

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

DECEMBER 31, 2019 AND 2018

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 Consolidated 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, 2019 and 2018, 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 Consolidated 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, 2019 and 2018, 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.

Ackley & Associates, LLP

Austin, Texas

June 18, 2020

**CONSOLIDATED
FINANCIAL STATEMENTS**

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	Operating Fund		Capital Fund	
	2019	2018	2019	2018
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,472,289	\$ 1,284,468	\$ 717,253	\$ 768,061
Receivables and Other Assets (Note C)	528,424	708,507	3,500	30,857
Inventory	294,827	284,639	-	-
Total Current Assets	<u>2,295,540</u>	<u>2,277,614</u>	<u>720,753</u>	<u>798,918</u>
Non-Current Assets				
Non-Current Pledges Receivable (Note C)	102,736	399,583	-	-
Other Non-Current Assets (Note E)	-	-	-	-
Property, Buildings, and Equipment, Net (Note D)	-	-	22,648,474	22,773,244
Long-Term Investments (Notes F and J)	-	-	-	-
Total Non-Current Assets	<u>102,736</u>	<u>399,583</u>	<u>22,648,474</u>	<u>22,773,244</u>
TOTAL ASSETS	<u>\$ 2,398,276</u>	<u>\$ 2,677,197</u>	<u>\$ 23,369,227</u>	<u>\$ 23,572,162</u>
LIABILITIES				
Current Liabilities				
Accounts and Accrued Liabilities	\$ 219,536	\$ 252,656	\$ 28,299	\$ 7,053
Custodial Funds	917,689	652,476	-	-
Current Portion Long-Term Debt	-	-	-	30,857
Deferred Activity Income	71,657	44,784	-	-
Deferred Camp Income	16,538	18,793	-	-
Deferred Other Income	3,200	11,879	-	-
Total Current Liabilities	<u>1,228,620</u>	<u>980,588</u>	<u>28,299</u>	<u>37,910</u>
Long-Term Debt, Net of Current Portion (Note L)	-	-	-	-
Total Liabilities	<u>1,228,620</u>	<u>980,588</u>	<u>28,299</u>	<u>37,910</u>
NET ASSETS				
Net Assets Without Donor Restrictions, Undesignated	382,353	376,689	22,902,029	23,253,099
Net Assets With Donor Restrictions (Note H)	787,303	1,319,920	438,899	281,153
Total Net Assets	<u>1,169,656</u>	<u>1,696,609</u>	<u>23,340,928</u>	<u>23,534,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,398,276</u>	<u>\$ 2,677,197</u>	<u>\$ 23,369,227</u>	<u>\$ 23,572,162</u>

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

Endowment Fund		Total All Funds	
2019	2018	2019	2018
\$ 930,423	\$ 860,929	\$ 3,119,965	\$ 2,913,458
14	713	531,938	740,077
-	-	294,827	284,639
<u>930,437</u>	<u>861,642</u>	<u>3,946,730</u>	<u>3,938,174</u>
-	-	102,736	399,583
347,748	377,663	347,748	377,663
-	-	22,648,474	22,773,244
23,437,070	19,362,983	23,437,070	19,362,983
<u>23,784,818</u>	<u>19,740,646</u>	<u>46,536,028</u>	<u>42,913,473</u>
<u>\$ 24,715,255</u>	<u>\$ 20,602,288</u>	<u>\$ 50,482,758</u>	<u>\$ 46,851,647</u>
\$ -	\$ -	\$ 247,835	\$ 259,709
-	-	917,689	652,476
-	-	-	30,857
-	-	71,657	44,784
-	-	16,538	18,793
-	-	3,200	11,879
<u>-</u>	<u>-</u>	<u>1,256,919</u>	<u>1,018,498</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>1,256,919</u>	<u>1,018,498</u>
21,366,563	18,169,621	44,650,945	41,799,409
3,348,692	2,432,667	4,574,894	4,033,740
<u>24,715,255</u>	<u>20,602,288</u>	<u>49,225,839</u>	<u>45,833,149</u>
<u>\$ 24,715,255</u>	<u>\$ 20,602,288</u>	<u>\$ 50,482,758</u>	<u>\$ 46,851,647</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Operating Fund	Capital Fund	Endowment Fund	Total	Operating Fund	Capital Fund	Endowment Fund	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS								
Direct Support								
Friends of Scouting	\$ 1,048,016	-	-	\$ 1,048,016	\$ 1,120,387	-	-	\$ 1,120,387
Special Events	503,394	-	-	503,394	462,308	-	-	462,308
Less: Cost of Direct Benefit	(191,531)	-	-	(191,531)	(206,983)	-	-	(206,983)
Net Special Events	311,863	-	-	311,863	255,325	-	-	255,325
Foundations and Trusts	213,507	-	-	213,507	344,019	-	-	344,019
Other Direct Contributions	108,014	49,194	402,420	559,628	119,689	46,728	17,515	183,932
Total Direct Support	1,681,400	49,194	402,420	2,133,014	1,839,420	46,728	17,515	1,903,663
Indirect Support								
United Way	5,416	-	-	5,416	5,093	-	-	5,093
Other Indirect	10,831	-	-	10,831	9,799	-	-	9,799
Total Indirect Support	16,247	-	-	16,247	14,892	-	-	14,892
Revenues								
Supply Sales	1,180,385	-	-	1,180,385	1,232,019	-	-	1,232,019
Less: Cost of Goods Sold	(761,101)	-	-	(761,101)	(806,905)	-	-	(806,905)
Net Supply Sales	419,284	-	-	419,284	425,114	-	-	425,114
Product Sales	2,167,932	-	-	2,167,932	2,111,062	-	-	2,111,062
Less: Cost of Goods Sold	(654,274)	-	-	(654,274)	(591,811)	-	-	(591,811)
Less: Commissions Paid	(778,747)	-	-	(778,747)	(797,989)	-	-	(797,989)
Net Product Sales	734,911	-	-	734,911	721,262	-	-	721,262
Camping Activities	1,040,697	-	-	1,040,697	1,073,286	-	-	1,073,286
Investment Return, Net	529,484	-	-	529,484	409,660	-	-	409,660
of \$111,015 and \$142,970 of Expenses	490,901	229,460	2,983,163	3,703,524	472,645	379,916	(2,475,465)	(1,622,904)
Other	148,010	-	-	148,010	125,032	-	2,500	127,532
Total Revenues	3,363,287	229,460	2,983,163	6,575,910	3,226,999	379,916	(2,472,965)	1,133,950
Net Assets Released from Restrictions (Note I)	674,658	10,000	-	684,658	723,949	62,528	-	786,477
Total Support and Revenues	5,735,592	288,654	3,385,583	9,409,829	5,805,260	489,172	(2,455,450)	3,838,982

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

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			Combined Totals
	Program Services	Management & General	Fundraising	
Employee Compensation				
Salaries	\$ 2,582,221	\$ 53,481	\$ 214,660	\$ 2,850,362
Employee Benefits	482,574	11,110	44,594	538,278
Payroll Taxes	194,303	3,896	15,637	213,836
Employee Related Expenses	5,684	139	558	6,381
Total Employee Compensation	<u>3,264,782</u>	<u>68,626</u>	<u>275,449</u>	<u>3,608,857</u>
Other Expenses				
Conferences and Meetings	82,561	1,731	7,388	91,680
Insurance	180,149	2,618	10,507	193,274
Interest Expense	388	-	-	388
Occupancy	450,952	3,404	13,661	468,017
Other Expenses	33,212	10,467	12,871	56,550
Postage and Shipping	8,446	106	4,547	13,099
Printing and Publications	8,613	18	6,144	14,775
Professional Fees	78,688	81,091	11,473	171,252
Recognition Awards	139,827	149	10,597	150,573
Rent and Maintenance of Equipment	143,554	8,613	9,448	161,615
Specific Assistance to Individuals	91,390	-	-	91,390
Supplies	540,899	729	65,386	607,014
Telephone	38,148	686	2,754	41,588
Travel	144,507	2,440	9,798	156,745
Total Other Expenses	<u>1,941,334</u>	<u>112,052</u>	<u>164,574</u>	<u>2,217,960</u>
Expenses Before Depreciation	<u>5,206,116</u>	<u>180,678</u>	<u>440,023</u>	<u>5,826,817</u>
Depreciation	<u>627,070</u>	<u>6,925</u>	<u>27,796</u>	<u>661,791</u>
Total Functional Expenses	<u>\$ 5,833,186</u>	<u>\$ 187,603</u>	<u>\$ 467,819</u>	<u>\$ 6,488,608</u>

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

2018

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

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Operating Fund		Capital Fund	
	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (521,953)	\$ 344,980	\$ (360,648)	\$ (417,745)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities				
Depreciation	-	-	661,791	641,982
Provision for Uncollectible Accounts	160,683	86,709	-	-
Net Unrealized and Realized (Gains) Losses on Investments	-	-	-	-
Donation of Equipment	-	-	-	-
Contributions of Cash - With Restriction	-	-	-	-
Transfers	(5,000)	(5,000)	167,324	5,000
Change in Interfund Accounts	-	-	-	-
(Increase) Decrease in Receivables and Other Assets	316,247	(621,264)	27,357	102,119
(Increase) Decrease in Inventory	(10,188)	(15,120)	-	-
Increase (Decrease) in Accounts and Other Payables	(17,181)	(70,975)	21,246	(14,129)
Increase (Decrease) in Custodial Funds	265,213	(49,230)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>187,821</u>	<u>(329,900)</u>	<u>517,070</u>	<u>317,227</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds From Sales of Investments	-	-	-	-
Purchases of Investments	-	-	-	-
Purchases of Equipment and Improvements	-	-	(537,021)	(406,214)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(537,021)</u>	<u>(406,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Contributions of Cash - With Restriction	-	-	-	-
Provision for Uncollectible Accounts (Note C)	-	-	(10,618)	45,288
(Increase) Decrease in Receivables and Other Assets	-	-	10,618	(14,431)
(Repayments) Proceeds from Long-Term Debt	-	-	(30,857)	(132,976)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(30,857)</u>	<u>(102,119)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	187,821	(329,900)	(50,808)	(191,106)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,284,468</u>	<u>1,614,368</u>	<u>768,061</u>	<u>959,167</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,472,289</u>	<u>\$ 1,284,468</u>	<u>\$ 717,253</u>	<u>\$ 768,061</u>
SUPPLEMENTAL DATA				
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388</u>	<u>\$ 5,724</u>
Taxes Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Endowment Fund		Total All Funds	
2019	2018	2019	2018
\$ 4,275,291	\$ (2,504,400)	\$ 3,392,690	\$ (2,577,165)
-	-	661,791	641,982
-	-	160,683	86,709
(3,343,936)	2,409,829	(3,343,936)	2,409,829
-	-	-	-
(317,697)	(35,414)	(317,697)	(35,414)
(162,324)	-	-	-
-	-	-	-
699	(333)	344,303	(519,478)
-	-	(10,188)	(15,120)
-	-	4,065	(85,104)
-	-	265,213	(49,230)
<u>452,033</u>	<u>(130,318)</u>	<u>1,156,924</u>	<u>(142,991)</u>
1,454,610	2,273,656	1,454,610	2,273,656
(2,184,761)	(2,184,761)	(2,184,761)	(2,184,761)
-	-	(537,021)	(406,214)
<u>(730,151)</u>	<u>88,895</u>	<u>(1,267,172)</u>	<u>(317,319)</u>
317,697	35,414	317,697	35,414
-	-	(10,618)	45,288
29,915	213,474	40,533	199,043
-	-	(30,857)	(132,976)
<u>347,612</u>	<u>248,888</u>	<u>316,755</u>	<u>146,769</u>
69,494	207,465	206,507	(313,541)
<u>860,929</u>	<u>653,464</u>	<u>2,913,458</u>	<u>3,226,999</u>
<u>\$ 930,423</u>	<u>\$ 860,929</u>	<u>\$ 3,119,965</u>	<u>\$ 2,913,458</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388</u>	<u>\$ 5,724</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, 2019 AND 2018

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 2019.

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, 2019 and 2018, 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.

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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. Since 2018, Cub Scouting has also been 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.

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.

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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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(Continued)

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, 2019, there was \$2,045,905 in funds in excess of FDIC insured limits.

Interfund Loans

The Council did not have any interfund loans as of December 31, 2019 or 2018.

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, 2019 and 2018.

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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(Continued)

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 2019 and 2018.

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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NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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, 2019 and 2018, is presented in Notes F and J.

The following schedule summarizes the investment return in the Consolidated Statements of Changes in Net Assets for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 720,361	\$ 855,001
Net gains (losses)	3,343,936	(2,409,829)
Investment fees	<u>(111,015)</u>	<u>(142,970)</u>
	<u>\$ 3,953,282</u>	<u>\$ (1,697,798)</u>

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

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions	\$ 3,703,524	\$ (1,622,904)
With Donor Restrictions	<u>249,758</u>	<u>(74,894)</u>
	<u>\$ 3,953,282</u>	<u>\$ (1,697,798)</u>

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NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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, 2019, 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.

Revenue from Exchange Transactions: Effective January 1, 2019, the Council recognizes revenue in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements. The Council records the following exchange transaction revenue in its consolidated statements of activities and changes in net assets for the years ending December 31, 2019 and 2018:

Scout Shop and Trading Post Sales - The Council operates a Scout Shop in its Service Center and various Trading Posts at its summer camps, which sell Scouting-related merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Council based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Council recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Council estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2019 and 2018.

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(Continued)

Product Sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout pack and troops earn a commission of 33% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sales also help the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail's End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its consolidated statements of activities and changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions (retained by or paid to the unit).

Scout Units have the right to return to the Council any unsold product, subject to a return-by date of December 31, 2019. As of December 31, 2019 and 2018, no probable returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Camping and Activity Revenue — The Council conducts program-related experiences such as Day Camps, Day Hikes, Weekend Overnights, Camporees, and Summer Camps where the performance obligation is delivery of the program. Fees for camps and activities are set by the Council. For resident camps, fees include program supplies, meals, lodging, recognition items, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. Activities such as the National Scout Jamboree may include a transportation component in the transaction price. Some special camp programs do incur additional fees (shooting sports, for example), which are separately priced. BSA activities such as Wood Badge may involve program supplies, recognition items, and meals, and are also considered to be one performance obligation. Fees collected in advance of delivery of the camp or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the program has occurred.

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Special Fundraising Event Revenue - The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event—the exchange component, and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the (consolidated) statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Council separately presents in its consolidated statements of activities and changes in net assets or notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council follows AICPA guidance (if this is the case) where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Other revenue consists primarily of rent revenue and is recognized on a monthly basis as earned.

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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(Continued)

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 consolidated 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 2019 and 2018 amounted to \$12,552 and \$12,938, 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, 2019, 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, 2016, 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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(Continued)

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 2019, the Council adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Council has applied the provisions of ASU 2016-18 to retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

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(Continued)

During the year, the Council also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2019 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Effective for the Council in 2019, FASB ASU 2016-01, *Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825-10)* allows an NFP to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with FASB ASC 820-10-35-59, at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The FASB ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Council's 2018 and 2019 consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2019, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2020. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

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NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 Notes K and 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:

	<u>2019</u>	<u>2018</u>
Cash - operating fund	\$ 1,472,289	\$ 1,284,468
Receivables and other assets - operating fund	631,160	1,108,090
Total financial assets as of year end	<u>2,103,449</u>	<u>2,392,558</u>
Appropriation from quasi-endowment for general expenditure in subsequent year	500,130	478,847
Custodial funds	(917,689)	(652,476)
Receivables not expected to be collected in next year	(102,736)	(399,583)
Net assets with donor restrictions	(218,738)	(735,744)
Less net assets with purpose restrictions to be met in less than a year	<u>80,680</u>	<u>289,917</u>
Total financial assets available to meet general expenditures within the next 12 months	<u><u>\$ 1,445,096</u></u>	<u><u>\$ 1,373,519</u></u>

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. \$500,130 and \$478,847 of appropriations from the quasi-endowment will be available within the next 12 months as of December 31, 2019 and 2018, respectively.

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NOTE B - LIQUIDITY AND AVAILABILITY OF FUNDS (Continued)

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 \$22.7 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

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 2021, those pledges are listed in the Consolidated Statements of Financial Position under Non-Current Pledges Receivable, Operating Fund.

Pledges Receivable at December 31, 2019 and 2018, consisted of the following:

<u>2019</u>	Pledges Receivables	Discounts	Allowances for Uncollectible Pledges	Net Pledges
Friends of Scouting 2019	\$ 272,705	\$ -	\$ (177,922)	\$ 94,783
Special Events	30,100	-	(6,400)	23,700
Friends of Scouting Future Years	421,029	-	(45,251)	375,778
Other	3,500	-	-	3,500
Total	<u>\$ 727,334</u>	<u>\$ -</u>	<u>\$ (229,573)</u>	<u>\$ 497,761</u>

<u>2018</u>	Pledges Receivables	Discounts	Allowances for Uncollectible Pledges	Net Pledges
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
Tom Wooten Society	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>

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NOTE C - PLEDGES RECEIVABLE (Continued)

	<u>2019</u>	<u>2018</u>
Estimated due in:		
Less than one year	\$ 624,598	\$ 693,762
One to five years	102,736	399,583
Total	<u>\$ 727,334</u>	<u>\$ 1,093,345</u>

NOTE D - PROPERTY, BUILDINGS, AND EQUIPMENT

Property, buildings, and equipment at December 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 12,847,427	\$ 12,847,427
Buildings and improvements	14,361,822	13,842,043
Donated land usage	126,128	99,728
Equipment and furniture	2,604,960	2,597,689
Construction in progress	374,603	391,032
	<u>30,314,940</u>	<u>29,777,919</u>
Less accumulated depreciation	(7,666,466)	(7,004,675)
Total	<u>\$ 22,648,474</u>	<u>\$ 22,773,244</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, 2019 and 2018, are \$347,748 and \$377,663, 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 calculations of present value were a return of 2.6% and monthly payments equal to 7.3% of the fund value for the remaining four year period. At December 31, 2019, it was determined that the remaining value would be paid out for the benefit of the contingent beneficiary and no value remains. In 2019, a new charitable remainder trust named the Council as beneficiary of 1/3 interest in the corpus. The value of the 1/3 interest after the present value discounted factor at December 31, 2019 was \$347,748.

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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 2018 and 2019, both the Operating and Capital Fund distributions 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.

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 2019 and 2018, the distribution to the Operating and Capital Fund were made as usual.

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
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NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)

The assets held by each trust at December 31, 2019 and 2018, consist of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Scott Fixed Income Management				
Cash	\$ 83,699	\$ 83,699	\$ 9,880	\$ 9,880
Fixed income	574,504	581,941	565,428	559,210
Government and agency issued	255,436	255,193	325,932	318,103
Total	<u>913,639</u>	<u>920,833</u>	<u>901,240</u>	<u>887,193</u>
Tom Wooten Trust				
Cash	54,442	54,442	43,206	43,206
Common stocks	880,098	1,749,384	858,664	1,421,594
Total	<u>934,540</u>	<u>1,803,826</u>	<u>901,870</u>	<u>1,464,800</u>
Capitol Area Council Boy Scout Trust				
Cash	157,115	157,115	65,246	65,246
Common stocks	1,513,459	2,196,235	607,259	660,259
Total	<u>1,670,574</u>	<u>2,353,350</u>	<u>672,505</u>	<u>725,505</u>
Scott/Luther King Capital Management				
Cash	67,061	67,061	104,755	104,755
Common stocks	480,093	781,617	532,412	719,171
Total	<u>547,154</u>	<u>848,678</u>	<u>637,167</u>	<u>823,926</u>
Scott/Mutual Funds				
Cash	31,911	31,911	31,794	31,794
Common stocks	593,617	691,681	593,617	562,801
Mutual Funds	2,292,099	2,394,639	2,314,833	1,876,504
Total	<u>2,917,627</u>	<u>3,118,231</u>	<u>2,940,244</u>	<u>2,471,099</u>
Scott/CD and Fixed Income				
Cash	152	152	97	97
Mutual Funds	704,756	707,613	682,812	670,899
Total	<u>704,908</u>	<u>707,765</u>	<u>682,909</u>	<u>670,996</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Scott/Schafer Cullen Management				
Cash	\$ 85,267	\$ 85,267	\$ 90,791	\$ 90,791
Common stock	789,629	1,142,089	831,389	1,107,738
Total	<u>874,896</u>	<u>1,227,356</u>	<u>922,180</u>	<u>1,198,529</u>
Grand Total	<u>\$ 8,563,338</u>	<u>\$ 10,980,039</u>	<u>\$ 7,658,115</u>	<u>\$ 8,242,048</u>

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

	2019	2018
Cash and cash equivalents	\$ 479,647	\$ 345,769
Long-term investments	<u>10,500,392</u>	<u>7,896,279</u>
Total	<u>\$ 10,980,039</u>	<u>\$ 8,242,048</u>

As of December, 31, 2019 the non-trust Endowment investment assets were held at CFM Wealth Partners and consisted of the following. At December 31, 2018, the non-trust Endowment investment assets were held at Stephens, Inc., and consisted of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
421KL245/162200306 Oppenheimer International Fund				
Cash and cash equivalents	\$ 4,219	\$ 4,219	\$ -	\$ -
Mutual funds	<u>1,193,051</u>	<u>1,307,856</u>	<u>552,339</u>	<u>542,357</u>
	1,197,270	1,312,075	552,339	542,357
454OJ341/162207449 Master Limited Partnerships				
Cash and cash equivalents	801	801	-	-
Mutual funds	<u>1,204,027</u>	<u>782,225</u>	<u>1,180,523</u>	<u>710,498</u>
	1,204,828	783,026	1,180,523	710,498
4412F457/162213605 REMS Real Estate Investment Trusts				
Cash and cash equivalents	835	835	-	-
Mutual funds	<u>509,651</u>	<u>590,389</u>	<u>665,654</u>	<u>450,310</u>
	510,486	591,224	665,654	450,310

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NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
407ND212/162208471 Thornburg International Growth				
Cash and cash equivalents	\$ 1,646	\$ 1,646	\$ -	\$ -
Mutual funds	1,197,855	1,487,226	1,196,389	1,183,178
	<u>1,199,501</u>	<u>1,488,872</u>	<u>1,196,389</u>	<u>1,183,178</u>
7116W757/162218045 Schafer Cullen High Dividend				
Cash and cash equivalents	89,926	89,926	82,821	85,821
Equities	1,203,184	1,547,145	1,211,045	1,349,635
	<u>1,293,110</u>	<u>1,637,071</u>	<u>1,293,866</u>	<u>1,435,456</u>
3573T851/162218070 Riverbridge Growth				
Cash and cash equivalents	53,440	53,440	70,461	70,461
Equities	1,551,814	2,534,564	1,585,068	2,054,062
	<u>1,605,254</u>	<u>2,588,004</u>	<u>1,655,529</u>	<u>2,124,523</u>
157Y4216/162219070 Luther King Fixed Income				
Cash and cash equivalents	56,050	56,050	46,764	46,764
Corporate bonds	1,008,941	1,019,011	1,001,218	989,821
	<u>1,064,991</u>	<u>1,075,061</u>	<u>1,047,982</u>	<u>1,036,585</u>
7181H988/162224877 Luther King Equity				
Cash and cash equivalents	199,206	199,206	249,581	249,581
Equities	1,022,260	1,502,776	990,242	1,157,440
	<u>1,221,466</u>	<u>1,701,982</u>	<u>1,239,823</u>	<u>1,407,021</u>
8820R183/162225772 Thornbueg Limited Term Income Fund				
Cash and cash equivalents	629	629	-	-
Mutual funds	575,538	571,977	1,275,325	1,043,086
	<u>576,167</u>	<u>572,606</u>	<u>1,275,325</u>	<u>1,043,086</u>
722T9580/162226450 Money Market/CDARs				
Cash and cash equivalents	3,503	3,503	4,314	4,314
	<u>3,503</u>	<u>3,503</u>	<u>4,314</u>	<u>4,314</u>
Total Non-Trust Endowment Accounts	<u>\$ 9,876,576</u>	<u>\$ 11,753,424</u>	<u>\$ 10,111,744</u>	<u>\$ 9,937,328</u>

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NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)

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

	2019	2018
Cash and cash equivalents	\$ 410,255	\$ 456,941
Long-term investments	11,343,169	9,480,387
Total	<u>\$ 11,753,424</u>	<u>\$ 9,937,328</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 2019 and 2018, investment expenses were \$111,015 and \$142,970, respectively, and are netted with appreciation (depreciation) of investments in the Consolidated Statements of Changes in Net Assets. In 2019 and 2018, both the Operating Fund and Capital Fund distributions were made.

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, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,841,925	\$ -	\$ -	\$ 7,841,925
Common & preferred stocks	13,439,098	-	-	13,439,098
Corporate bonds	1,795,082	-	-	1,795,082
Government securities	255,193	-	-	255,193
Fixed income	194,130	-	-	194,130
Charitable remainder trust, Net of expected payments	-	347,748	-	347,748
Real estate	-	762,053	-	762,053
	<u>\$ 23,525,428</u>	<u>\$ 1,109,801</u>	<u>\$ -</u>	<u>\$ 24,635,229</u>

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NOTE G - SUMMARY OF FAIR VALUE EXPOSURE (Continued)

	2018			Total
	Level 1	Level 2	Level 3	
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
	<u>\$ 19,311,821</u>	<u>\$ 1,077,663</u>	<u>\$ -</u>	<u>\$ 20,389,484</u>

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, 2019 and 2018, net assets with donor restrictions as to purpose are restricted for:

	2019	2018
Purpose restricted:		
Endowment Restricted for Purpose	\$ 921,237	\$ 322,909
Friends of Scouting - Other Donors	512,347	857,566
Staffing	202,435	272,435
Camp Green Dickson	180,077	120,077
Smilin' V Ranch	159,763	150,444
Capital Projects	94,297	-
Science & Technology Programs	41,897	147,474
Scoutreach and In-School Scouting	27,889	25,547
Lost Pines Boy Scout Reservation	2,726	8,000
Eagle Scout Scholarship	2,293	2,440
FFTSC Pavers Campaign	2,035	-
Other	443	7,633
Exploring Program/Learning for Life	-	9,457
Time restricted:		
Endowment Restricted for perpetuity	2,427,455	2,109,758
Total	<u>\$ 4,574,894</u>	<u>\$ 4,033,740</u>

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NOTE I - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2019 and 2018 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>2019</u>	<u>2018</u>
Purpose restriction accomplished:		
Science and Technology Programs	\$ 119,103	\$ 65,822
Professional Staffing	70,000	123,450
Scoutreach and In-School Scouting	13,408	7,359
Exploring Program/Learning for Life	9,457	69,211
Lost Pines Boy Scout Reservation	8,000	-
Other	4,560	-
Capital Projects Completed	2,000	62,528
Eagle Scout Scholarship	147	-
Special Events	-	7,000
Website Updates	-	5,000
Time restriction accomplished:		
Friends of Scouting	457,983	446,107
Total net assets released from restrictions	<u>\$ 684,658</u>	<u>\$ 786,477</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 \$22,265 and \$12,359 in working capital at December 31, 2019 and 2018, respectively, 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.

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BOY SCOUTS OF AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE J - DONOR RESTRICTED INVESTMENTS (Continued)

At December 31, 2019 and 2018, respectively, the remaining non-Council Lockhart trust was recorded at a fair value of \$821,882 and \$748,818; the Lockhart Real Estate trust was recorded at a fair value of \$403,292 and \$362,359, at December 2019 and 2018, respectively, which consists of cash held for managing the real estate of \$22,265 and \$12,358 and an estimated value for the real estate interest of \$381,027 and \$350,000 at December 31, 2019 and 2018, respectively. The invested Eagle Scout Education restricted funds in the Capitol Area Trust were valued at \$492,000 and \$427,010 at December 31, 2019 and 2018, respectively.

Also included in restricted investments were funds with income restricted for at-risk youth or the COPE program, recorded at a fair value of \$104,128 and \$87,207, as of December 31, 2019 and 2018, respectively. Additionally, there are amounts with income restricted for at-risk youth, recorded at a fair value of \$466,907 and \$391,036 as of December 31, 2019 and 2018, respectively.

The assets held in the permanent trusts at December 31, 2019, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Cash	\$ 38,418	\$ 38,418	\$ 38,418
Common stock & equities	921,922	1,293,607	1,293,607
Bond and income funds	193,843	194,130	194,130
Real estate	196,135	762,053	762,053
Total	<u>\$ 1,350,318</u>	<u>\$ 2,288,208</u>	<u>\$ 2,288,208</u>

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>

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

	<u>2019</u>	<u>2018</u>
Cash	\$ 38,418	\$ 30,113
Investments	2,249,790	1,991,616
Total	<u>\$ 2,288,208</u>	<u>\$ 2,021,729</u>

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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 November 21, 2021, and as of December 31, 2019, there was no outstanding balance.

On April 27, 2020, the Council increased the line of credit to \$500,000 with the maturity date of April 27, 2022. Interest rate on line of credit remains at prime from the Wall Street Journal (US Edition) plus 0.25% with a floor of 3.5%.

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 at December 31, 2018 and has been paid off in the current year.

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, 2019 and 2018, the Council remitted approximately \$306,667 and \$300,639, 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 in 2018, 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.

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NOTE M - EMPLOYEE BENEFIT PLANS (Continued)

BSA Match Savings Plan

The Council participates in a defined contribution plan established by the National Council of the Boy Scouts of America. The plan name is the BSA Match Savings Plan, which covers substantially all of the employees of the Council. Participants in the BSA Match Savings 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 matches employee contributions to the BSA Match Savings Plan up to 100 percent of contributions from each participant, limited to 6 percent of each employee's gross pay. The Council contributed approximately \$72,242 to the BSA Match Savings Plan in 2019.

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, the Council contributed approximately \$39,571 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.

NOTE N - RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors of the Council contributed \$209,537 and \$131,217 to the Council during the years ended December 31, 2019 and 2018, respectively.

NOTE O - SUBSEQUENT EVENTS

Endowment Funds

The endowment investments are reported in the consolidated financial statements at market value as of December 31, 2019. These values changed significantly in 2020. Early in April 2020, the endowment investments distributed a total of \$907,434 to the council's Operating and Capital Funds. As of May 31, 2020, after being reduced by the distribution, the market value of the endowment investments was \$20,927,190, a decrease of \$1,721,284 or 7.6% from the endowment value at December 31, 2019.

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NOTE O - SUBSEQUENT EVENTS (Continued)

National Council

The National Council provides the Council with a charter, program materials and support for administration as well as sponsoring certain benefit plans for Council employees. Since 1978 the National Council has operated a general liability insurance program in which the Council participates. On February 18, 2020, the National Council filed for protection under chapter 11 of the United States Bankruptcy Code. The National Council continues to operate its business in the ordinary course and has received bankruptcy court approval to continue its relationship with the Councils including the benefit and insurance programs noted above. Neither the Council nor any other local council are parties to the bankruptcy proceeding. The National Council has sought to stay litigation against both the National Council and local councils and has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020 subject to a to be determined contribution from local councils. The ability of the National Council to confirm such a plan and the size of the potential contribution from the Council is unknown. Management of the Council is unable to assess the effect, if any, the resolution of these matters by the National Council may have on the Council's operations or its consolidated financial statements.

New Debt

The COVID-19 outbreak and local stay-in-place orders have caused business disruptions throughout the local community. Management does not expect the situation to significantly impact the long-term viability of the Council. The Council applied for a Paycheck Protection Program loan made available through the passing of the Cares Act and received \$539,800 on April 13, 2020. The Council expects a significant portion of it to be forgivable.