

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

DECEMBER 31, 2020 AND 2019

**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, 2020 and 2019, 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, 2020 and 2019, 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.

Atchley & Associates, LLP

Austin, Texas

July 29, 2021

**FINANCIAL
STATEMENTS**

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	Operating Fund		Capital Fund	
	2020	2019	2020	2019
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,187,018	\$ 1,472,289	\$ 450,048	\$ 717,253
Receivables and Other Assets (Note C)	360,361	528,424	-	3,500
Interfund Loans	(325,054)	-	-	-
Inventory	290,674	294,827	-	-
Total Current Assets	<u>1,512,999</u>	<u>2,295,540</u>	<u>450,048</u>	<u>720,753</u>
Non-Current Assets				
Non-Current Pledges Receivable (Note C)	33,452	102,736	-	-
Other Non-Current Assets (Note E)	-	-	-	-
Property, Buildings, and Equipment, Net (Note D)	-	-	22,405,767	22,648,474
Long-Term Investments (Notes F and J)	-	-	-	-
Total Non-Current Assets	<u>33,452</u>	<u>102,736</u>	<u>22,405,767</u>	<u>22,648,474</u>
TOTAL ASSETS	<u>\$ 1,546,451</u>	<u>\$ 2,398,276</u>	<u>\$ 22,855,815</u>	<u>\$ 23,369,227</u>
LIABILITIES				
Current Liabilities				
Accounts and Accrued Liabilities	\$ 77,313	\$ 219,536	\$ 24,191	\$ 28,299
Custodial Funds	677,910	917,689	-	-
Deferred Activity Income	101,418	71,657	-	-
Deferred Camp Income	5,350	16,538	-	-
Deferred Other Income	8	3,200	-	-
Total Current Liabilities	<u>861,999</u>	<u>1,228,620</u>	<u>24,191</u>	<u>28,299</u>
Total Liabilities	<u>861,999</u>	<u>1,228,620</u>	<u>24,191</u>	<u>28,299</u>
NET ASSETS				
Net Assets Without Donor Restrictions, Undesignated	(200,866)	382,356	22,272,175	22,902,031
Net Assets With Donor Restrictions (Note H)	885,318	787,300	559,449	438,897
Total Net Assets	<u>684,452</u>	<u>1,169,656</u>	<u>22,831,624</u>	<u>23,340,928</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,546,451</u>	<u>\$ 2,398,276</u>	<u>\$ 22,855,815</u>	<u>\$ 23,369,227</u>

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

Endowment Fund		Total All Funds	
2020	2019	2020	2019
\$ 974,494	\$ 930,423	\$ 2,611,560	\$ 3,119,965
14	14	360,375	531,938
325,054	-	-	-
-	-	290,674	294,827
<u>1,299,562</u>	<u>930,437</u>	<u>3,262,609</u>	<u>3,946,730</u>
-	-	33,452	102,736
372,161	347,748	372,161	347,748
-	-	22,405,767	22,648,474
<u>25,416,787</u>	<u>23,437,070</u>	<u>25,416,787</u>	<u>23,437,070</u>
<u>25,788,948</u>	<u>23,784,818</u>	<u>48,228,167</u>	<u>46,536,028</u>
<u>\$ 27,088,510</u>	<u>\$ 24,715,255</u>	<u>\$ 51,490,776</u>	<u>\$ 50,482,758</u>
\$ -	\$ -	\$ 101,504	\$ 247,835
-	-	677,910	917,689
-	-	101,418	71,657
-	-	5,350	16,538
-	-	8	3,200
-	-	<u>886,190</u>	<u>1,256,919</u>
-	-	<u>886,190</u>	<u>1,256,919</u>
23,697,789	21,366,563	45,769,098	44,650,945
3,390,721	3,348,692	4,835,488	4,574,894
<u>27,088,510</u>	<u>24,715,255</u>	<u>50,604,586</u>	<u>49,225,839</u>
<u>\$ 27,088,510</u>	<u>\$ 24,715,255</u>	<u>\$ 51,490,776</u>	<u>\$ 50,482,758</u>

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

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019			
	Operating Fund	Capital Fund	Endowment Fund	Operating Fund	Capital Fund	Endowment Fund	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS							
Direct Support							
Friends of Scouting	\$ 993,283	\$ -	\$ -	\$ 1,048,016	\$ -	\$ -	\$ 1,048,016
Special Events	26,800	-	-	503,394	-	-	503,394
Less: Cost of Direct Benefit	(1,246)	-	-	(191,531)	-	-	(191,531)
Net Special Events	25,554	-	-	311,863	-	-	311,863
Foundations and Trusts	55,283	-	-	213,507	-	-	213,507
Other Direct Contributions	120,469	23,350	2,508	108,014	49,194	402,420	559,628
Total Direct Support	1,194,589	23,350	2,508	1,681,400	49,194	402,420	2,133,014
Indirect Support							
United Way	3,345	-	-	5,416	-	-	5,416
Other Indirect	18	-	-	10,831	-	-	10,831
Total Indirect Support	3,363	-	-	16,247	-	-	16,247
Revenues							
Supply Sales	525,878	-	-	1,180,385	-	-	1,180,385
Less: Cost of Goods Sold	(346,887)	-	-	(761,101)	-	-	(761,101)
Net Supply Sales	178,991	-	-	419,284	-	-	419,284
Product Sales	501,867	-	-	2,167,932	-	-	2,167,932
Less: Cost of Goods Sold	(199,770)	-	-	(654,274)	-	-	(654,274)
Less: Commissions Paid	(162,939)	-	-	(778,747)	-	-	(778,747)
Net Product Sales	139,158	-	-	734,911	-	-	734,911
Camping	226,053	-	-	1,040,697	-	-	1,040,697
Activities	283,990	-	-	529,484	-	-	529,484
Investment Return, Net							
of \$123,693 and \$111,015 of Expenses	1,219,160	(39,170)	2,469,955	490,901	229,460	2,983,163	3,703,524
Other	594,835	-	-	148,010	-	-	148,010
Total Revenues	2,642,187	(39,170)	2,469,955	3,363,287	229,460	2,983,163	6,575,910
Net Assets Released from Restrictions (Note I)							
Total Support and Revenues	4,334,689	(15,820)	2,472,463	5,735,592	288,654	3,385,583	9,409,829

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

Expenses and Losses									
Program Services	4,135,980	719,175	-	4,855,155	5,043,414	766,331	23,441	5,833,186	
Supporting Services									
Management and General	297,734	7,748	-	305,482	178,909	8,121	573	187,603	
Fundraising	408,553	31,099	-	439,652	432,920	32,596	2,303	467,819	
Total Supporting Services	706,287	38,847	-	745,134	611,829	40,717	2,876	655,422	
Charter and National Service Fee	72,890	-	-	72,890	69,685	-	-	69,685	
Total Expenses and Losses	4,915,157	758,022	-	5,673,179	5,724,928	807,048	26,317	6,558,293	
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(580,468)	(773,842)	2,472,463	1,118,153	10,664	(518,394)	3,359,266	2,851,536	
NET ASSETS WITH DONOR RESTRICTIONS									
Direct Support									
Capital Campaign	-	95,550	-	95,550	-	6,353	-	6,353	
Special Events	204,800	-	-	204,800	-	-	-	-	
Foundations and Trusts	66,438	25,000	-	91,438	63,527	25,000	348,570	437,097	
Friends of Scouting	15,699	-	-	15,699	62,514	-	-	62,514	
Other Direct Contributions	(250)	-	25,001	24,751	16,000	136,393	317,697	470,090	
Net Direct Support	286,687	120,550	25,001	432,238	142,041	167,746	666,267	976,054	
Revenue									
Gain or Loss on Investments	305,878	-	17,028	322,906	-	-	249,758	249,758	
Total Revenue	305,878	-	17,028	322,906	-	-	249,758	249,758	
Net Assets Released from Restrictions (Note 1)	(494,550)	-	-	(494,550)	(674,658)	(10,000)	-	(684,658)	
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	98,015	120,550	42,029	260,594	(532,617)	157,746	916,025	541,154	
INCREASE (DECREASE) IN TOTAL NET ASSETS	(482,453)	(653,292)	2,514,492	1,378,747	(521,953)	(360,648)	4,275,291	3,392,690	
NET ASSETS, BEGINNING OF YEAR									
Net Assets Without Donor Restrictions	382,353	22,902,029	21,366,563	44,650,945	376,689	23,253,099	18,169,621	41,799,409	
Net Assets With Donor Restrictions	787,303	438,899	3,348,692	4,574,894	1,319,920	281,153	2,432,667	4,033,740	
TOTAL NET ASSETS, BEGINNING OF YEAR	1,169,656	23,340,928	24,715,255	49,225,839	1,696,609	23,534,252	20,602,288	45,833,149	
Transfers (Unrestricted)	(2,751)	143,988	(141,237)	-	(5,000)	167,324	(162,324)	-	
NET ASSETS, END OF YEAR	(200,866)	22,272,175	23,697,789	45,769,098	382,353	22,902,029	21,366,563	44,650,945	
Net Assets Without Donor Restrictions	885,318	559,449	3,390,721	4,835,488	787,303	438,899	3,348,692	4,574,894	
Net Assets With Donor Restrictions	684,452	22,831,624	27,088,510	50,604,586	1,169,656	23,340,928	24,715,255	49,225,839	
TOTAL NET ASSETS, END OF YEAR	\$ 684,452	\$ 22,831,624	\$ 27,088,510	\$ 50,604,586	\$ 1,169,656	\$ 23,340,928	\$ 24,715,255	\$ 49,225,839	

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, 2020 AND 2019

	2020			Combined Totals
	Program Services	Management & General	Fundraising	
Employee Compensation				
Salaries	\$ 2,407,919	\$ 53,443	\$ 214,508	\$ 2,675,870
Employee Benefits	488,829	11,212	45,003	545,044
Payroll Taxes	180,997	3,896	15,637	200,530
Employee Related Expenses	5,573	136	547	6,256
Total Employee Compensation	<u>3,083,318</u>	<u>68,687</u>	<u>275,695</u>	<u>3,427,700</u>
Other Expenses				
Conferences and Meetings	8,773	127	508	9,408
Insurance	131,708	1,208	4,850	137,766
Interest Expense	-	-	-	-
Occupancy	276,099	3,140	12,605	291,844
Other Expenses	27,810	46,902	10,178	84,890
Postage and Shipping	38,738	187	4,498	43,423
Printing and Publications	6,658	20,775	2,734	30,167
Professional Fees	50,868	146,882	14,731	212,481
Recognition Awards	54,534	215	12,216	66,965
Rent and Maintenance of Equipment	179,016	8,010	13,514	200,540
Specific Assistance to Individuals	82,647	-	-	82,647
Supplies	184,780	538	52,752	238,070
Telephone	42,918	761	3,055	46,734
Travel	55,348	1,006	4,037	60,391
Total Other Expenses	<u>1,139,897</u>	<u>229,751</u>	<u>135,678</u>	<u>1,505,326</u>
Expenses Before Depreciation	<u>4,223,215</u>	<u>298,438</u>	<u>411,373</u>	<u>4,933,026</u>
Depreciation	<u>631,940</u>	<u>7,044</u>	<u>28,279</u>	<u>667,263</u>
Total Functional Expenses	<u>\$ 4,855,155</u>	<u>\$ 305,482</u>	<u>\$ 439,652</u>	<u>\$ 5,600,289</u>

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

2019

Program Services	Management & General	Fundraising	Combined Totals
\$ 2,582,224	\$ 53,479	\$ 214,660	\$ 2,850,363
482,574	11,110	44,594	538,278
194,303	3,896	15,637	213,836
5,684	139	558	6,381
<u>3,264,785</u>	<u>68,624</u>	<u>275,449</u>	<u>3,608,858</u>
82,561	1,731	7,388	91,680
180,149	2,618	10,507	193,274
388	-	-	388
450,952	3,404	13,661	468,017
33,210	10,469	12,871	56,550
8,446	106	4,547	13,099
8,613	18	6,144	14,775
78,688	81,091	11,473	171,252
139,827	149	10,597	150,573
143,554	8,613	9,448	161,615
91,390	-	-	91,390
540,899	729	65,386	607,014
38,148	686	2,754	41,588
144,507	2,440	9,798	156,745
<u>1,941,332</u>	<u>112,054</u>	<u>164,574</u>	<u>2,217,960</u>
<u>5,206,117</u>	<u>180,678</u>	<u>440,023</u>	<u>5,826,818</u>
<u>627,070</u>	<u>6,925</u>	<u>27,796</u>	<u>661,791</u>
<u>\$ 5,833,187</u>	<u>\$ 187,603</u>	<u>\$ 467,819</u>	<u>\$ 6,488,609</u>

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

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Operating Fund		Capital Fund	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (482,453)	\$ (521,953)	\$ (653,292)	\$ (360,648)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities				
Depreciation	-	-	667,263	661,791
Provision for Uncollectible Accounts	-	160,683	-	-
Net Unrealized and Realized (Gains) Losses on Investments	-	-	-	-
Donation of Equipment	-	-	-	-
Contributions of Cash - With Restriction	-	-	-	-
Transfers	(2,751)	(5,000)	143,988	167,324
Change in Interfund Accounts	325,054	-	-	-
(Increase) Decrease in Receivables and Other Assets	237,347	316,247	3,500	27,357
(Increase) Decrease in Inventory	4,153	(10,188)	-	-
Increase (Decrease) in Accounts and Other Payables	(126,842)	(17,181)	(4,108)	21,246
Increase (Decrease) in Custodial Funds	(239,779)	265,213	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(285,271)</u>	<u>187,821</u>	<u>157,351</u>	<u>517,070</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds From Sales of Investments	-	-	-	-
Purchases of Investments	-	-	-	-
Purchases of Equipment and Improvements	-	-	(424,556)	(537,021)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(424,556)</u>	<u>(537,021)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Contributions of Cash - With Restriction	-	-	-	-
Provision for Uncollectible Accounts (Note C)	-	-	-	(10,618)
(Increase) Decrease in Receivables and Other Assets	-	-	-	10,618
(Repayments) Proceeds from Long-Term Debt	-	-	-	(30,857)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,857)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(285,271)</u>	<u>187,821</u>	<u>(267,205)</u>	<u>(50,808)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,472,289</u>	<u>1,284,468</u>	<u>717,253</u>	<u>768,061</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,187,018</u>	<u>\$ 1,472,289</u>	<u>\$ 450,048</u>	<u>\$ 717,253</u>
SUPPLEMENTAL DATA				
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388</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	
2020	2019	2020	2019
\$ 2,514,492	\$ 4,275,291	\$ 1,378,747	\$ 3,392,690
-	-	667,263	661,791
-	-	-	160,683
(2,935,730)	(3,343,936)	(2,935,730)	(3,343,936)
-	-	-	-
(25,001)	(317,697)	(25,001)	(317,697)
(141,237)	(162,324)	-	-
(325,054)	-	-	-
(24,413)	699	216,434	344,303
-	-	4,153	(10,188)
-	-	(130,950)	4,065
-	-	(239,779)	265,213
<u>(936,943)</u>	<u>452,033</u>	<u>(1,064,863)</u>	<u>1,156,924</u>
4,339,581	1,454,610	4,339,581	1,454,610
(3,383,568)	(2,184,761)	(3,383,568)	(2,184,761)
-	-	(424,556)	(537,021)
<u>956,013</u>	<u>(730,151)</u>	<u>531,457</u>	<u>(1,267,172)</u>
25,001	317,697	25,001	317,697
-	-	-	(10,618)
-	29,915	-	40,533
-	-	-	(30,857)
<u>25,001</u>	<u>347,612</u>	<u>25,001</u>	<u>316,755</u>
44,071	69,494	(508,405)	206,507
<u>930,423</u>	<u>860,929</u>	<u>3,119,965</u>	<u>2,913,458</u>
<u>\$ 974,494</u>	<u>\$ 930,423</u>	<u>\$ 2,611,560</u>	<u>\$ 3,119,965</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 12,515 youth members in 2020.

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 comprised 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, 2020 and 2019, 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, 2020 AND 2019

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. Beginning in 2018, Cub Scouting was 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.

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

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.

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)

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

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.

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, 2020, there was \$1,552,820 in funds in excess of FDIC insured limits.

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

Interfund Loans

At December 31, 2020 the Council had \$325,054 due to Endowment Fund from Operating Fund. The Council did not have any interfund loans as of December 31, 2019.

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, 2020 and 2019.

Inventory

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

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.

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

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 2020 and 2019.

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.

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, 2020 and 2019, is presented in Notes E and I.

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

The following schedule summarizes the investment return in the Consolidated Statements of Changes in Net Assets for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 1,485,868	\$ 899,740
Net gains (losses)	2,610,676	3,164,557
Investment fees	<u>(123,693)</u>	<u>(111,015)</u>
	<u>\$ 3,972,851</u>	<u>\$ 3,953,282</u>

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

	<u>2020</u>	<u>2019</u>
Without Donor Restrictions	\$ 3,649,945	\$ 490,901
With Donor Restrictions	<u>322,906</u>	<u>-</u>
	<u>\$ 3,972,851</u>	<u>\$ 490,901</u>

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, 2020, 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.

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

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.

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.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2020 and 2019 amounted to \$53,880 and \$12,552, respectively.

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

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.

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, 2020, 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, 2017, and thereafter remain subject to examination by the Internal Revenue Service.

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

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.

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.

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

Real Estate

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

Revenue 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: 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 Council records the following exchange transaction revenue in its Consolidated Statements of Changes in Net Assets for the years ending December 31, 2020 and 2019:

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 consolidated financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2020 and 2019.

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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 popcorns 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 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, 2020. As of December 31, 2020 and 2019, 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 Consolidated Statements of Changes in Net Assets after delivery of the program has occurred.

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

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 Statements of 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 Changes in Net Assets 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 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.

Recently Issued Accounting Pronouncements

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 Statements of 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.

In order to give immediate relief to certain entities as a result of the widespread, adverse economic effects caused by the COVID-19 pandemic, on June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*. This ASU defers the effective dates of FASB ASC Topics 606 and 842 to fiscal years beginning after December 15, 2019 and December 15, 2021, respectively, for certain entities that had not issued their financial statements (or made them available for issuance) as of June 3, 2020.

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

Not-for-Profit Entities (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07)*, Effective for local councils in 2022, the amendments in this Update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

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 P).

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:

	2020	2019
Cash - Operating Fund	\$ 1,187,018	\$ 1,472,289
Receivables and Other Assets - Operating Fund	393,813	631,160
Appropriation from quasi-endowment for general expenditure in subsequent year	500,000	500,130
Total financial assets as of year end	<u>2,080,831</u>	<u>2,603,579</u>
Custodial Funds	(677,910)	(917,689)
Receivables expected to be collected in subsequent year	(33,452)	(102,736)
Net Assets With Donor Restrictions	(885,314)	(798,794)
Less net assets with purpose restrictions to be met in less than a year	<u>120,894</u>	<u>80,680</u>
Total financial assets available to meet general expenditures within the next 12 months	<u><u>\$ 605,049</u></u>	<u><u>\$ 865,040</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. \$500,000 and \$500,130 of appropriations from the quasi-endowment will be available within the next 12 months as of December 31, 2020 and 2019, 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 \$25.4 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 2020 and 2019, those pledges are listed in the Consolidated Statements of Financial Position under Non-Current Pledges Receivable, Operating Fund.

Pledges Receivable at December 31, 2020 and 2019, consisted of the following:

<u>2020</u>	Pledges Receivables	Discounts	Allowances for Uncollectible Pledges	Net Pledges
Friends of Scouting 2020	\$ 263,128	\$ -	\$ (152,866)	\$ 110,262
Special Events	108,550	-	(8,280)	100,270
Friends of Scouting Future Years	71,339	-	(13,947)	57,392
Total	<u>\$ 443,017</u>	<u>\$ -</u>	<u>\$ (175,093)</u>	<u>\$ 267,924</u>

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NOTE C - PLEDGES RECEIVABLE (Continued)

<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	\$ 727,334	\$ -	\$ (229,573)	\$ 497,761
		2020	2019	
Estimated due in:				
Less than one year		\$ 409,565	\$ 624,598	
One to five years		33,452	102,736	
Total		\$ 443,017	\$ 727,334	

NOTE D - PROPERTY, BUILDINGS, AND EQUIPMENT

Property, buildings, and equipment at December 31, 2020 and 2019, consist of the following:

	2020	2019
Land	\$ 12,847,427	\$ 12,847,427
Buildings and improvements	14,506,835	14,361,822
Donated land usage	99,728	126,128
Equipment and furniture	2,712,364	2,604,960
Construction in progress	573,142	374,604
	30,739,496	30,314,941
Less accumulated depreciation	(8,333,729)	(7,666,467)
Total	\$ 22,405,767	\$ 22,648,474

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, 2020, was \$1,279,830, which was the Council's share of the fair value of the investments less the present value of remaining payments made to others. 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, 2020, was \$372,161.

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 2020 and 2019, 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.

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, the distribution to the Operating and Capital Fund were made as usual. However, due to the COVID-19 pandemic's effect on the Council an additional 6% was distributed in 2020. Of the additional 6% distribution, \$325,054 of that amount is reported as an interfund loan to be repaid from Operating to Endowment.

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NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)

The assets held by each trust at December 31, 2020 and 2019, consist of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Scott Fixed Income Management				
Cash	\$ 42,579	\$ 42,579	\$ 83,699	\$ 83,699
Fixed income	344,765	356,038	574,504	581,941
Government and agency issued	155,159	159,140	255,436	255,193
Total	<u>542,503</u>	<u>557,757</u>	<u>913,639</u>	<u>920,833</u>
Tom Wooten Trust				
Cash	38,920	38,920	54,442	54,442
Common stocks	921,177	2,425,083	880,098	1,749,384
Total	<u>960,097</u>	<u>2,464,003</u>	<u>934,540</u>	<u>1,803,826</u>
Capitol Area Council Boy Scout Trust				
Cash	105,085	105,085	157,115	157,115
Common stocks	1,188,459	1,579,926	1,513,459	2,196,235
Total	<u>1,293,544</u>	<u>1,685,011</u>	<u>1,670,574</u>	<u>2,353,350</u>
Scott/Luther King Capital Management				
Cash	57,905	57,905	67,061	67,061
Common stocks	526,586	1,020,808	480,093	781,617
Total	<u>584,491</u>	<u>1,078,713</u>	<u>547,154</u>	<u>848,678</u>
Scott/Mutual Funds				
Cash	54,812	54,812	31,911	31,911
Common stocks	593,617	692,948	593,617	691,681
Mutual Funds	2,338,194	2,905,393	2,292,099	2,394,639
Total	<u>2,986,623</u>	<u>3,653,153</u>	<u>2,917,627</u>	<u>3,118,231</u>
Scott/CD and Fixed Income				
Cash	1,050	1,050	152	152
Mutual Funds	728,361	760,227	704,756	707,613
Total	<u>729,411</u>	<u>761,277</u>	<u>704,908</u>	<u>707,765</u>

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NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Scott/Schafer Cullen Management				
Cash	\$ 53,282	\$ 53,282	\$ 85,267	\$ 85,267
Common stock	803,726	1,090,743	789,629	1,142,089
Domestic REITS	34,930	39,629	-	-
Total	<u>891,938</u>	<u>1,183,654</u>	<u>874,896</u>	<u>1,227,356</u>
CAC Conservation Bank Trust				
Cash	1,892	1,892	-	-
Common stock	83,783	91,889	-	-
Total	<u>85,675</u>	<u>93,781</u>	<u>-</u>	<u>-</u>
CAC Griffith League Ranch				
Cash	2,668	2,668	-	-
Common stock	125,872	138,051	-	-
Total	<u>128,540</u>	<u>140,719</u>	<u>-</u>	<u>-</u>
Grand Total	<u>\$ 8,202,822</u>	<u>\$ 11,618,068</u>	<u>\$ 8,563,338</u>	<u>\$ 10,980,039</u>

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

	2020	2019
Cash and cash equivalents	\$ 358,193	\$ 479,647
Long-term investments	11,259,875	10,500,392
Total	<u>\$ 11,618,068</u>	<u>\$ 10,980,039</u>

As of December, 31, 2020 and 2019, the non-trust Endowment investment assets were held at CFM Wealth Partners and Charles Schwab and consisted of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
421KL245 Oppenheimer International Fund				
Cash and cash equivalents	\$ 2,567	\$ 2,567	\$ 4,219	\$ 4,219
Mutual funds	1,193,847	1,577,458	1,193,051	1,307,856
Total	<u>1,196,414</u>	<u>1,580,025</u>	<u>1,197,270</u>	<u>1,312,075</u>

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
454OJ341 Master Limited Partnerships				
Cash and cash equivalents	\$ 1,521	\$ 1,521	\$ 801	\$ 801
Mutual funds	1,132,812	565,230	1,204,027	782,225
	<u>1,134,333</u>	<u>566,751</u>	<u>1,204,828</u>	<u>783,026</u>
407ND212 Thornburg International Growth				
Cash and cash equivalents	3,041	3,041	1,646	1,646
Mutual funds	967,628	1,622,873	1,197,855	1,487,226
	<u>970,669</u>	<u>1,625,914</u>	<u>1,199,501</u>	<u>1,488,872</u>
4412F457 REMS Real Estate Investment Trusts				
Cash and cash equivalents	1,054	1,054	835	835
Mutual funds	666,186	566,127	509,651	590,389
	<u>667,240</u>	<u>567,181</u>	<u>510,486</u>	<u>591,224</u>
7116W757 Schafer Cullen High Dividend				
Cash and cash equivalents	72,389	72,389	89,926	89,926
Equities	1,282,757	1,500,772	1,203,184	1,547,145
	<u>1,355,146</u>	<u>1,573,161</u>	<u>1,293,110</u>	<u>1,637,071</u>
3573T851 Riverbridge Growth				
Cash and cash equivalents	54,150	54,150	53,440	53,440
Equities	1,190,931	2,737,245	1,551,814	2,534,564
	<u>1,245,081</u>	<u>2,791,395</u>	<u>1,605,254</u>	<u>2,588,004</u>
1097-0006/157Y4216 Luther King Fixed Income				
Cash and cash equivalents	75,399	75,399	56,050	56,050
Corporate bonds	1,001,154	1,840,368	1,008,941	1,019,011
	<u>1,076,553</u>	<u>1,915,767</u>	<u>1,064,991</u>	<u>1,075,061</u>
4446-8021/7181H988 Luther King Equity				
Cash and cash equivalents	161,028	161,028	199,206	199,206
Corporate Bonds	805,004	825,915	1,022,260	1,502,776
	<u>966,032</u>	<u>986,943</u>	<u>1,221,466</u>	<u>1,701,982</u>

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NOTE F - ENDOWMENT FUNDS WITHOUT RESTRICTIONS (Continued)

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
8820R183 Thornbueg Limited Term Income Fund				
Cash and cash equivalents	\$ 1,097	\$ 1,097	\$ 629	\$ 629
Mutual funds	568,102	614,176	575,538	571,977
	<u>569,199</u>	<u>615,273</u>	<u>576,167</u>	<u>572,606</u>
722T9580 Money Market/CDARs				
Cash and cash equivalents	3,506	3,506	3,503	3,503
	<u>3,506</u>	<u>3,506</u>	<u>3,503</u>	<u>3,503</u>
Total All CFM/Charles Schwab	<u>\$ 9,184,173</u>	<u>\$ 12,225,916</u>	<u>\$ 9,876,576</u>	<u>\$ 11,753,424</u>

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

	2020	2019
Cash and cash equivalents	\$ 375,752	\$ 410,255
Long-term investments	11,850,164	11,343,169
Total	<u>\$ 12,225,916</u>	<u>\$ 11,753,424</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 2020 and 2019, investment expenses were \$123,693 and \$111,015, respectively, and are netted with appreciation (depreciation) of investments in the Consolidated Statements of Changes in Net Assets. In 2020 and 2019, both the Operating Fund and Capital Fund distributions were made.

CAPITOL AREA COUNCIL, INC. #564
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 8,611,484	\$ -	\$ -	\$ 8,611,484
Common & preferred stocks	12,608,547	-	-	12,608,547
Corporate bonds	2,859,049	-	-	2,859,049
Government securities	159,140	-	-	159,140
Fixed Income	356,038	-	-	356,038
Domestic REITS	39,629	-	-	39,629
Charitable remainder trust, Net of expected payments	-	372,161	-	372,161
Real estate	-	782,900	-	782,900
	\$ 24,633,887	\$ 1,155,061	\$ -	\$ 25,788,948

	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
Domestic REITS	-	-	-	-
Charitable remainder trust, Net of expected payments	-	347,748	-	347,748
Real estate	-	762,053	-	762,053
	\$ 23,525,428	\$ 1,109,801	\$ -	\$ 24,635,229

CAPITOL AREA COUNCIL, INC. #564
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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, 2020 and 2019, net assets with donor restrictions as to purpose are restricted for:

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Endowment Restricted for Purpose	\$ 938,264	\$ 921,237
Friends of Scouting - Other Donors	461,155	512,347
Smilin' V Ranch	254,763	159,763
Camp Green Dickson	205,077	180,077
Distinguished Citizen 2021 Luncheon	204,800	-
Staffing	168,873	202,435
Capital Projects	94,297	94,297
Science & Technology Programs	28,371	41,897
Scoutreach and In-School Scouting	21,669	27,889
Lost Pines Boy Scout Reservation	2,726	2,726
FFTSC Pavers Campaign	2,585	2,035
Other	442	443
Eagle Scout Scholarship	9	2,293
Time restricted:		
Endowment Restricted for perpetuity	2,452,457	2,427,455
Total	<u>\$ 4,835,488</u>	<u>\$ 4,574,894</u>

NOTE I - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2020 and 2019, 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>2020</u>	<u>2019</u>
Purpose restriction accomplished:		
Professional Staffing	\$ 100,000	\$ 70,000
Science and Technology Programs	19,746	119,103
Exploring Program/Learning for Life	2,293	9,457
Capital Projects Completed	-	2,000
Scoutreach and In-School Scouting	-	13,408
Lost Pines Boy Scout Reservation	-	8,000
Other	-	4,560
Eagle Scout Scholarship	-	147

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BOY SCOUTS OF AMERICA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE I - NET ASSETS RELEASED FROM RESTRICTIONS (Continued)

	<u>2020</u>	<u>2019</u>
Time restriction accomplished:		
Friends of Scouting	\$ 372,511	\$ 457,983
Total net assets released from restrictions	<u>\$ 494,550</u>	<u>\$ 684,658</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 \$46,007 and \$22,265 in working capital at December 31, 2020 and 2019, 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.

At December 31, 2020 and 2019, respectively, the remaining non-Council Lockhart trust was recorded at a fair value of \$843,373 and \$821,882; the Lockhart Real Estate trust was recorded at a fair value of \$423,733 and \$403,292, at December 2020 and 2019, 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 \$391,450 and \$381,027 at December 31, 2020 and 2019, respectively. The invested Eagle Scout Education restricted funds in the Capitol Area Trust were valued at \$492,000 and \$427,010 at December 31, 2020 and 2019, 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 \$19,085 and \$87,207, as of December 31, 2020 and 2019, respectively. Additionally, there are amounts with income restricted for at-risk youth, recorded at a fair value of \$526,631 and \$466,907 as of December 31, 2020 and 2019, respectively.

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NOTE J - DONOR RESTRICTED INVESTMENTS (Continued)

The assets held in the permanent trusts at December 31, 2020, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Cash	\$ 46,007	\$ 46,007	\$ 46,007
Common stock & equities	912,523 #	1,331,082	1,331,082
Bond and income funds	191,940	192,766	192,766
Real estate	196,135	782,900	782,900
Total	<u>\$ 1,346,605</u>	<u>\$ 2,352,755</u>	<u>\$ 2,352,755</u>

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 46,007	\$ 38,418
Investments	2,306,748	2,249,790
Total	<u>\$ 2,352,755</u>	<u>\$ 2,288,208</u>

NOTE K - LINE OF CREDIT

The Council has entered into a line of credit agreement with a local bank for up to \$500,000. Interest is payable monthly at the bank's prime rate. The line of credit expires on April 22, 2022, and as of December 31, 2020, there was no outstanding balance.

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NOTE L - 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, 2020 and 2019, the Council remitted approximately \$298,841 and \$306,667, respectively, on behalf of its employees to the National Council related to the healthcare plan.

Retirement Plan

The National Council has a qualified defined benefit pension plan (“the Plan”) administered at the National Service Center that covers employees of the National Council and local councils, including the Local Council, Inc. The plan name is the Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees. Effective December 31, 2018, the plan was frozen to employees with less than 15 years of vesting service, and whose age plus vesting service equaled less than 60 as of December 31, 2018 (non-grandfathered employees). From January 1, 2020 through July 31, 2020, employees with at least 15 years of vesting service and whose age plus vesting service equaled 60 or more as of December 31, 2018, (grandfathered employees) contributed 4.25 percent of compensation to the plan. Effective August 1, 2020, the plan was frozen to grandfathered employees, thereby freezing the plan for all BSA employees. Effective August 1, 2020, the Council contributes 12 percent of eligible employees’ compensation to the BSA retirement program. The actuarial information for the plan as of February 1, 2020, indicates that it is in compliance with ERISA regulations regarding funding. The Council contributed approximately \$89,367 and \$72,242 to the Plan in 2020 and 2019, respectively.

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 50 percent of contributions from each participant, limited to 3 percent of each employee’s gross pay. The Council contributed approximately \$97,704 and \$114,882 to the BSA Match Savings Plan in 2020 and 2019, respectively.

NOTE M - RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors of the Council contributed \$410,152 and \$124,150 to the Council during the years ended December 31, 2020 and 2019, respectively.

CAPITOL AREA COUNCIL, INC. #564
BOY SCOUTS OF AMERICA
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NOTE N - PAYCHECK PROTECTION PROGRAM

On April 13, 2020, the Council was granted and received a \$539,800 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Council initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Council has recognized \$539,800 as grant revenue for the year ended December 31, 2020, which represents 100% of the loan proceeds. The Council received full forgiveness on November 2, 2020. The proceeds and related revenue recognized is included in other revenue on the Consolidated Statement of Changes in Net Assets.

NOTE O - CONTINGENCIES

COVID-19 Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Council is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Council's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Council's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Council's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

Litigation and Contingencies

The National Council has been named as a defendant in lawsuits alleging sexual abuse, including claims for compensatory and punitive damages. Some of these claims arise out of conduct occurring on Council property and/or were committed by Council employees or volunteers, and in some cases the Council is named as a co-defendant with the National Council. The National Council has disclosed that in the event that its GLIP or its reserves are insufficient to resolve such claims, it is their opinion that the total amount of payments to resolve current and future claims could have a significant impact on the financial position or results of operations of the National Council.

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NOTE O - CONTINGENCIES (Continued)

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 GLIP 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 currently 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. Such plan may require a yet 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.

NOTE P - SUBSEQUENT EVENTS

The Council has plans to contribute \$4.2 million dollars to the National Council's legal fund.