

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

**DECEMBER 31, 2022 AND 2021**

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

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## **Independent Auditors' Report**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Capitol Area Council, Inc. #564, Boy Scouts of America (the Council) which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2022 and 2021, and the result of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

## **Auditors' Responsibility for the Audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.



Austin, Texas

September 19, 2023

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

	Operating Fund		Capital Fund	
	2022	2021	2022	2021
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 1,107,161	\$ 1,162,840	\$ 619,203	\$ 747,345
Receivables and Other Assets, Net (Note C)	325,659	395,707	-	-
Interfund Loans	(325,054)	(325,054)	-	-
Inventory	193,875	238,475	-	-
Total Current Assets	<u>1,301,641</u>	<u>1,471,968</u>	<u>619,203</u>	<u>747,345</u>
Non-Current Assets				
Non-Current Pledges Receivable (Note C)	73,749	73,749	-	-
Other Non-Current Assets (Note E)	-	-	-	-
Property, Buildings, and Equipment, Net (Note D)	-	-	21,422,959	21,814,805
Long-Term Investments (Notes F and J)	-	-	-	-
Total Non-Current Assets	<u>73,749</u>	<u>73,749</u>	<u>21,422,959</u>	<u>21,814,805</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,375,390</u></u>	<u><u>\$ 1,545,717</u></u>	<u><u>\$ 22,042,162</u></u>	<u><u>\$ 22,562,150</u></u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts and Accrued Liabilities	\$ 118,783	\$ 96,010	\$ 138,143	\$ 17,100
Custodial Funds	566,249	529,367	-	-
Deferred Activity Income	248,758	10,805	-	-
Deferred Camp Income	30,784	26,265	-	-
Deferred Other Income	5,495	1,344	-	-
Total Current Liabilities	<u>970,069</u>	<u>663,791</u>	<u>138,143</u>	<u>17,100</u>
Total Liabilities	<u>970,069</u>	<u>663,791</u>	<u>138,143</u>	<u>17,100</u>
<b>NET ASSETS</b>				
Net Assets Without Donor Restrictions, Undesignated	(257,329)	(235,936)	21,047,085	21,794,116
Net Assets With Donor Restrictions (Note H)	662,650	1,117,862	856,934	750,934
Total Net Assets	<u>405,321</u>	<u>881,926</u>	<u>21,904,019</u>	<u>22,545,050</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,375,390</u></u>	<u><u>\$ 1,545,717</u></u>	<u><u>\$ 22,042,162</u></u>	<u><u>\$ 22,562,150</u></u>

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

Endowment Fund		Total All Funds	
2022	2021	2022	2021
\$ 719,738	\$ 857,539	\$ 2,446,102	\$ 2,767,724
-	-	325,659	395,707
325,054	325,054	-	-
-	-	193,875	238,475
<u>1,044,792</u>	<u>1,182,593</u>	<u>2,965,636</u>	<u>3,401,906</u>
-	-	73,749	73,749
357,166	455,558	357,166	455,558
-	-	21,422,959	21,814,805
<u>17,330,836</u>	<u>27,498,419</u>	<u>17,330,836</u>	<u>27,498,419</u>
<u>17,688,002</u>	<u>27,953,977</u>	<u>39,184,710</u>	<u>49,842,531</u>
<u>\$ 18,732,794</u>	<u>\$ 29,136,570</u>	<u>\$ 42,150,346</u>	<u>\$ 53,244,437</u>
\$ 27	\$ -	\$ 256,953	\$ 113,110
-	-	566,249	529,367
-	-	248,758	10,805
-	-	30,784	26,265
-	-	5,495	1,344
<u>27</u>	<u>-</u>	<u>1,108,239</u>	<u>680,891</u>
<u>27</u>	<u>-</u>	<u>1,108,239</u>	<u>680,891</u>
15,132,783	25,537,053	35,922,539	47,095,233
<u>3,599,984</u>	<u>3,599,517</u>	<u>5,119,568</u>	<u>5,468,313</u>
<u>18,732,767</u>	<u>29,136,570</u>	<u>41,042,107</u>	<u>52,563,546</u>
<u>\$ 18,732,794</u>	<u>\$ 29,136,570</u>	<u>\$ 42,150,346</u>	<u>\$ 53,244,437</u>

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Operating Fund	Capital Fund	Endowment Fund	Total	Operating Fund	Capital Fund	Endowment Fund	Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>								
Direct Support								
Friends of Scouting	\$ 694,312	\$ -	\$ -	\$ 694,312	\$ 720,890	\$ -	\$ -	\$ 720,890
Special Events	316,873	-	-	316,873	243,975	-	-	243,975
Less: Cost of Direct Benefit	(208,469)	-	-	(208,469)	(135,110)	-	-	(135,110)
Net Special Events	108,404	-	-	108,404	108,865	-	-	108,865
Foundations and Trusts	62,020	-	-	62,020	105,488	-	-	105,488
Other Direct Contributions	34,877	11,351	-	46,228	67,473	-	28,200	95,673
Total Direct Support	899,613	11,351	-	910,964	1,002,716	-	28,200	1,030,916
Indirect Support								
United Way	1,798	-	-	1,798	3,062	-	-	3,062
Other Indirect	-	-	-	-	2,129	-	-	2,129
Total Indirect Support	1,798	-	-	1,798	5,191	-	-	5,191
Revenues								
Supply Sales	886,205	-	-	886,205	790,289	-	-	790,289
Less: Cost of Goods Sold	(557,235)	-	-	(557,235)	(503,557)	-	-	(503,557)
Net Supply Sales	328,970	-	-	328,970	286,732	-	-	286,732
Product Sales	1,552,621	-	-	1,552,621	1,201,664	-	-	1,201,664
Less: Cost of Goods Sold	(541,575)	-	-	(541,575)	(422,447)	-	-	(422,447)
Less: Commissions Paid	(512,364)	-	-	(512,364)	(383,996)	-	-	(383,996)
Net Product Sales	498,682	-	-	498,682	395,221	-	-	395,221
Camping Activities	830,644	-	-	830,644	702,633	-	-	702,633
Investment Return, Net	236,801	-	-	236,801	325,041	-	-	325,041
of \$149,603 and \$123,693 of Expenses	971,624	(59,170)	(6,084,243)	(5,171,789)	890,483	374,483	1,841,334	3,106,300
Other	146,128	8,369	-	154,497	734,738	-	-	734,738
Total Revenues	3,012,849	(50,801)	(6,084,243)	(3,122,195)	3,334,848	374,483	1,841,334	5,550,665
Net Assets Released from Restrictions (Note I)	623,924	-	-	623,924	317,666	-	-	317,666
Total Support and Revenues	4,538,184	(39,450)	(6,084,243)	(1,585,509)	4,660,421	374,483	1,869,534	6,904,438

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, 2022 AND 2021

	2022			
	Program Services	Management & General	Fundraising	Combined Totals
Employee Compensation				
Salaries	\$ 2,029,619	\$ 43,430	\$ 174,318	\$ 2,247,367
Employee Benefits	441,571	9,941	39,903	491,415
Payroll Taxes	145,611	3,157	12,671	161,439
Employee Related Expenses	34	-	-	34
Total Employee Compensation	<u>2,616,835</u>	<u>56,528</u>	<u>226,892</u>	<u>2,900,255</u>
Other Expenses				
Conferences and Meetings	42,285	883	3,544	46,712
Insurance	132,888	1,590	6,382	140,860
Occupancy	419,634	3,635	17,412	440,681
Other Expenses	30,163	37,520	10,436	78,119
Postage and Shipping	4,652	64	1,542	6,258
Printing and Publications	6,598	710	150	7,458
Professional Fees	80,608	105,168	4,121	189,897
Recognition Awards	112,754	264	1,306	114,324
Rent and Maintenance of Equipment	191,984	9,615	13,669	215,268
Specific Assistance to Individuals	52,142	175	702	53,019
Supplies	323,775	706	13,780	338,261
Telephone	35,720	641	2,573	38,934
Travel	86,169	1,087	4,363	91,619
Total Other Expenses	<u>1,519,372</u>	<u>162,058</u>	<u>79,980</u>	<u>1,761,410</u>
Expenses Before Depreciation	<u>4,136,207</u>	<u>218,586</u>	<u>306,872</u>	<u>4,661,665</u>
Depreciation	<u>613,276</u>	<u>6,456</u>	<u>25,822</u>	<u>645,554</u>
Total Functional Expenses	<u>\$ 4,749,483</u>	<u>\$ 225,042</u>	<u>\$ 332,694</u>	<u>\$ 5,307,219</u>

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

2021

Program Services	Management & General	Fundraising	Combined Totals
\$ 2,119,226	\$ 44,815	\$ 179,878	\$ 2,343,919
524,265	12,004	48,182	584,451
84,494	1,514	6,076	92,084
310	8	30	348
<u>2,728,295</u>	<u>58,341</u>	<u>234,166</u>	<u>3,020,802</u>
9,467	147	592	10,206
126,307	1,435	5,760	133,502
524,308	3,492	14,018	541,818
29,241	40,105	6,763	76,109
10,115	82	2,100	12,297
10,271	18,230	221	28,722
60,904	147,090	11,907	219,901
94,949	241	1,163	96,353
186,775	9,240	14,531	210,546
50,587	46	183	50,816
304,249	481	1,701	306,431
45,760	802	3,218	49,780
56,471	602	2,415	59,488
<u>1,509,404</u>	<u>221,993</u>	<u>64,572</u>	<u>1,795,969</u>
<u>4,237,699</u>	<u>280,334</u>	<u>298,738</u>	<u>4,816,771</u>
<u>652,553</u>	<u>7,100</u>	<u>28,996</u>	<u>688,649</u>
<u>\$ 4,890,252</u>	<u>\$ 287,434</u>	<u>\$ 327,734</u>	<u>\$ 5,505,420</u>

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Operating Fund		Capital Fund	
	2022	2021	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in Net Assets	\$ (471,605)	\$ 202,474	\$ (769,825)	\$ (316,091)
Adjustments to Reconcile Change in Net Assets to Net Cash				
Provided (Used) by Operating Activities				
Depreciation	-	-	645,554	688,649
Provision for Uncollectible Accounts	-	-	-	-
Net Unrealized and Realized (Gains) Losses on Investments	-	-	-	-
Donation of Equipment	-	-	-	-
Contributions of Cash - With Restriction	-	-	-	-
Transfers	(5,000)	(5,000)	128,794	29,517
Change in Interfund Accounts	-	-	-	-
(Increase) Decrease in Receivables and Other Assets	70,048	(75,643)	-	-
(Increase) Decrease in Inventory	44,600	52,199	-	-
Increase (Decrease) in Accounts and Other Payables	269,396	(49,665)	121,043	(7,091)
Increase (Decrease) in Custodial Funds	36,882	(148,543)	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(55,679)</b>	<b>(24,178)</b>	<b>125,566</b>	<b>394,984</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds From Sales of Investments	-	-	-	-
Purchases of Investments	-	-	-	-
Purchases of Equipment and Improvements	-	-	(253,708)	(97,687)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(253,708)</b>	<b>(97,687)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Contributions of Cash - With Restriction	-	-	-	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(55,679)</b>	<b>(24,178)</b>	<b>(128,142)</b>	<b>297,297</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,162,840</b>	<b>1,187,018</b>	<b>747,345</b>	<b>450,048</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,107,161</b>	<b>\$ 1,162,840</b>	<b>\$ 619,203</b>	<b>\$ 747,345</b>
<b>SUPPLEMENTAL DATA</b>				
Interest Paid	\$ -	\$ -	\$ -	\$ -
Taxes Paid	\$ -	\$ -	\$ -	\$ -

Endowment Fund		Total All Funds	
2022	2021	2022	2021
\$ (10,280,009)	\$ 2,072,577	\$ (11,521,439)	\$ 1,958,960
-	-	645,554	688,649
-	-	-	-
5,988,447	(2,170,970)	5,988,447	(2,170,970)
-	-	-	-
(36,388)	(28,763)	(36,388)	(28,763)
(123,794)	(24,517)	-	-
-	-	-	-
98,392	(83,383)	168,440	(159,026)
-	-	44,600	52,199
27	-	390,466	(56,756)
-	-	36,882	(148,543)
(4,353,325)	(235,056)	(4,283,438)	135,750
5,787,140	1,007,446	5,787,140	1,007,446
(1,608,004)	(918,108)	(1,608,004)	(918,108)
-	-	(253,708)	(97,687)
4,179,136	89,338	3,925,428	(8,349)
36,388	28,763	36,388	28,763
36,388	28,763	36,388	28,763
(137,801)	(116,955)	(321,622)	156,164
857,539	974,494	2,767,724	2,611,560
\$ 719,738	\$ 857,539	\$ 2,446,102	\$ 2,767,724
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

**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 16,142 youth members in 2022.

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, 2022 and 2021, 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, 2022 AND 2021

**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 will be made available to girls in the Council's service area.

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

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

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

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

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

**Principles of Consolidation**

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

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

**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.



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

**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, 2022, there was \$1,722,750 in funds in excess of FDIC insured limits.

**Interfund Loans**

At December 31, 2022 and 2021, the Council had \$325,054 due to Endowment Fund from Operating Fund.

**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 at December 31, 2022 and 2021.

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**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.

**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 2022 and 2021.

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**(Continued)**

**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, 2022 and 2021, is presented in Notes E and I.

The following schedule summarizes the investment return in the Consolidated Statements of Changes in Net Assets for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividend income	\$ 912,454	\$ 1,264,966
Net gains (losses)	(5,988,447)	2,170,970
Investment fees	(131,717)	(149,603)
	<u>\$ (5,207,710)</u>	<u>\$ 3,286,333</u>

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**(Continued)**

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

	2022	2021
Without Donor Restrictions	\$ (5,171,789)	\$ 3,106,300
With Donor Restrictions	(35,921)	180,033
	<u>\$ (5,207,710)</u>	<u>\$ 3,286,333</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, 2022, the board-approved spending policy was 5.85% of the prior 12 quarters average market value.

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

**Revenues Recognition**

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

**Pledges Receivables and Contributions**

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

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**(Continued)**

**Contributed Nonfinancial Assets**

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 2022 and 2021 amounted to \$38,896 and \$41,740 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, 2022, 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, 2019, and thereafter remain subject to examination by the Internal Revenue Service.

**Fair Value Measurement**

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

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

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

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

**Level 1: Fair Value Measurements**

*Investments in Securities*

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

**Level 2: Fair Value Measurements**

*Charitable Remainder Trust & Life Insurance/IRA Donation*

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

*Real Estate*

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

**Revenue Recognition**

Revenue from Exchange Transactions: The Council recognizes revenue in accordance with 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, 2022 and 2021:

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*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, 2022 and 2021.

*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, 2022. As of December 31, 2022 and 2021, no probable returns existed. Accordingly, no liability for probable customer returns was considered necessary.



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*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.

*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.

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**Accounting Pronouncements Adopted**

Effective January 1, 2022, the Council adopted the provisions of FASB ASC Topic 842 (ASU 2016-02), *Leases*. ASC 842 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 those with a lease term of twelve months or less. Leases are classified as either finance leases or operating leases. There was no significant impact to the consolidated financial statements upon adoption of ASC 842.

Effective January 1, 2022, the Council adopted the provisions of FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU apply to nonprofit organizations that receive contributed nonfinancial assets (also referred to as gifts-in-kind) and address presentation and disclosure of those contributed nonfinancial assets. The term "nonfinancial assets" includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, cryptocurrency, services, and unconditional promises of those assets. Under ASU 2020-07, organizations must present gifts-in-kind as a separate line item in the consolidated statement of changes in net assets, apart from gifts of cash and other financial assets. In addition to this presentation requirement, the gifts-in-kind must be further broken down into categories (fixed assets, supplies, contributed services, etc.) in the notes to the consolidated financial statements. For each category of contributed nonfinancial assets recognized in the consolidated financial statements, further footnote disclosures are required under the ASU, including whether the gifts-in-kind were sold or used, among other disclosures. The provisions of ASU 2020-07 must be applied on a retrospective basis (meaning that all periods presented in comparative financial statements must reflect the requirements of the new standard). Adoption of this standard had no effect on its net assets for the years ending December 31, 2022 and 2021.

**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.

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**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:

	2022	2021
Cash - Operating Fund	\$ 1,107,161	\$ 1,162,840
Receivables and Other Assets - Operating Fund	399,408	469,456
Appropriation from quasi-endowment for general expenditure in subsequent year	647,199	543,154
Total financial assets as of year end	2,153,768	2,175,450
 Custodial Funds	 (566,249)	 (529,367)
Receivables expected to be collected in subsequent year	(73,749)	(73,749)
Net Assets With Donor Restrictions	(662,646)	(1,117,862)
Less net assets with purpose restrictions to be met in less than a year	545,481	62,294
Total financial assets available to meet general expenditures within the next 12 months	\$ 1,396,605	\$ 516,766

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. \$647,199 and \$543,154 of appropriations from the quasi-endowment will be available within the next 12 months as of December 31, 2022 and 2021, 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 \$14.9 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).

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**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 2022 and 2021, those pledges are listed in the Consolidated Statements of Financial Position under Non-Current Pledges Receivable, Operating Fund.

Pledges Receivable at December 31, 2022 and 2021, consisted of the following:

<u>2022</u>	Pledges Receivables	Discounts	Allowances for Uncollectible Pledges	Net Pledges
Friends of Scouting 2022	\$ 145,654	\$ -	\$ (30,839)	\$ 114,815
Special Events	24,345	-	(16,365)	7,980
Friends of Scouting Future Years	74,805	-	-	74,805
Special Events Future Years	-	-	-	-
Total	<u>\$ 244,804</u>	<u>\$ -</u>	<u>\$ (47,204)</u>	<u>\$ 197,600</u>

  

<u>2021</u>	Pledges Receivables	Discounts	Allowances for Uncollectible Pledges	Net Pledges
Friends of Scouting 2021	\$ 103,390	\$ -	\$ (64,619)	\$ 38,771
Special Events	19,504	-	(1,560)	17,944
Friends of Scouting Future Years	346,373	-	(121,853)	224,520
Special Events Future Years	139,292	-	(11,143)	128,149
Total	<u>\$ 608,559</u>	<u>\$ -</u>	<u>\$ (199,175)</u>	<u>\$ 409,384</u>

  

	<u>2022</u>	<u>2021</u>
Estimated due in:		
Less than one year	\$ 171,055	\$ 510,227
One to five years	73,749	98,332
Total	<u>\$ 244,804</u>	<u>\$ 608,559</u>

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

Property, buildings, and equipment at December 31, 2022 and 2021, consist of the following:

	2022	2021
Land	\$ 12,847,427	\$ 12,847,427
Buildings and improvements	15,167,629	14,964,566
Donated land usage	104,876	99,728
Equipment and furniture	2,920,564	2,800,120
Construction in progress	50,396	125,342
	<u>31,090,892</u>	<u>30,837,183</u>
Less accumulated depreciation	(9,667,933)	(9,022,378)
Total	<u>\$ 21,422,959</u>	<u>\$ 21,814,805</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, 2022 and 2021, was \$1,370,991 and \$1,279,830, respectively, 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, 2022 and 2021, was \$357,166 and \$455,558, respectively.

**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 2022 and 2021, 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.

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

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

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

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

In 2015, the Council received and invested \$9,811,610 in additional funds from the sale of Griffith League Ranch groundwater and a litigation settlement from fire damage. The money was invested under the supervision of the Investment Committee into a diversified portfolio held at Stephens, Inc. The proceeds of the investment fund will be distributed at a rate not to exceed 3% based on the average value of the twelve preceding fiscal quarters. The distributions will be allocated 55% to the Operating Fund and 45% to the Capital Fund. Before the funds have been invested for twelve quarters, funds may be dispersed at the annual rate of 3% using an average of all the existing quarters. In 2020, 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.

The assets held by each trust at December 31, 2022 and 2021, consist of the following:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Scott Fixed Income Management				
Cash	\$ 156,580	\$ 156,580	\$ 136,697	\$ 136,697
Fixed income	156,154	150,900	99,992	101,392
Government and agency issued	243,620	245,877	311,609	313,927
Total	<u>556,354</u>	<u>553,357</u>	<u>548,298</u>	<u>552,016</u>
Tom Wooten Trust				
Cash	21,899	21,899	35,829	35,829
Common stocks	916,567	1,656,526	1,036,900	2,537,036
Total	<u>938,466</u>	<u>1,678,425</u>	<u>1,072,729</u>	<u>2,572,865</u>
Capitol Area Council Boy Scout Trust				
Cash	59,346	59,346	25,288	25,288
Common stocks	760,435	1,014,075	808,497	2,024,820
Total	<u>819,781</u>	<u>1,073,421</u>	<u>833,785</u>	<u>2,050,108</u>

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

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Scott/Luther King Capital Management				
Cash	\$ 20,081	\$ 20,081	\$ 93,062	\$ 93,062
Common stocks	529,310	828,546	552,827	1,238,539
Total	<u>549,391</u>	<u>848,627</u>	<u>645,889</u>	<u>1,331,601</u>
Scott/Mutual Funds				
Cash	42,417	42,417	21,380	21,380
Common stocks	642,830	822,853	642,830	919,877
Mutual Funds	2,245,495	1,816,202	2,300,873	2,673,248
Total	<u>2,930,742</u>	<u>2,681,472</u>	<u>2,965,083</u>	<u>3,614,505</u>
Scott/CD and Fixed Income				
Cash	2,605	2,605	596	596
Mutual Funds	751,365	695,958	737,609	751,457
Total	<u>753,970</u>	<u>698,563</u>	<u>738,205</u>	<u>752,053</u>
Scott/Schafer Cullen Management				
Cash	58,478	58,478	61,978	61,978
Common stock	878,159	1,316,272	818,983	1,351,889
Domestic REITS	81,492	69,556	67,968	83,371
Total	<u>1,018,129</u>	<u>1,444,306</u>	<u>948,929</u>	<u>1,497,238</u>
CAC Conservation Bank Trust				
Cash	3,405	3,405	2,111	2,111
Common stock	90,711	95,860	90,320	117,940
Total	<u>94,116</u>	<u>99,265</u>	<u>92,431</u>	<u>120,051</u>
CAC Griffith League Ranch				
Cash	4,955	4,955	3,000	3,000
Common stock	136,266	144,006	135,679	177,177
Total	<u>141,221</u>	<u>148,961</u>	<u>138,679</u>	<u>180,177</u>
Grand Total	<u>\$ 7,802,170</u>	<u>\$ 9,226,397</u>	<u>\$ 7,984,028</u>	<u>\$ 12,670,614</u>

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

	2022	2021
Cash and cash equivalents	\$ 369,766	\$ 379,941
Long-term investments	8,856,631	12,290,673
Total	<u>\$ 9,226,397</u>	<u>\$ 12,670,614</u>

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

As of December, 31, 2022 and 2021 the non-trust Endowment investment assets were held at CFM Wealth Partners and Charles Schwab and consisted of the following:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
421KL245 Oppenheimer International Fund				
Cash and cash equivalents	\$ 829	\$ 829	\$ 1,570	\$ 1,570
Mutual funds	880,333	942,783	1,190,289	1,638,709
	<u>881,162</u>	<u>943,612</u>	<u>1,191,859</u>	<u>1,640,279</u>
407ND212 Thornburg International Growth				
Cash and cash equivalents	750	750	1,516	1,516
Mutual funds	647,280	784,213	896,623	1,443,520
	<u>648,030</u>	<u>784,963</u>	<u>898,139</u>	<u>1,445,036</u>
4412F457 REMS Real Estate Investment Trusts				
Cash and cash equivalents	392	392	715	715
Mutual funds	333,658	406,694	663,744	792,558
	<u>334,050</u>	<u>407,086</u>	<u>664,459</u>	<u>793,273</u>
7116W757 Schafer Cullen High Dividend				
Cash and cash equivalents	41,028	41,028	23,695	23,695
Equities	737,340	900,828	1,395,564	1,960,187
	<u>778,368</u>	<u>941,856</u>	<u>1,419,259</u>	<u>1,983,882</u>
3573T851 Riverbridge Growth				
Cash and cash equivalents	7,469	7,469	30,567	30,567
Equities	439,052	656,030	986,304	2,136,618
	<u>446,521</u>	<u>663,499</u>	<u>1,016,871</u>	<u>2,167,185</u>
1097-0006/157Y4216 Luther King Fixed Income				
Cash and cash equivalents	15,319	15,319	93,272	93,272
Corporate bonds	452,654	656,321	1,079,382	2,244,839
	<u>467,973</u>	<u>671,640</u>	<u>1,172,654</u>	<u>2,338,111</u>
4446-8021/7181H988 Luther King Equity				
Cash and cash equivalents	42,284	42,284	57,168	57,168
US Treasuries	47,551	48,191	35,000	35,438
Exchange traded funds	-	-	111,541	109,693
Corporate bonds	364,370	347,676	775,449	772,501
	<u>454,205</u>	<u>438,151</u>	<u>979,158</u>	<u>974,800</u>



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

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
8820R183 Thornbueg Limited Term Income Fund				
Cash and cash equivalents	\$ 521	\$ 521	\$ 815	\$ 815
Mutual funds	938,311	905,727	1,483,977	1,521,391
	<u>938,832</u>	<u>906,248</u>	<u>1,484,792</u>	<u>1,522,206</u>
722T9580 Money Market/CDARs				
Cash and cash equivalents	7,445	7,445	3,507	3,507
	<u>7,445</u>	<u>7,445</u>	<u>3,507</u>	<u>3,507</u>
Total All CFM/Charles Schwab	<u>\$ 4,956,586</u>	<u>\$ 5,764,500</u>	<u>\$ 8,830,698</u>	<u>\$ 12,868,279</u>

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

	2022	2021
Cash and cash equivalents	\$ 116,037	\$ 212,825
Long-term investments	5,648,463	12,655,454
Total	<u>\$ 5,764,500</u>	<u>\$ 12,868,279</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 2022 and 2021, investment expenses were \$128,957 and \$69,063, respectively, and are netted with appreciation (depreciation) of investments in the Consolidated Statements of Changes in Net Assets. In 2022 and 2021, both the Operating Fund and Capital Fund distributions were made.

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

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,551,577	\$ -	\$ -	\$ 5,551,577
Common & preferred stocks	9,095,937	-	-	9,095,937
Corporate bonds	1,180,857	-	-	1,180,857
Exchange Traded Funds	-	-	-	-
Government securities	294,068	-	-	294,068
Fixed Income	150,900	-	-	150,900
Domestic REITS	69,556	-	-	69,556
Charitable remainder trust, Net of expected payments	-	357,166	-	357,166
Real estate	-	987,941	-	987,941
	<u>\$ 16,342,895</u>	<u>\$ 1,345,107</u>	<u>\$ -</u>	<u>\$ 17,688,002</u>

	2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 8,820,883	\$ -	\$ -	\$ 8,820,883
Common & preferred stocks	13,784,943	-	-	13,784,943
Corporate bonds	3,465,872	-	-	3,465,872
Exchange Traded Funds	109,693	-	-	109,693
Government securities	349,365	-	-	349,365
Fixed Income	101,392	-	-	101,392
Domestic REITS	83,371	-	-	83,371
Charitable remainder trust, Net of expected payments	-	455,558	-	455,558
Real estate	-	782,900	-	782,900
	<u>\$ 26,715,519</u>	<u>\$ 1,238,458</u>	<u>\$ -</u>	<u>\$ 27,953,977</u>

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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, 2022 and 2021, net assets with donor restrictions as to purpose are restricted for:

	<u>2022</u>	<u>2021</u>
Purpose restricted:		
Endowment Restricted for Purpose	\$ 1,082,375	\$ 1,118,297
Friends of Scouting - Other Donors	545,481	708,530
Distinguished Citizen Luncheon	-	212,454
Smilin' V Ranch	439,522	395,022
Camp Green Dickson	230,077	230,077
Capital Projects	120,523	120,523
TPWD Shooting Complex	61,500	-
Staffing	17,435	82,435
Professional Staffing	44,420	59,133
Science & Technology Programs	28,371	28,371
Scoutreach and In-School Scouting	21,669	21,669
Report to State	4,823	4,823
Stave Wood Fund	2,726	2,726
FFTSC Pavers Campaign	2,585	2,585
Other	443	443
Eagle Scout Scholarship	9	9
Time restricted:		
Endowment Restricted for perpetuity	2,517,609	2,481,220
Total	<u>\$ 5,119,568</u>	<u>\$ 5,468,317</u>

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

Net assets were released from donor restrictions during 2022 and 2021 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>2022</u>	<u>2021</u>
Purpose restriction accomplished:		
Distinguished Citizen Luncheon	\$ 212,454	\$ -
Exploring Program/Learning for Life	-	204,800
Professional Staffing	66,716	27,305
Time restriction accomplished:		
Friends of Scouting	344,754	85,561
Total net assets released from restrictions	<u>\$ 623,924</u>	<u>\$ 317,666</u>

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**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 \$46,021 and \$37,731 in working capital at December 31, 2022 and 2021, 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, 2022 and 2021, respectively, the remaining non-Council Lockhart trust was recorded at a fair value of \$860,323 and \$870,022; the Lockhart Real Estate trust was recorded at a fair value of \$493,971 and \$429,180, at December 2022 and 2021, respectively, which consists of cash held for managing the real estate of \$33,707 and \$67,770 and an estimated value for the real estate interest of \$493,971 and \$391,450 at December 31, 2022 and 2021, respectively. The invested Eagle Scout Education restricted funds in the Capitol Area Trust were valued at \$792,452 and \$658,424 at December 31, 2022 and 2021, 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 \$90,460 and \$23,163, as of December 31, 2022, and 2021, respectively. Additionally, there are amounts with income restricted for at-risk youth, recorded at a fair value of \$607,999 and \$693,173 as of December 31, 2022 and 2021, respectively.

The assets held in the permanent trusts at December 31, 2022, consist of the following:

	Cost	Fair Value	Carrying Value
Cash	\$ 37,755	\$ 37,755	\$ 37,755
Common stock & equities	906,524	1,660,941	1,660,941
Bond and income funds	193,474	176,860	176,860
Real estate	196,135	987,941	987,941
Total	<u>\$ 1,333,888</u>	<u>\$ 2,863,497</u>	<u>\$ 2,863,497</u>

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

The assets held in the permanent trusts at December 31, 2021, consist of the following:

	Cost	Fair Value	Carrying Value
Cash	\$ 67,770	\$ 67,770	\$ 67,770
Common stock & equities	725,000	1,320,860	1,320,860
Bond and income funds	379,880	448,532	448,532
Real estate	196,135	782,900	782,900
Total	<u>\$ 1,368,785</u>	<u>\$ 2,620,062</u>	<u>\$ 2,620,062</u>

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

	2022	2021
Cash	\$ 37,755	\$ 67,770
Investments	2,825,742	2,552,292
Total	<u>\$ 2,863,497</u>	<u>\$ 2,620,062</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 26, 2023, and as of December 31, 2022, there was no outstanding balance.

**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, 2022 and 2021, the Council remitted approximately \$222,846 and \$272,335, respectively, on behalf of its employees to the National Council related to the healthcare plan.

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**NOTE L - 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 50 percent of contributions from each participant, limited to 3 percent of each employee's gross pay. The Council contributed approximately \$237,024 and \$272,573 to the BSA Match Savings Plan in 2022 and 2021, respectively.

**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.

**NOTE M - RELATED PARTY TRANSACTIONS**

Certain members of the Board of Directors of the Council contributed \$105,096 and \$267,824 to the Council during the years ended December 31, 2022 and 2021, respectively.

**NOTE N - CONTINGENCIES**

**Litigation and Contingencies**

The Council is insured through the BSA General Liability Insurance Program ("GLIP"), which covers the National Council and all local councils on a worldwide basis. This program, which began in 1978, is composed of primary insurance and excess liability insurance provided by a number of companies. GLIP provides primary coverage with respect to claims arising out of Official Scouting Activities and responds to allegations of negligent actions by third parties that result in personal injury or property damage claims. The Council was named as a defendant or was made aware of claims alleging sexual abuse against it. A number of those claims were not formally filed against the Council and were asserted in claims forms in connection with the National Council's bankruptcy.

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**NOTE N - CONTINGENCIES (Continued)**

On February 18, 2020, the National Council filed for relief under Chapter 11 of the United States Bankruptcy Code to resolve all sexual abuse litigation against the National Council and against all local councils, including the Council, that arose prior to the date of filing. On September 8, 2022, the Bankruptcy Court entered an order confirming the Third Modified Fifth Amended Chapter 11 Plan of Reorganization, which required all local councils, including the Council, to make a substantial contribution to the Settlement Trust in exchange for such protection from sexual abuse claims. At that time, the Council committed to contribute \$4,196,142 to the Settlement Trust in accordance with the Plan of Reorganization, which was paid in 2022. In return for the Council's contribution to the Settlement Trust, the Plan channels to the Settlement Trust abuse claims that arose prior to the filing date and the Council has no further liability for those claims. The National Council emerged from bankruptcy on April 19, 2023.