten Trust, the Scott Trust, the Capitol Area Council Boy Scout Trust, and the Dell Endowment. The Board has designated that in perpetuity the principal shall be invested and the income only be used. (See Note F)

**Basis of Accounting**

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

**Net Assets Without Donor Restrictions** - net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Executive Board.

**Net Assets With Donor Restrictions** - net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.



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**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

**Cash and Cash Equivalents**

Cash equivalents consist of short-term, highly liquid investments which are convertible into cash within ninety days of purchase.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Council to credit risk consist principally of cash at financial institutions and investments. At times, the balance in cash accounts may be in excess of FDIC insurance limits. Management continuously monitors the Council's balances at financial institutions and invests excess operating cash in short-term investments. At December 31, 2018, there was \$1,876,675 in funds in excess of FDIC insured limits.

**Interfund Loans**

The Council did not have any interfund loans as of December 31, 2018 or 2017.

**Accounts Receivable**

Accounts receivable are recorded primarily for product sales stated at estimated realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2018 and 2017.

**Inventory**

Inventory consists of Scouting and other items available for resale and is stated at lower of average cost or net realizable value.

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**Property, Buildings, and Equipment**

Property, buildings, and equipment acquired by purchase are stated at cost, and donated assets are recorded at the estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Council's capitalization policy is to capitalize all fixed assets greater than \$1,000. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Property, buildings, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	30-40 years
Furniture and equipment	5-10 years
Vehicles and aquatics	4 years

Construction in progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

Impairment of Long-Lived Assets - The Council reviews long-lived assets, including property and equipment and intangible assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Council has not recognized any impairment of long-lived assets during 2018 and 2017.

**Investments**

Investments consist primarily of assets invested in marketable equity and debt securities, and money-market funds. The Council accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations (ASC 958-320 and subsections). This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the Consolidated Statements of Financial Position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the Consolidated Statements of Changes in Net Assets.

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

**Investment Policy**

The Council's board has appointed a standing Investment Committee which meets regularly and oversees the management of the long-term investments in accordance with the Investment Policy Statement. The primary objective of the Investment Policy Statement is long-term capital appreciation to provide for growth and future income. The policy specifies the investment goals, the Council's tolerance for risk, the diversified asset allocation strategy, and the investment monitoring and control procedures.

The Council has determined that it is not subject to the Uniform Prudent Management of Institutional Funds Act of 2006.

A summary of investments as of December 31, 2018 and 2017, is presented in Notes E and I.

The following schedule summarizes the investment return in the Consolidated Statements of Changes in Net Assets for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 855,001	\$ 821,642
Net gains (losses)	(2,409,829)	2,419,614
Investment fees	(142,970)	(140,188)
	<u>\$ (1,697,798)</u>	<u>\$ 3,101,068</u>

The above investment return is classified in the Consolidated Statements of Changes in Net Assets as follows:

	<u>2018</u>	<u>2017</u>
Without Donor Restrictions	\$ (1,622,904)	\$ 2,825,746
With Donor Restrictions	(74,894)	275,322
	<u>\$ (1,697,798)</u>	<u>\$ 3,101,068</u>

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**Investment Earnings Spending Policy**

The Council has a board-approved total return spending policy that allows the Operating Fund to receive and recognize investment earnings originating from the Endowment Fund. As of December 31, 2018, the board-approved spending policy was 5.85% of the prior 12 quarters average market value.

In early 2015, the Council received funds from the sale of water rights at Griffith League Ranch and from litigation related to fires in the Bastrop area. These funds were invested over the course of 2015 into diversified non-trust investments following the Council's Investment Policy. The Council's board approved a spending policy for the new funds based on 3% of their average quarterly market value, specifying that after the accounts have been in existence for 12 quarters, the value will be measured as of the prior 12 quarters. From that distribution amount, 55% is to go to the Operating Fund and 45% to the Capital Fund.

**Revenues Recognition**

The Council receives revenue from grants, public support, and various fundraising events. Such revenues are recorded as support as these are considered earned. Expenses are recorded when incurred regardless of when paid. Deferred revenue represents advance receipts for future events and activities.

**Pledges Receivables and Contributions**

Pledges receivable for contributions are recognized upon notification of a donor's unconditional promise to give to the Council. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value in accordance with the *Contributions Received* section of the FASB ASC. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of changes in net assets as assets released from restrictions.

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**Donated Materials and Services**

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

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Council's program services and its fundraising campaigns, the value of which is not recorded in the accompanying consolidated financial statements.

**Functional Expenses**

The costs of providing the various programs and supporting services have been summarized on the Consolidated Statements of Changes in Net Assets on a functional basis. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, including the Scout executive's, accounting, information technology personnel, and payroll taxes. The basis of allocation of these expenses is the result of a time study of staff performed every three years. The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of two separate studies and is applied to the expenses that are allocated. In accordance with the policy of the National Council of the Boy Scouts of America (the "National Council"), the payment of the charter fee to the National Council is not allocated as a functional expense. The consolidated financial statements report expenses by function in the Consolidated Statements of Functional Expenses.

**Advertising**

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2018 and 2017 amounted to \$12,938 and \$11,925, respectively.

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**Custodial Accounts**

Custodial accounts represent amounts held by the Council as custodian for registration fees for member units, amounts on deposit for affiliated Scouting associations for their future use, and amounts on deposit by member units for purchases of uniforms and supplies.

**Income Taxes**

The Council is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Council currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Council adopted the provisions of the FASB standard on Accounting for Uncertainty in Income Taxes (ASC 740-10-25). Under this standard, an organization shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Council does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2018, there were no interest or penalties recorded or included in the consolidated financial statements. The Council's income tax returns are subject to examination by federal and local authorities. The tax returns for the years ended December 31, 2015, and thereafter remain subject to examination by the Internal Revenue Service.

**Fair Value Measurement**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1     Quoted prices in active markets for identical securities.
- Level 2     Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).
- Level 3     Significant unobservable inputs (including the Council's own assumptions) in determining the fair value of investments.

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The inputs and methodologies used for valuing the Council's financial assets and liabilities are not indicators of the risks associated with those instruments.

The following methods and assumptions were used to estimate the fair values of the assets in the tables in Note G:

**Level 1: Fair Value Measurements**

*Investments in Securities*

The fair value of the Council's investments in marketable equity and debt securities is based on quoted market prices.

**Level 2: Fair Value Measurements**

*Charitable Remainder Trust & Life Insurance/IRA Donation*

The fair value of the Council's interest in the Charitable Remainder Trust and the designation as a beneficiary in the life insurance and IRA accounts have been estimated by discounting expected cash inflows to their present value. The discount rate used is the Applicable Federal Rate of 2.6 percent.

*Real Estate*

The fair value of the real estate is based on current assessed values for property tax purposes.

**Recently Issued Accounting Pronouncements**

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained.



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ASU 2016-14 also requires an NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented. The Council has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the consolidated financial statements as of and for the year ending December 31, 2017.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	Operating Fund	Capital Fund	Endowment Fund	Total of all Funds
<u>As originally stated</u>				
Net assets, beginning of year				
Unrestricted	\$ 348,511	\$ 23,969,548	\$ 18,609,277	\$ 42,927,336
Temporarily Restricted	1,029,606	308,088	124,921	1,462,615
Permanently Restricted	-	-	2,037,267	2,037,267
Total net assets, beginning of year	<u>1,378,117</u>	<u>24,277,636</u>	<u>20,771,465</u>	<u>46,427,218</u>
Net assets, end of year				
Unrestricted	364,966	23,681,733	20,632,101	44,678,800
Temporarily Restricted	991,663	265,264	400,243	1,657,170
Permanently Restricted	-	-	2,074,344	2,074,344
Total net assets, beginning of year	<u>\$ 1,356,629</u>	<u>\$ 23,946,997</u>	<u>\$ 23,106,688</u>	<u>\$ 48,410,314</u>



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	Operating Fund	Capital Fund	Endowment Fund	Total of all Funds
<u>As restated</u>				
Net assets, beginning of year				
Without Donor Restrictions	\$ 348,511	\$ 23,969,548	\$ 18,609,277	\$ 42,927,336
With Donor Restrictions	1,029,606	308,088	2,162,188	3,499,882
Total net assets, beginning of year	<u>1,378,117</u>	<u>24,277,636</u>	<u>20,771,465</u>	<u>46,427,218</u>
Net assets, end of year				
Without Donor Restrictions	364,966	23,681,733	20,632,101	44,678,800
With Donor Restrictions	991,663	265,264	2,474,587	3,731,514
Total net assets, end of year	<u>\$ 1,356,629</u>	<u>\$ 23,946,997</u>	<u>\$ 23,106,688</u>	<u>\$ 48,410,314</u>

**Subsequent Events**

Management of the Council has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the consolidated financial statements were available to be issued (see Note O).

**NOTE B - LIQUIDITY AND AVAILABILITY OF FUNDS**

The Council's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statement of Financial Position date, are as follows:

	2018	2017
Cash - Operating Fund	\$ 1,284,468	\$ 1,614,368
Receivables and Other Assets - Operating Fund	1,108,090	573,535
Total financial assets as of year end	<u>2,392,558</u>	<u>2,187,903</u>
Appropriation from quasi-endowment for general expenditure in subsequent year	478,847	464,344
Custodial Funds	(652,476)	(701,706)
Receivables expected to be collected in subsequent year	(399,583)	(48,333)
Net Assets With Donor Restrictions	(735,744)	(548,327)
Less net assets with purpose restrictions to be met in less than a year	<u>289,917</u>	<u>277,842</u>
Total financial assets available to meet general expenditures within the next 12 months	<u><u>\$ 1,373,519</u></u>	<u><u>\$ 1,631,723</u></u>

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**NOTE B - LIQUIDITY AND AVAILABILITY OF FUNDS (Continued)**

The Council's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note F, the quasi-endowment has a spending rate of a fixed percentage of twelve quarters average of market valuation. \$478,847 and \$464,344 of appropriations from the quasi-endowment will be available within the next 12 months as of December 31, 2018 and 2017, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. Additionally, the Council has a quasi-endowment of \$18.1 million. Although the Council does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Notes E, F, and J for disclosures about investments).

**NOTE C - PLEDGES RECEIVABLE**

Late in 2012, the Council contracted to purchase the Smilin' V Ranch, a property in Liberty Hill which will be suitable for camping and activities. The property was acquired in April 2013 in exchange for Wolf Mountain Scout Ranch, \$100,000 down payment, a note for \$500,000, and closing costs. Total pledges receivable for Smilin' V Ranch during 2018 and 2017 were \$30,857 and \$163,833, respectively. As of December 31, 2018, \$30,857 of these pledges receivable are listed under Current Assets in the Capital Fund and \$0 is listed under Non-Current Pledges Receivable.

During 2015, the Friends of Scouting fundraising campaign created a new category of larger donations, giving donors who pledged \$25,000 or more to the Council over a three-year period membership in the Tom Wooten Society. These donors will receive complimentary invitations to fundraising events and to events specifically for Tom Wooten Society donors. Because some pledges are scheduled for payment in 2018, those pledges are listed in the Consolidated Statements of Financial Position under Non-Current Pledges Receivable, Operating Fund.

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**NOTE C - PLEDGES RECEIVABLE (Continued)**

Pledges Receivable at December 31, 2018 and 2017, consisted of the following:

<u>2018</u>	<u>Pledges Receivables</u>	<u>Discounts</u>	<u>Allowances for Uncollectible Pledges</u>	<u>Net Pledges</u>
Smilin' V Ranch	\$ 30,857	\$ -	\$ -	\$ 30,857
Friends of Scouting 2018	196,277	-	(150,877)	45,400
Special Events	22,600	-	(4,900)	17,700
Friends of Scouting Future Years	842,898	-	(84,414)	758,484
James E. West (Endowment)	713	-	-	713
Total	<u>\$ 1,093,345</u>	<u>\$ -</u>	<u>\$ (240,191)</u>	<u>\$ 853,154</u>
<u>2017</u>	<u>Pledges Receivables</u>	<u>Discounts</u>	<u>Allowances for Uncollectible Pledges</u>	<u>Net Pledges</u>
Smilin' V Ranch	\$ 163,833	\$ -	\$ -	\$ 163,833
Friends of Scouting 2017	137,147	-	(102,000)	35,147
Special Events	38,350	-	(12,850)	25,500
Tom Wooten Society	354,522	-	(80,053)	274,469
James E. West (Endowment)	380	-	-	380
Total	<u>\$ 694,232</u>	<u>\$ -</u>	<u>\$ (194,903)</u>	<u>\$ 499,329</u>
Estimated due in:		<u>2018</u>	<u>2017</u>	
Less than one year		\$ 693,762	\$ 615,042	
One to five years		399,583	79,190	
Total		<u>\$ 1,093,345</u>	<u>\$ 694,232</u>	

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**NOTE D - PROPERTY, BUILDINGS, AND EQUIPMENT**

Property, buildings, and equipment at December 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 12,847,427	\$ 12,847,427
Buildings and improvements	13,842,043	13,718,851
Donated land usage	99,728	99,728
Equipment and furniture	2,597,689	2,559,711
Construction in progress	391,032	145,990
	<u>29,777,919</u>	<u>29,371,707</u>
Less accumulated depreciation	<u>(7,004,675)</u>	<u>(6,362,695)</u>
Total	<u>\$ 22,773,244</u>	<u>\$ 23,009,012</u>

**NOTE E - OTHER NON-CURRENT ASSETS**

**Split Interest Agreement**

In 2002, the Council was named the beneficiary of two irrevocable charitable remainder trusts, one revocable charitable trust and a contingent beneficiary of a fourth charitable remainder trust. The amounts recorded for the irrevocable charitable remainder trusts at December 31, 2018 and 2017, are \$377,663 and \$591,137, respectively, which is the Council's share of the fair value of the investments less the present value of remaining payments made to others. Assumptions for the 2018 and 2017, calculations of present value were a return of 2.6% and 2.6%, respectively, and monthly payments equal to 7.3% of the fund value for the remaining four-year period.

**NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS**

The Council's operations and capital development activities are funded in part by Endowment Fund earnings. The amount transferred from the Endowment Fund trust accounts has been calculated and disbursed in April of each year using a formula developed by the Board, 5.85% of twelve quarters average of market valuation, which stabilizes the transfer amount and limits the amount to protect the investment corpus. The Endowment Fund trust accounts are comprised of the Scott, Wooten, and Capitol Area Council Boy Scout Trusts. Of amounts transferred from the Wooten and Scott Trusts, 55% is used for operations and transferred to the Operating Fund, and 45% is used for capital development and transferred to the Capital Fund. In 2017 and 2018, both the Operating and Capital Fund distribution were made as usual.

Unrestricted endowment funds are board-designated endowment funds set aside for the following purposes:

Capitol Area Council Boy Scout Trust, the corpus of which consists of donations received by the Council.

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**NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)**

Tom Wooten Trust, the corpus of which was obtained as a result of a sale of a portion of Camp Tom Wooten. The corpus of this trust has been designated by the Board.

Scott Trust, Scott Fixed Income Management, Scott Growth Management, and Scott International Management Funds, the corpus of which was obtained as a result of the sale of the remainder of Camp Tom Wooten. The corpus of this trust has been designated by the Board, but is subject to change by a four-fifths vote of the executive board.

The Lockhart Real Estate Trust, which holds a half interest in a piece of real property and some funds for the administration of that property, which consists of residential rental units in Austin. The property interest and assets were obtained when the Nina Lockhart Charitable Remainder Trust was dissolved.

In 2015, the Council received and invested \$9,811,610 in additional funds from the sale of Griffith League Ranch groundwater and a litigation settlement from fire damage. The money was invested under the supervision of the Investment Committee into a diversified portfolio held at Stephens, Inc. The proceeds of the investment fund will be distributed at a rate not to exceed 3% based on the average value of the twelve preceding fiscal quarters. The distributions will be allocated 55% to the Operating Fund and 45% to the Capital Fund. Before the funds have been invested for twelve quarters, funds may be dispersed at the annual rate of 3% using an average of all the existing quarters. In 2018 and 2017, the distribution to the Operating and Capital Fund were made as usual.

The assets held by each trust at December 31, 2018 and 2017, consist of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
<b>Scott Fixed Income Management</b>				
Cash	\$ 9,880	\$ 9,880	\$ 60,217	\$ 60,217
Fixed income	565,428	559,210	504,241	503,899
Government and agency issued	325,932	318,103	326,440	319,788
Total	<u>901,240</u>	<u>887,193</u>	<u>890,898</u>	<u>883,904</u>
<b>Tom Wooten Trust</b>				
Cash	43,206	43,206	22,175	22,175
Common stocks	858,664	1,421,594	834,973	1,471,115
Total	<u>901,870</u>	<u>1,464,800</u>	<u>857,148</u>	<u>1,493,290</u>
<b>Capitol Area Council Boy Scout Trust</b>				
Cash	65,246	65,246	94,873	94,873
Common stocks	607,259	660,259	573,665	668,385
Total	<u>672,505</u>	<u>725,505</u>	<u>668,538</u>	<u>763,258</u>

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**NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)**

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
<b>Scott/Luther King Capital Management</b>				
Cash	\$ 104,755	\$ 104,755	\$ 28,377	\$ 28,377
Common stocks	532,412	719,171	699,668	1,044,066
Total	<u>637,167</u>	<u>823,926</u>	<u>728,045</u>	<u>1,072,443</u>
<b>Scott/Mutual Funds</b>				
Cash	31,794	31,794	19,541	19,541
Common stocks	593,617	562,801	-	-
Mutual Funds	2,314,833	1,876,504	2,786,202	2,924,070
Total	<u>2,940,244</u>	<u>2,471,099</u>	<u>2,805,743</u>	<u>2,943,611</u>
<b>Scott/CD and Fixed Income</b>				
Cash	97	97	187	187
Mutual Funds	682,812	670,899	667,484	665,006
Total	<u>682,909</u>	<u>670,996</u>	<u>667,671</u>	<u>665,193</u>
<b>Scott/Schafer Cullen Management</b>				
Cash	90,791	90,791	33,021	33,021
Common stock	831,389	1,107,738	935,420	1,411,572
Total	<u>922,180</u>	<u>1,198,529</u>	<u>968,441</u>	<u>1,444,593</u>
<b>Grand Total</b>	<u><u>\$ 7,658,115</u></u>	<u><u>\$ 8,242,048</u></u>	<u><u>\$ 7,586,484</u></u>	<u><u>\$ 9,266,292</u></u>

The trust assets above are presented in the accompanying consolidated financial statements with:

	2018	2017
Cash and cash equivalents	\$ 345,769	\$ 258,391
Long-term investments	7,896,279	9,007,901
Total	<u><u>\$ 8,242,048</u></u>	<u><u>\$ 9,266,292</u></u>

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**NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)**

As of December, 31, 2018 and December 31, 2017, the non-trust Endowment investment assets held at Stephens, Inc., consisted of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
<b>162200306 Oppenheimer International Fund</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 656	\$ 656
Mutual funds	552,339	542,357	538,885	536,510
	<u>552,339</u>	<u>542,357</u>	<u>539,541</u>	<u>537,166</u>
<b>162207449 Master Limited Partnerships</b>				
Cash and cash equivalents	-	-	2,203	2,203
Mutual funds	1,180,523	710,498	1,163,698	884,524
	<u>1,180,523</u>	<u>710,498</u>	<u>1,165,901</u>	<u>886,727</u>
<b>162208471 Thornburg International Growth</b>				
Cash and cash equivalents	-	-	-	-
Mutual funds	1,196,389	1,183,178	1,150,210	1,425,956
	<u>1,196,389</u>	<u>1,183,178</u>	<u>1,150,210</u>	<u>1,425,956</u>
<b>162213605 REMS Real Estate Investment Trusts</b>				
Cash and cash equivalents	-	-	-	-
Mutual funds	665,654	450,310	656,350	523,198
	<u>665,654</u>	<u>450,310</u>	<u>656,350</u>	<u>523,198</u>
<b>162218045 Shafer Collen High Dividend</b>				
Cash and cash equivalents	82,821	85,821	35,153	35,153
Equities	1,211,045	1,349,635	1,279,172	1,540,042
	<u>1,293,866</u>	<u>1,435,456</u>	<u>1,314,325</u>	<u>1,575,195</u>
<b>162218070 Riverbridge Growth</b>				
Cash and cash equivalents	70,461	70,461	33,978	33,978
Equities	1,585,068	2,054,062	1,688,299	2,165,485
	<u>1,655,529</u>	<u>2,124,523</u>	<u>1,722,277</u>	<u>2,199,463</u>
<b>162219070 Luther King Fixed Income</b>				
Cash and cash equivalents	46,764	46,764	119,650	119,650
Corporate bonds	1,001,218	989,821	914,298	911,911
	<u>1,047,982</u>	<u>1,036,585</u>	<u>1,033,948</u>	<u>1,031,561</u>

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**NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)**

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
162224877 Luther King Equity				
Cash and cash equivalents	\$ 249,581	\$ 249,581	\$ 132,443	\$ 132,443
Equities	990,242	1,157,440	1,130,615	1,475,780
	<u>1,239,823</u>	<u>1,407,021</u>	<u>1,263,058</u>	<u>1,608,223</u>
162225772 Henderson Europe				
Cash and cash equivalents	-	-	-	-
Mutual funds	1,275,325	1,043,086	1,121,308	1,290,539
	<u>1,275,325</u>	<u>1,043,086</u>	<u>1,121,308</u>	<u>1,290,539</u>
162226450 Money Market/CDARs				
Cash and cash equivalents	4,314	4,314	4,230	4,230
Fixed income	-	-	-	-
	<u>4,314</u>	<u>4,314</u>	<u>4,230</u>	<u>4,230</u>
Total All Stephens Accounts	<u>\$ 10,111,744</u>	<u>\$ 9,937,328</u>	<u>\$ 9,971,148</u>	<u>\$ 11,082,258</u>

The non-trust Endowment investment assets are presented in the accompanying consolidated financial statements with:

	2018	2017
Cash and cash equivalents	\$ 456,941	\$ 328,313
Long-term investments	9,480,387	10,753,945
Total	<u>\$ 9,937,328</u>	<u>\$ 11,082,258</u>

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments (investment income, gains and losses) are recorded initially in the Endowment Fund. Distributions of investment income, gains and losses from the Endowment Fund are recorded as income by the Operating and Capital Funds in the period in which the distributions are made in accordance with the Council's spending policy (Note A, Investment Earnings Spending Policy). For 2018 and 2017, investment expenses were \$142,970 and \$140,188, respectively, and are netted with appreciation (depreciation) of investments in the Consolidated Statements of Changes in Net Assets. In 2018 and 2017, both the Operating Fund and Capital Fund distributions were made.



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**NOTE G - SUMMARY OF FAIR VALUE EXPOSURE**

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 6,927,142	\$ -	\$ -	\$ 6,927,142
Common & preferred stocks	10,131,087	-	-	10,131,087
Corporate bonds	1,742,260	-	-	1,742,260
Government securities	318,103	-	-	318,103
Fixed Income	193,229	-	-	193,229
Charitable remainder trust, Net of expected payments	-	377,663	-	377,663
Real estate	-	700,000	-	700,000
	\$ 19,311,821	\$ 1,077,663	\$ -	\$ 20,389,484

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,840,336	\$ -	\$ -	\$ 7,840,336
Common & preferred stocks	10,305,966	-	-	10,305,966
Corporate bonds	1,340,529	-	-	1,340,529
Government securities	397,456	-	-	397,456
Fixed Income	196,585	-	-	196,585
Charitable remainder trust, Net of expected payments	-	591,137	-	591,137
Real estate	-	700,000	-	700,000
	\$ 20,080,872	\$ 1,291,137	\$ -	\$ 21,372,009

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**NOTE H - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. At December 31, 2018 and 2017, net assets with donor restrictions as to purpose are restricted for:

	<u>2018</u>	<u>2017</u>
Purpose restricted:		
Friends of Scouting - Other Donors	\$ 857,566	\$ 284,948
Endowment Restricted for Purpose	322,909	400,243
Staffing	272,435	295,881
Smilin' V Ranch	150,444	194,693
Science & Technology Programs	147,474	80,822
Camp Green Dickson	120,077	60,000
Scoutreach and In-School Scouting	25,547	17,906
Exploring Program/Learning for Life	9,457	78,389
Lost Pines Boy Scout Reservation	8,000	9,000
Other	7,633	14,288
Eagle Scout Scholarship	2,440	-
Friends of Scouting - Tom Wooten Society	-	221,000
Time restricted:		
Endowment Restricted for perpetuity	2,109,758	2,074,344
Total	<u>\$ 4,033,740</u>	<u>\$ 3,731,514</u>

**NOTE I - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions during 2018 and 2017 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. The amounts released during the year are as follows:

	<u>2018</u>	<u>2017</u>
Purpose restriction accomplished:		
Professional Staffing	\$ 123,450	\$ -
Exploring Program/Learning for Life	69,211	10,904
Science and Technology Programs	65,822	108,864
Capital Projects Completed	62,528	101,592
Scoutreach and In-School Scouting	7,359	7,247
Special Events	7,000	-
Website Updates	5,000	-
Other	-	6,061

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**NOTE I - NET ASSETS RELEASED FROM RESTRICTIONS (Continued)**

	<u>2018</u>	<u>2017</u>
Time restriction accomplished:		
Friends of Scouting	\$ 446,107	\$ 484,846
Total net assets released from restrictions	<u>\$ 786,477</u>	<u>\$ 719,514</u>

**NOTE J - DONOR RESTRICTED INVESTMENTS**

The Council's Endowment Fund includes donor restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions, identified by the Council's Board of Directors to be used for future investment and growth, are included in net assets without donor restrictions.

The Council was named in the will of Byron Lockhart, which established two charitable remainder trusts. The principal of the two trusts was set up as a perpetual education trust known as the Eagle Scout Education Trust and a portion of the income was allocated to two individuals for their lifetimes. The Council became the income beneficiary of one of the trusts upon the death of one of the two income beneficiaries. Those assets, which passed to the Council, were split into two portions. One portion, consisting of an interest in rental real estate and \$12,359 in working capital at December 31, 2018, is held in the Lockhart Real Estate Trust, which was established to administer the rental real estate interest. The other portion was invested in the Capitol Area Trust, and the principal is restricted for Eagle Scout scholarships. The trustee, Frost Bank, manages the property and administers all these Lockhart trusts.

At December 31, 2018, the remaining non-Council Lockhart trust was recorded at a fair value of \$748,818; the Lockhart Real Estate trust was recorded at a fair value of \$362,359, which consists of cash held for managing the real estate of \$12,358 and an estimated value for the real estate interest of \$350,000. The invested Eagle Scout Education restricted funds in the Capitol Area Trust were valued at \$427,010 at December 31, 2018.

Also included in restricted investments were funds with income restricted for at-risk youth or the COPE program, recorded at a fair value of \$87,207 and \$93,362, as of December 31, 2018 and 2017, respectively. Additionally, there are amounts with income restricted for at-risk youth, recorded at a fair value of \$391,036 and \$418,433 as of December 31, 2018 and 2017, respectively.

The assets held in the permanent trusts at December 31, 2018, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Cash	\$ 30,113	\$ 30,113	\$ 30,113
Common stock & equities	917,185	1,098,387	1,098,387
Bond and income funds	196,124	193,229	193,229
Real estate	196,135	700,000	700,000
Total	<u>\$ 1,339,557</u>	<u>\$ 2,021,729</u>	<u>\$ 2,021,729</u>

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**NOTE J - DONOR RESTRICTED INVESTMENTS (Continued)**

The assets held in the permanent trusts at December 31, 2017, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Cash	\$ 38,620	\$ 38,620	\$ 38,620
Common stock & equities	915,838	1,203,274	1,203,274
Bond and income funds	194,531	196,585	196,585
Real estate	196,135	700,000	700,000
Total	<u>\$ 1,345,124</u>	<u>\$ 2,138,479</u>	<u>\$ 2,138,479</u>

The trust assets above are presented in the accompanying consolidated financial statements with:

	<u>2018</u>	<u>2017</u>
Cash	\$ 30,113	\$ 38,620
Investments	1,991,616	2,099,859
Total	<u>\$ 2,021,729</u>	<u>\$ 2,138,479</u>

**NOTE K - LINE OF CREDIT**

The Council has entered into a line of credit agreement with a local bank for up to \$250,000. Interest is payable monthly at the bank's prime rate. The line of credit expires on May 4, 2019, and as of December 31, 2018, there was no outstanding balance. The line of credit was not renewed.

**NOTE L - NOTES PAYABLE**

When the Council purchased the Smilin' V Ranch in April 2013, the Council entered into a note payable for \$500,000. The seller agreed to an interest-free note until April 5, 2015, when interest began to accrue at 5%. Quarterly principal and interest payments commenced July 5, 2015. The balance of this loan was \$30,857 and \$163,833 at December 31, 2018 and 2017, respectively.

The remaining quarterly principal and interest payments are scheduled on the 5th day of January, April, July, and October at \$34,675 per quarter through April 5, 2019.

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**NOTE M - EMPLOYEE BENEFIT PLANS**

**Healthcare Plan**

The Council's employees participate in a healthcare plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2018 and 2017, the Council remitted approximately \$300,639 and \$244,947, respectively, on behalf of its employees to the National Council related to the healthcare plan.

**Retirement Plan**

The Boy Scouts of America has a qualified defined benefit multiemployer contributory retirement plan (the Plan) administered at the national office that covers eligible employees of the National Council and local Councils, including this Council. The plan name is the Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees, and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2 percent of compensation, and the Council contributes an additional 7 percent to the Plan. Pension expense (excluding the contributions made by employees) was approximately \$121,392 and \$111,852 in 2018 and 2017, respectively, and covered current service cost. The actuarial information for the Plan as of February 1, 2018, indicates that it is in compliance with ERISA regulations regarding funding. This Plan was closed to new entrances effective December 31, 2018. Employees with more than 15 years of service will continue to contribute and accrue pension increases in the Plan. Employees with less than 15 years of service will retain their current BSA retirement pension amount but cease to contribute to the Plan or accrue pension increases (see Note O).

**Thrift Plan**

The Council has established a 403(b) Tax Deferred Annuity Thrift Plan (the "Thrift Plan") covering substantially all of the employees of the Council. Participants in the Thrift Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. The Council has elected to match employee contributions to the Thrift Plan up to 50 percent of contributions from each participant, limited to employee contributions up to 6 percent of the employee's gross pay. In 2018 and 2017, the Council contributed approximately \$39,571 and \$35,608, respectively, to the Thrift Plan. This Plan is now frozen and current plan participants and their balances will be transferred to the new BSA Match Savings Plan (see Note O).

**NOTE N - RELATED PARTY TRANSACTIONS**

Certain members of the Board of Directors of the Council contributed \$124,150 and \$432,282 to the Council during the years ended December 31, 2018 and 2017, respectively.

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**NOTE O - SUBSEQUENT EVENTS**

**Employee Benefit Changes**

As of January 1, 2019, the National Council provided a new 403(b) plan, the BSA Match Savings Plan, with Fidelity Investments, which replaces the previous local Thrift Plan. This new 403(b) plan features a basic employer contribution, employee contribution matching, automatic enrollment, automatic participation increases, and an opt-out option for employees who want to change their participation from the automatic amounts.

Regardless of individual employee contributions, the Council remits 7.75% of participating employee wages to the National Council, which covers all the costs of both the BSA Retirement Plan and the 403(b) Match Savings Plan.

**Endowment Funds**

The endowment investments are reported in the financial statements at market value as of December 31, 2018. These values changed significantly in 2019. Early in April 2019, the endowment investments distributed a total of \$870,631 to the council's Operating and Capital Funds. As of April 30, 2019, after being reduced by the distribution, the market value of the endowment investments was \$22,719,399, an increase of \$211,711 or 10.27% over the endowment value at December 31, 2018.