

National Capital Area Council, Boy Scouts of America

Audited Financial Statements and Supplemental Information

*Years ended December 31, 2018 and 2017
with Report of Independent Auditors*

National Capital Area Council,
Boy Scouts of America

Audited Financial Statements
and Supplemental Information

Years ended December 31, 2018 and 2017

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Report of Independent Auditors

Board of Directors
National Capital Area Council, Boy Scouts of America
Bethesda, Maryland

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 over financial reporting. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of National Capital Area Council, Boy Scouts of America as of December 31, 2018 and 2017 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note A to the financial statements, upon adoption of Accounting Standards Update (ASU) 2016-14: Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, the Council changed their accounting policy to reflect the placed-in-service approach to report expirations of restrictions on gifts to construct and maintain long-lived assets. Accordingly, the effect of this change in accounting policy has been applied retrospectively to the earliest period presented and resulted in an approximately \$5,913,000 decrease in net assets with donor restrictions and increase in net assets without donor restrictions as of January 1, 2017. Additionally, net assets released from restriction for the year ended December 31, 2017 were reduced by approximately \$1,056,000. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2018 fund detail consisting of the Operating fund, the Capital fund and the Endowment fund presented on pages 3-8 is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual funds and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
June 26, 2019

National Capital Area Council, Boy Scouts of America
 Statements of Financial Position with Supplemental Information

As of December 31, 2018 and 2017

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2018	2017
Assets					
Cash and cash equivalents	\$ 2,850,335	\$ 329,437	\$ 152,096	\$ 3,331,868	\$ 3,137,100
Restricted cash	1,538,063	-	-	1,538,063	1,227,000
Pledges receivable, net	464,451	46,750	115,429	626,630	1,201,748
Accounts receivable	298,183	-	-	298,183	182,773
Inventories	227,887	-	-	227,887	230,134
Prepaid expenses and other assets	184,045	-	246,203	430,248	424,457
Investments	-	-	11,801,179	11,801,179	11,785,252
Land, buildings and equipment, net	-	29,702,394	-	29,702,394	30,913,974
Total assets	\$ 5,562,964	\$ 30,078,581	\$ 12,314,907	\$ 47,956,452	\$ 49,102,438
Liabilities and net assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 735,330	\$ 674	\$ 2,283	\$ 738,287	\$ 699,089
Custodian accounts	1,488,063	-	-	1,488,063	1,227,000
Deferred revenue:					
Activity revenue	132,556	-	-	132,556	119,344
Camping program	132,047	-	-	132,047	118,379
Other	122,976	-	-	122,976	75,870
Total liabilities	2,610,972	674	2,283	2,613,929	2,239,682
Net assets:					
Without donor restrictions	2,026,244	29,880,838	3,131,223	35,038,305	36,846,757
With donor restrictions	925,748	197,069	9,181,401	10,304,218	10,015,999
Total net assets	2,951,992	30,077,907	12,312,624	45,342,523	46,862,756
Total liabilities and net assets	\$ 5,562,964	\$ 30,078,581	\$ 12,314,907	\$ 47,956,452	\$ 49,102,438

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America
Statements of Activities with Supplemental Information

Years ended December 31, 2018 and 2017

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2018	2017
Changes in net assets without donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting, net	\$ 1,109,947	\$ -	\$ -	\$ 1,109,947	\$ 1,270,561
Special events	1,350,996	-	-	1,350,996	1,632,817
Less cost of direct benefits to donors	(254,367)	-	-	(254,367)	(249,873)
Special events, net	1,096,629	-	-	1,096,629	1,382,944
Foundations, estates and trusts, net	59,179	-	25	59,204	116,189
Other contributions	390,787	2,115	-	392,902	247,753
Total direct public support	2,656,542	2,115	25	2,658,682	3,017,447
Indirect public support:					
United Way and other support	162,474	5,000	-	167,474	218,477
Total indirect public support	162,474	5,000	-	167,474	218,477
Other revenue:					
Sale of supplies (less cost of goods sold of \$121,213 in 2018 and \$16,144 in 2017)	70,592	-	-	70,592	21,568
Product sales	3,268,156	-	-	3,268,156	3,330,955
Less cost of goods sold	(846,875)	-	-	(846,875)	(910,115)
Commissions paid to units	(1,097,889)	-	-	(1,097,889)	(1,117,330)
Product sales, net	1,323,392	-	-	1,323,392	1,303,510
Investment return, net	292,416	175,750	(884,120)	(415,954)	1,472,260
Camping fees	3,279,091	-	-	3,279,091	3,036,831
Activity revenue	550,617	-	-	550,617	1,504,282
Other revenue	972,386	148,293	(3)	1,120,676	2,288,341
Total other revenue	6,488,494	324,043	(884,123)	5,928,414	9,626,792
	9,307,510	331,158	(884,098)	8,754,570	12,862,716
Net assets released from restrictions	714,026	125,706	-	839,732	1,192,792
Total public support and revenue	\$ 10,021,536	\$ 456,864	\$ (884,098)	\$ 9,594,302	\$ 14,055,508

- Continued -

National Capital Area Council, Boy Scouts of America
Statements of Activities with Supplemental Information (Continued)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2018	2017
Expenses:					
Program services - Scouting	\$ 8,131,519	\$ 1,320,473	\$ 14,808	\$ 9,466,800	\$ 10,448,754
Support services:					
Management and general	761,579	123,667	1,387	886,633	906,728
Fundraising	810,386	131,598	1,476	943,460	937,711
Total support services	1,571,965	255,265	2,863	1,830,093	1,844,439
Unallocated payments to BSA National organization	105,861	-	-	105,861	105,861
Total expenses	9,809,345	1,575,738	17,671	11,402,754	12,399,054
Change in net assets without donor restrictions	212,191	(1,118,874)	(901,769)	(1,808,452)	1,656,454
Changes in net assets with donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting, net	476,826	-	-	476,826	534,890
Capital campaign, net	-	-	-	-	721,886
Other	261,278	150,000	343,662	754,940	784,513
Total direct public support	738,104	150,000	343,662	1,231,766	2,041,289
Investment return, net	1,529	11,131	(116,476)	(103,816)	30,996
Net assets released from restriction	(714,025)	(125,706)	-	(839,731)	(1,192,792)
Change in net assets with donor restrictions	25,608	35,425	227,186	288,219	879,493
 Change in total net assets	 \$ 237,799	 \$ (1,083,449)	 \$ (674,583)	 \$ (1,520,233)	 \$ 2,535,947

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America
Statements of Changes in Net Assets with Supplemental Information

As of December 31, 2018 and 2017

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2018	2017
Net assets - beginning of year					
Net assets without donor restrictions	\$ 1,801,181	\$ 30,999,712	\$ 4,045,864	\$ 36,846,757	\$ 29,276,764
Net assets with donor restrictions	<u>900,140</u>	<u>161,644</u>	<u>8,954,215</u>	<u>10,015,999</u>	<u>15,050,045</u>
Total net assets	2,701,321	31,161,356	13,000,079	46,862,756	44,326,809
Impact of ASU 2016-14					
Net assets without donor restrictions	-	-	-	-	5,913,539
Net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,913,539)</u>
	-	-	-	-	-
Change in net assets					
Net assets without donor restrictions	212,191	(1,118,874)	(901,769)	(1,808,452)	1,656,454
Net assets with donor restrictions	<u>25,608</u>	<u>35,425</u>	<u>227,186</u>	<u>288,219</u>	<u>879,493</u>
	237,799	(1,083,449)	(674,583)	(1,520,233)	2,535,947
Transfers between funds	12,872	-	(12,872)	-	-
Net assets - end of year					
Without donor restrictions	2,026,244	29,880,838	3,131,223	35,038,305	36,846,757
With donor restrictions	<u>925,748</u>	<u>197,069</u>	<u>9,181,401</u>	<u>10,304,218</u>	<u>10,015,999</u>
Total net assets	<u>\$ 2,951,992</u>	<u>\$ 30,077,907</u>	<u>\$ 12,312,624</u>	<u>\$ 45,342,523</u>	<u>\$ 46,862,756</u>

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America
 Statements of Cash Flows with Supplemental Information

Years ended December 31, 2018 and 2017

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2018	2017
Cash flows from operating activities					
Change in total net assets	\$ 237,799	\$ (1,083,449)	\$ (674,583)	\$ (1,520,233)	\$ 2,535,947
Transfers between funds	12,872	-	(12,872)	-	-
Adjustments to reconcile change in net assets and transfers between funds to net cash provided by operating activities					
Depreciation	-	1,317,434	-	1,317,434	1,325,419
Amortization/write-off of debt issuance cost	-	-	-	-	129,131
Contributions restricted for long term investment	-	-	(327,678)	(327,678)	(603,760)
Net gain on the sale of land	-	-	-	-	(1,316,627)
Proceeds from sale of stock donation	-	-	13,931	13,931	119,872
Change in provision for uncollectible pledges and unamortized discount	19,745	(2,115)	(11,773)	5,857	(58,883)
Change in fair value of investments	-	-	657,358	657,358	(1,382,126)
Change in assets:					
Pledges receivable	(20,107)	20,000	569,368	569,261	361,448
Accounts receivable	(115,410)	-	-	(115,410)	24,926
Inventories	2,247	-	-	2,247	(34,023)
Prepaid expenses and other assets	(25,915)	-	20,124	(5,791)	315,379
Change in liabilities:					
Accounts payable and accrued expenses	46,437	(8,707)	1,468	39,198	(112,211)
Custodian accounts	261,063	-	-	261,063	232,828
Deferred revenue	73,986	-	-	73,986	(387,665)
Net cash provided by operating activities	<u>\$ 492,717</u>	<u>\$ 243,163</u>	<u>\$ 235,343</u>	<u>\$ 971,223</u>	<u>\$ 1,149,655</u>

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National Capital Area Council, Boy Scouts of America

Statements of Cash Flows with Supplemental Information (Continued)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2018	2017
Cash flows from investing activities					
Purchase of fixed assets	\$ -	(105,854)	\$ -	\$ (105,854)	\$ (2,159,137)
Purchase of investments	-	-	(1,236,478)	(1,236,478)	(1,398,206)
Proceeds from the sale of fixed assets	-	-	-	-	1,556,559
Proceeds from the sale of investments	-	-	549,262	549,262	-
Proceeds from the sale of land	-	-	-	-	494,750
Net cash used in investing activities	-	(105,854)	(687,216)	(793,070)	(1,506,034)
Cash flows from financing activities					
Contributions to be held permanently	-	-	327,678	327,678	603,760
Principal payments on notes payable	-	-	-	-	(1,529,770)
Net cash provided by (used in) financing activities	-	-	327,678	327,678	(926,010)
Change in cash and cash equivalents	492,717	137,309	(124,195)	505,831	(1,282,389)
Cash and cash equivalents, beginning of year	3,895,681	192,128	276,291	4,364,100	5,646,489
Cash and cash equivalents, end of year	<u>\$ 4,388,398</u>	<u>\$ 329,437</u>	<u>\$ 152,096</u>	<u>\$ 4,869,931</u>	<u>\$ 4,364,100</u>
Cash and cash equivalents:					
Cash	\$ 2,850,335	\$ 329,437	\$ 152,096	\$ 3,331,868	\$ 3,137,100
Restricted cash	<u>1,538,063</u>	<u>-</u>	<u>-</u>	<u>1,538,063</u>	<u>1,227,000</u>
	<u>\$ 4,388,398</u>	<u>\$ 329,437</u>	<u>\$ 152,096</u>	<u>\$ 4,869,931</u>	<u>\$ 4,364,100</u>
Supplemental disclosure of cash flows information					
Interest paid	\$ -	\$ 1,488	\$ -	\$ 1,488	\$ 47,147

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services - Scouting	Supporting Services			Payments to National Organization	Total Expenses
		Management & General	Fundraising	Total Supporting Services		
Expenses:						
Employee compensation						
Salaries	\$ 3,438,508	\$ 529,513	\$ 462,995	\$ 992,508	\$ -	\$ 4,431,016
Employee benefits	592,012	101,323	95,264	196,587	-	788,599
Payroll taxes	299,710	41,343	36,969	78,312	-	378,022
Employee related expense	<u>23,196</u>	<u>2,497</u>	<u>2,146</u>	<u>4,643</u>	-	<u>27,839</u>
Total employee compensation	4,353,426	674,676	597,374	1,272,050	-	5,625,476
Other expenses						
Professional fees	242,174	69,720	46,164	115,884	-	358,058
Program and other Supplies	934,105	3,079	10,156	13,235	-	947,340
Telephone and Communications	55,456	5,411	6,357	11,768	-	67,224
Postage and shipping	31,297	2,097	15,083	17,180	-	48,477
Occupancy	1,039,553	22,005	25,095	47,100	-	1,086,653
Rent and maintenance of equipment	162,156	10,235	17,482	27,717	-	189,873
Publication and Media	37,570	2,320	64,417	66,737	-	104,307
Travel/transportation	320,550	19,047	30,604	49,651	-	370,201
Conferences and Meetings	146,806	7,270	9,108	16,378	-	163,184
Specific assistance to individuals	90,681	-	-	-	-	90,681
Recognition and awards	324,622	19,641	57,890	77,531	-	402,153
Interest	1,488	-	-	-	-	1,488
Insurance	344,578	28,052	19,219	47,271	-	391,849
Other expenses	101,848	3,213	27,434	30,647	-	132,495
Payments to BSA National organization	-	-	-	-	105,861	105,861
Total other expenses	<u>3,832,884</u>	<u>192,090</u>	<u>329,009</u>	<u>521,099</u>	<u>105,861</u>	<u>4,459,844</u>
Expenses before depreciation	8,186,310	866,766	926,383	1,793,149	105,861	10,085,320
Depreciation and amortization	<u>1,280,490</u>	<u>19,867</u>	<u>17,077</u>	<u>36,944</u>	-	<u>1,317,434</u>
Total functional expenses	<u>\$ 9,466,800</u>	<u>\$ 886,633</u>	<u>\$ 943,460</u>	<u>\$ 1,830,093</u>	<u>\$ 105,861</u>	<u>\$ 11,402,754</u>

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America

Statement of Functional Expenses

Year ended December 31, 2017

	Program Services - Scouting	Supporting Services		Total Supporting Services	Payments to National Organization	Total Expenses
		Management & General	Fundraising			
Expenses:						
Employee compensation						
Salaries	\$ 3,468,504	\$ 528,312	\$ 489,489	\$ 1,017,801	\$ -	\$ 4,486,305
Employee benefits	595,242	98,586	90,928	189,514	-	784,756
Payroll taxes	323,067	46,996	43,658	90,654	-	413,721
Employee related expense	416	45	39	84	-	500
Total employee compensation	4,387,229	673,939	624,114	1,298,053	-	5,685,282
Other expenses						
Professional fees	259,469	69,999	60,947	130,946	-	390,415
Supplies	1,009,571	4,721	13,154	17,875	-	1,027,446
Telephones	66,371	4,266	3,667	7,933	-	74,304
Postage and shipping	26,627	2,348	10,319	12,667	-	39,294
Occupancy	834,232	29,588	25,732	55,320	-	889,552
Rent and maintenance of equipment	311,394	6,578	5,654	12,232	-	323,626
Printing and publications	35,098	1,594	59,673	61,267	-	96,365
Travel/transportation	462,067	21,824	18,828	40,652	-	502,719
Conferences and training	786,661	7,416	7,318	14,734	-	801,395
Specific assistance to individuals	14,744	2	2	4	-	14,748
Recognition awards	369,770	18,740	43,524	62,264	-	432,034
Interest and related expenses	47,148	-	-	-	-	47,148
Insurance	339,087	27,067	18,586	45,653	-	384,740
Other expenses	108,429	4,393	16,752	21,145	-	129,574
Payments to BSA National organization	-	-	-	-	105,861	105,861
Total other expenses	4,670,668	198,536	284,156	482,692	105,861	5,259,221
Expenses before depreciation	9,057,897	872,475	908,270	1,780,745	105,861	10,944,503
Depreciation and amortization	1,390,857	34,253	29,441	63,694	-	1,454,551
Total functional expenses	\$ 10,448,754	\$ 906,728	\$ 937,711	\$ 1,844,439	\$ 105,861	\$ 12,399,054

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements

Years ended December 31, 2018 and 2017

Note A - Nature of Operation and Significant Accounting Policies

Nature of Operation

The National Capital Area Council, Boy Scouts of America (the Council) is headquartered in Bethesda, Maryland, and operates in the District of Columbia, 16 counties in Maryland and Virginia and the U.S. Virgin Islands, and direct service units and members in North and South America. 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, Inc. National Council (National Council) and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the National Council, the Scouting program of promoting 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, self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts of America.

The Council's programs are classified as follows:

Lion Scouts – A fun introduction to the Scouting program for kindergarten-age youth eager to get going. Lions do adventures with their adult partners and other Lions every month. This program introduces youth and their families to Scouting and the outdoors as it builds a foundation of character. A Lion den is part of the Cub Scout pack.

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

Cub Scouting - 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.

Boy Scouting - 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 a rewarding career.

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.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Nature of Operation (continued)

Learning for Life - Program that enables 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.

Starting in 2018, families can choose to sign up their sons and daughters who are 5-10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens or remain an all-boy pack. Cub Scout dens will be single gender - all boys or all girls. Using the same curriculum as the Boy Scouting program, Scouts BSA is scheduled to launch in February 2019, enabling all eligible youth ages 11-17, to earn the Eagle Scout rank. Scouts BSA will be single gender - all-girl troops or all-boy troops. This unique approach allows the organization to maintain the integrity of the single-gender model while meeting the needs of today's families.

The Council's website address is www.ncacbsa.org.

Federal Income Tax Status

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), under Group Ruling number 1761 issued by the IRS to the National Council, 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. Management has concluded that the Council has maintained its exempt status. Additionally, management has concluded that there are no uncertain tax positions as of December 31, 2018.

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Fund Accounting

The accounts of the Council are maintained using fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund to facilitate the preparation of the financial statements in the three-funds-plus-total-of-all-funds format, required by the National Council.

Subsequent Events

The Council has evaluated subsequent events for disclosure and recognition through June 26, 2019, the date on which these financial statements were available to be issued. All material subsequent events have been disclosed through that date.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The financial statements of the Council are presented in accordance with the uniform accounting system prescribed by the Boy Scouts of America Local Council Accounting Manual. The manual is in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) used for not-for-profit organizations.

These standards require the Council to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions - represents resources which have met all applicable restrictions and/or resources generated by other sources.

Net assets with donor restrictions - represents resources recognized as restricted support until such a time when all associated restrictions have been met and resources that contain a stipulation that permanently restricts the use of such funds but allows earnings from the funds to be used in a certain manner.

Use of Estimates

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts and pledges receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Council considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Restricted cash is shown on the statements of financial position that relates to certain custodial accounts where cash is held by the Council on behalf of other organizations. Restricted cash is also shown on the statements of financial position that relates to amounts restricted for unemployment as required by state law.

Concentration of Credit Risk

Throughout the year, the Council may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes these amounts are not subject to any significant risk.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Inventories

Trading post inventory is recorded at the lower of cost (first-in, first-out method) or market. Market is determined by the most recent purchase date.

Pledges Receivable

Unconditional promises to give are recorded as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Pledges receivable that are expected to be collected within one year are reported net of any estimated uncollectible amounts. Pledges receivable expected to be collected beyond one year are discounted to present value using the interest rate in effect the year the pledge is received. The Council uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on experience and analysis of specific promises made. The unamortized discount and allowance are reflected as reductions to pledges receivable in the statements of financial position.

Land, Building and Equipment, net

Land and land improvements, buildings, and equipment are stated at cost or, if donated, at the estimated fair value on the date of donation. The threshold for qualifying an item for capitalization is \$5,000. Depreciation is calculated over the estimated useful life of the related asset using the straight-line method.

Investments

Investments consist of a single investment in the BSA Commingled Endowment Fund, LP. The Council accounts for investments in accordance with U.S. GAAP which requires that investments with readily determinable fair values be measured at fair value in the statements of financial position. Interest, dividends, realized and unrealized gain and loss on investments, net of fees, are recorded as investment return in the statements of activities. Realized gains and losses are determined on a specific identification basis.

Donated Services

No amounts are reflected in the financial statements for donated services from volunteers since no objective basis is available to measure the value of such services; however, a substantial number of volunteers donate significant amounts of time to assist in the operations of the Council. During 2018 and 2017, skilled services of \$55,000 were received relating to video production and recorded in other contributions in the statements of activities.

Other Revenue

Camping fees, activity revenue, product sales, scout shop sales and other revenue are recognized as revenue when the event, activity or sale occurs.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions based on donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the contribution is reported as net assets without donor restrictions.

Deferred Revenue

Deferred revenue relates to program activities occurring after the Council's year end. Consequently, receipts and disbursements relating to those program activities are deferred and reported in the fiscal year the activity is conducted.

Expense Allocation

The costs of providing programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which are not directly attributable to one function are allocated between program services, management and general and fundraising based on a time study prepared by management. The time study allocates services based on the number of employees involved, the amount of time spent, the percentage of their salary associated with that time and estimates made by the Council's management. In accordance with the Boy Scouts of America Local Council Accounting Manual, payment of the charter fee to the National Council is not allocated as a functional expense.

Contingency

In the course of providing the many outdoor programs that the Council supports, injuries, which are generally insured, occur. Currently, there are no threatened or existing legal actions that represent a significant exposure to the Council.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

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

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

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (continued)

As a result of the adoption of ASU 2016-14, the Council released approximately \$5,913,000 in restrictions on capital gifts as of January 1, 2017. Furthermore, net assets released from restriction for the year ended December 31, 2017 were reduced by approximately \$1,056,000. The total impact of the adoption is listed below:

	Prior to Adoption of ASU 2016-14	Impact of ASU 2016-14	After Adoption of ASU 2016-14
Net assets without donor restrictions, January 1, 2017	\$ 29,276,764	\$ 5,913,539	\$ 35,190,303
Net assets with donor restrictions, January 1, 2017	\$ 15,050,045	\$ (5,913,539)	\$ 9,136,506
Net assets released from restriction, year ended December 31, 2017	\$ 2,248,920	\$ (1,056,128)	\$ 1,192,792
Change in net assets without donor restrictions, year ended December 31, 2017	\$ 2,712,582	\$ (1,056,128)	\$ 1,656,454
Change in net assets with donor restrictions, year ended December 31, 2017	\$ (176,635)	\$ 1,056,128	\$ 879,493
Net assets without donor restrictions, December 31, 2017	\$ 31,989,346	\$ 4,857,411	\$ 36,846,757
Net assets with donor restrictions, December 31, 2017	\$ 14,873,410	\$ (4,857,411)	\$ 10,015,999

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

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 statement of financial position date, are as follows:

	2018	2017
Cash	\$ 2,079,126	\$ 1,871,114
Short term investments	260,506	257,126
Accounts receivable	298,184	182,772
Pledges receivable	492,951	492,590
Total financial assets at end of year	3,130,767	2,803,602
Appropriations from the general endowment for general expenditures in subsequent year	509,638	411,549
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 3,640,405</u>	<u>\$ 3,215,151</u>

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note B - Liquidity and Availability of Funds (Continued)

The Council's endowment funds consist of donor-restricted endowments. Income from donor restricted endowments is restricted for specific purposes, except for the amount available for general use. Donor-restricted endowment funds are not available for general expenditure.

As described in Note F, the endowment fund is subject to an annual spending rate of no more than 5% of a 3 year rolling average. \$509,638 and \$411,549 of appropriations without restrictions limiting their use will be available within the next 12 months as of December 31, 2018 and 2017, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in short-term investments. To help manage unanticipated liquidity needs, the Council has a committed line of credit in the amount of \$1,500,000 which it could draw upon.

Note C - Pledges Receivable

Pledges receivable consist of various pledges for Friends of Scouting and other activities. At December 31, pledges are comprised as follows:

	<u>2018</u>	<u>2017</u>
Receivable within one year	\$ 726,068	\$ 1,177,915
Receivable in one to five years	<u>37,000</u>	<u>154,414</u>
	763,068	1,332,329
Discount to present value	(750)	(1,865)
Allowance for uncollectible amounts	<u>(135,688)</u>	<u>(128,716)</u>
Pledges receivable, net	<u>\$ 626,630</u>	<u>\$ 1,201,748</u>

Note D - Related Party Transactions

The Council recognized approximately \$837,642 and \$195,559 in related contribution revenue from Board members for the years ended December 31, 2018 and 2017, respectively. From time to time the Council may engage in business transactions with organizations who are represented on the Council's Board of Directors. These business arrangements are conducted in the normal course of business.

As discussed in Note H - Investments, the Council invests in the BSA Commingled Endowment Fund, LP, which is managed by an affiliated organization of the Boy Scouts of America, Inc., BSA Asset Management, LLC. Fees paid to BSA Asset Management, LLC are disclosed in Note H - Investments.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note D - Related Parties (Continued)

The Council is an affiliated organization of the Boy Scouts of America, Inc. and is subject to the rules and regulations of the Boy Scouts of America, Inc. In accordance with an affiliation agreement between the Council and the Boy Scouts of America, Inc., certain expenses are paid to the Boy Scouts of America, Inc. in the forms of periodic dues and an annual charter fee to support its activities. These expenses totaled \$105,861 during the years ending December 31, 2018 and 2017.

Note E - Land, Buildings and Equipment

Land, buildings and equipment consist of the following at December 31:

	2018	2017
Buildings	\$ 24,836,247	\$ 24,817,217
Land and land improvements	18,113,988	18,070,485
Furniture and fixtures	1,791,208	1,757,560
Motor vehicles	627,322	617,648
Total	45,368,765	45,262,910
Less accumulated depreciation	(15,666,371)	(14,348,936)
Land, building and equipment, net	\$ 29,702,394	\$ 30,913,974

The estimated useful lives of assets are as follows:

Land improvements	15-30 years
Building	15-60 years
Furniture and fixtures	5 or 7 years
Vehicles	3 or 5 years

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note F - Endowment and Life Endowment Program

Endowment Fund

The Boy Scout Accounting Manual policy is to recognize interest and dividend income, net of expenses earned by the Endowment Fund as unrestricted income in the Operating Fund. However, the Council has elected to limit the income transferred to the Operating Fund each year to an annually approved amount, up to 5% of a three year rolling average, to pay for operations and leave the remaining income in the Endowment Fund, if any.

The amount of Endowment Fund income transferred to the Operating Fund for years ended December 31, 2018 and 2017 was \$268,282 and \$263,176, respectively. The amount of Endowment Fund income transferred to the Capital Fund for years ended December 31, 2018 and 2017 was \$186,882 and \$160,753, respectively.

The Council has interpreted applicable state trust law to allow for spending from underwater endowments in a prudent manner. There were no underwater endowment funds as of December 31, 2018 or 2017.

Note G - Retirement Plans

The Boy Scouts of America, Inc. sponsors a defined benefit multi-employer plan, Boy Scouts of America Pension Trust, Boy Scouts of America Retirement Plan for Employees (the Plan) Employer Identification Number 22-1576300, that covers eligible employees of the Boy Scouts of America, Inc. and chartered councils, including this Council, and is administered by the Boy Scouts of America, Inc.. The Plan covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2% of compensation and the Council contributes an additional 7% to the Plan. Other than contributions for eligible employees the Council has no other commitments or obligations to the Plan. The Council paid no surcharges in 2018 and 2017 to the Plan. Pension expense (excluding the contributions made by employees) for the years ended December 31, 2018 and 2017 was \$196,429 and \$221,716, respectively, and covered current service cost. Council contributions do not exceed 5% of aggregate contributions made by all participants in the Plan.

The actuarial information for the multi-employer plan as of February 1, 2018 indicates that it is in compliance with the Employment Retirement Income Security Act of 1974 (ERISA) regulations regarding funding and the Plan's net assets available for benefits exceed the present value of both vested and non-vested accumulated benefits. The assumed rate of return used in determining the actuarial value of present accumulated benefits was 7.00% as of both February 1, 2018 and 2017. The aggregate method is the cost method used in the estimated actuarial valuation; amortization of gains and losses is over seven years; and the amortization of past or prior service cost is seven years. The actuarial valuation includes all plan amendments as of February 1, 2018.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note G - Retirement Plans (Continued)

Total plan assets at January 31, 2018 and 2017 were \$1,437,253,787 and \$1,371,002,356, respectively. The actuarial present value of accumulated plan benefits at January 31, 2018 and 2017 was \$1,229,677,066 and \$1,199,713,882, respectively.

During 2018, the Council announced that the Plan will be closed to all future employees after December 31, 2018. Current participants will continue to accrue benefits.

The Council also provides a 403(b) defined contribution plan, which provides retirement benefits for substantially all of its employees. The Council contributes an amount equal to 6% of each eligible employee's semi-monthly compensation for each pay period once they have accumulated a year of service time. Total contributions to the plan were \$152,530 and \$150,036 for the years ending December 31, 2018 and 2017, respectively.

During 2017, the National Council announced a new defined contribution plan that will be available to all Council employees. This plan will be effective starting January 1, 2019. In a board resolution dated November 15, 2018, the Council also announced their intent to no longer make employer contributions to the current 403(b) plan effective December 31, 2018.

Note H - Investments

As of December 31, 2018 and 2017, the Council held investments, at fair value, as follows:

	2018	2017
BSA Commingled Endowment Fund, LP	\$ 11,801,179	\$ 11,785,252
Total investments	\$ 11,801,179	\$ 11,785,252

Investment return (loss), net of fees, is comprised of the following for the year ended December 31, 2018:

	Operating Fund	Capital Fund	Endowment Fund	Total all Funds
Interest and dividends	\$ 108,639	\$ 86,032	\$ 7,015	\$ 201,686
Realized and unrealized gain (loss) on investments, net	185,306	100,850	(943,514)	(657,358)
Investment return	293,945	186,882	(936,499)	(455,672)
Investment fees	-	-	(64,098)	(64,098)
Investment return (loss), net	\$ 293,945	\$ 186,882	\$ (1,000,597)	\$ (519,770)

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note H - Investments (Continued)

Investment return, net of fees, is comprised of the following for the year ended December 31, 2017:

	Operating Fund	Capital Fund	Endowment Fund	Total all Funds
Interest and dividends	\$ 100,483	\$ 57,078	\$ 25,545	\$ 183,106
Realized and unrealized gain on investments, net	<u>126,276</u>	<u>69,893</u>	<u>1,185,957</u>	<u>1,382,126</u>
Investment return	226,759	126,971	1,211,502	1,565,232
Investment fees	<u>-</u>	<u>-</u>	<u>(61,976)</u>	<u>(61,976)</u>
Investment return, net	<u>\$ 226,759</u>	<u>\$ 126,971</u>	<u>\$ 1,149,526</u>	<u>\$ 1,503,256</u>

Note I - Fair Value Measurement

The Council's classifications for assets and liabilities measured at fair value on a recurring basis are subject to the fair value measurement disclosures and are based on the framework established in the Fair Value Measurement and Disclosure accounting guidance. The framework is based on the inputs in the valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Council's significant assumptions.

The three levels of the hierarchy are as follows :

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Council has the ability to access. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, for substantially the full period, for the asset or liability and market corroborated inputs.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Council recognizes transfers between levels of the fair value hierarchy at the end of the period in which circumstances occur causing changes in the availability of fair value inputs.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note I - Fair Value Measurement (Continued)

Investments

The Council's investments at fair value at December 31, 2018 and 2017 by fair value hierarchy category in accordance with U.S. GAAP, are shown below:

<u>Class of Security</u>	<u>2018</u>	<u>2017</u>	<u>Level</u>
BSA Commingled Endowment Fund, LP (a)	\$ 11,801,179	\$ 11,785,252	2
Total investments, at fair value	<u>\$ 11,801,179</u>	<u>\$ 11,785,252</u>	

(a) The Council invests in the BSA Commingled Endowment Fund, LP (see Note D - Related Party Transactions for further discussion regarding the BSA Commingled Endowment Fund, LP). The assets of the BSA Commingled Endowment Fund, LP are managed so as to provide the highest total return consistent with prudent investment practices, providing for long-term returns sufficient to cover the return requirements of a 4.5% total return spending formula. Safety and preservation of capital are paramount considerations. Target asset allocation of the BSA Commingled Endowment Fund, LP is 30% U.S. equity, 26% non-U.S. equity, 12% equity real estate, 20% investment grade debt and 12% high yield debt. The partnership agreement provides that any partner may request a withdrawal of all or any portion of their capital account once each month with 10 days notice. In the event any partner is deemed to have requested, during a single calendar year, in excess of 99% of its capital account, in its sole discretion the General Partner may make such distribution up to 99% of the partner's capital account and retain the remaining 1% for 45 days after the end of the calendar month in which the partner's request for withdrawal is effective in order to allow time to determine whether any adjustments to the capital accounts are necessary in light of available financial information. As of December 31, 2018 and 2017, there are no unfunded commitments.

Beneficial Interests

Beneficial interests in charitable gift annuities held by others (recorded in prepaid expenses and other assets) are classified as Level 3 assets as their fair values are derived from inputs to the valuation methodology that are unobservable for the asset and are based on actuarial assumptions such as mortality rates and the applicable federal rate for charitable gifts. These assumptions are significant to the valuation. The following table summarizes changes in the beneficial interests in charitable gift annuities:

Balance at January 1, 2017	\$ 249,820
Additions	<u>16,507</u>
Balance at December 31, 2017	266,327
Distributions	<u>(20,124)</u>
Balance at December 31, 2018	<u>\$ 246,203</u>

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note I - Fair Value Measurement (Continued)

Non-recurring Measurement

Fair value for pledges receivable is assessed on a non-recurring basis in the year multi-year commitments are received. During the years ended December 31, 2018 and 2017 pledges receivable evaluated on a non-recurring basis at a Level 3 fair value were \$0 and \$57,500, respectively.

Note J - Beneficial Interests in Charitable Gift Annuities

The Council has been named as the beneficiary of charitable annuities. The Council does not serve as the trustee for these arrangements. These items are reflected in prepaid expenses and other assets in the statements of financial position and had an estimated fair value of approximately \$246,203 and \$266,327 at December 31, 2018 and 2017, respectively.

Note K - Notes Payable

On April 1, 2006, the Council issued a thirty year note to a financial institution for \$10,000,000 to fund construction projects for camps Goshen and Snyder. Wachovia granted the Council this loan through the Virginia Small Business Financing Authority (VSBFA) Adjustable Note Revenue Bonds program. VSBFA has the authority to issue its revenue bonds for the purpose of lending the proceeds of the sale of such bonds to eligible businesses. U.S. Bank National was the Trustee for this transaction. Costs associated with the issuance of the bonds were paid by the Council and capitalized. These costs are being amortized over the term of the bonds.

During 2010, \$4,000,000 of the \$10,000,000 in notes payable was paid and the remaining \$6,000,000 of the notes payable were refinanced with TD Bank. The note payable is collateralized by the Council's building.

During 2017, the remaining balance of the outstanding notes payable was paid in full.

Note L - Line of Credit

The Council has a \$1,500,000 line of credit that is available to be used for unanticipated cash needs. As of December 31, 2018 and 2017 there was \$0 outstanding on this line of credit. The interest rate on the line of credit was approximately 4% and 2% for the years ending December 31, 2018 and 2017, respectively. During 2017, approximately \$31,000 was used to issue a standby letter of credit for Maryland unemployment. No amounts were drawn under this standby letter of credit during 2018 and 2017 and this standby letter of credit was closed during 2018. Total credit available was approximately \$1,500,000 and \$1,468,877 at December 31, 2018 and 2017.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note M - Net Assets Released from Restrictions

Net assets were released from net assets with donor restrictions by incurring expenses for activities in accordance with the restricted purposes or expiration of time restrictions specified by the donors as follows for the year ended December 31:

	<u>2018</u>	<u>2017</u>
<i>Time restriction:</i>		
Available for future periods	\$ 535,276	\$ 484,668
<i>Purpose restriction:</i>		
Program specific support	178,750	61,471
Camping	<u>125,706</u>	<u>646,653</u>
Net assets released from restriction	<u>\$ 839,732</u>	<u>\$ 1,192,792</u>

Note N - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following as of December 31:

	<u>2018</u>	<u>2017</u>
<i>Subject to the passage of time:</i>		
Available for future periods	\$ 602,674	\$ 690,934
<i>Subject to expenditure for a specific purpose:</i>		
Wetlands	735,638	758,678
Camping	420,368	311,988
Camperships	49,796	96,346
Scoutreach Programs	47,190	27,056
Various funds	621,244	627,434
<i>Perpetual in nature:</i>		
Endowment funds	<u>7,831,241</u>	<u>7,503,563</u>
	<u>\$ 10,308,151</u>	<u>\$ 10,015,999</u>

Note O - Rental Income

The Council leases space to the National Council for the Scout Shop. The Council receives 8% of the total sales up to \$750,000, and 13% of the total sales above \$750,000 as rental income based on the sales produced by the Maryland and Virginia Scout Shops. Rental income related to these leases, which are included in other revenue in the statements of activities, was \$414,616 and \$413,410 for the years ended December 31, 2018 and 2017, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note P - Commitments and Contingencies

The Council leases office space in Springfield, Virginia under a non-cancelable operating lease agreement. The Council entered into a new, non-cancelable lease for this office space which commenced March 1, 2014 and expires on February 28, 2024. The Council also leases the use of office equipment, which expires on September 22, 2019. Future minimum lease payments under the non-cancelable lease agreement noted above are as follows:

2019	\$	124,300
2020		104,000
2021		106,600
2022		109,233
2023		111,947
Thereafter		<u>18,733</u>
	\$	<u>574,813</u>

Rental expense under these leases were approximately \$125,485 and \$127,467 for the years ending December 31, 2018 and 2017, respectively.

In May 2017, the Church of Jesus Christ of Latter-day Saints (the Church) announced that effective January 1, 2018 it would be discontinuing its Varsity Scouting and Venturing Programs with the Boy Scouts of America for all chartered units. The Council has determined that many of those affected youth will register as Boy Scouts as they work towards their Eagle Scout Awards. In May 2018, the Church announced that it has decided to pursue programming that will help them meet the needs of their increasingly global membership and will no longer charter BSA units after December 31, 2019. Both the program and full financial effects of this change are unknown at this time.

Note Q - Subsequent Event

On April 13, 2019, the Council's Executive Committee approved a withdrawal of 100% of the investment in BSA Commingled Endowment Fund, LP (see Notes D and I for further details). 95% of this investment was sold on April 30, 2019 and the proceeds were transferred to a financial institution for investment in accordance with the Council's investment policies. The remainder of the investment is expected to be sold during May 2019 and the proceeds will be invested in a manner similar to what is described above.