

National Capital Area Council, Boy Scouts of America

Audited Financial Statements and Supplemental Information

*Years ended December 31, 2019 and 2018
with Report of Independent Auditors*

National Capital Area Council,
Boy Scouts of America

Audited Financial Statements
and Supplemental Information

Years ended December 31, 2019 and 2018

Contents

Report of Independent Auditors.....	1 - 2
Audited Financial Statements	
Statements of Financial Position with Supplemental Financial Information	3
Statements of Activities with Supplemental Financial Information.....	4 - 5
Statements of Changes in Net Assets with Supplemental Financial Information.....	6
Statements of Cash Flows with Supplemental Financial Information.....	7 - 8
Statements of Functional Expenses	9 - 10
Notes to Financial Statements.....	11 - 29

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, 2019 and 2018 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, 2019 and 2018 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 - Going Concern

As discussed in Note P to the financial statements, the Boy Scouts of America, Inc. National Council (Boy Scouts of America) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in February 2020. Management’s evaluation of the events and conditions and management’s plans regarding these matters are described in Note P. 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 2019 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
May 7, 2020

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

As of December 31, 2019 and 2018

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2019	2018
Assets					
Cash and cash equivalents	\$ 2,845,283	\$ 384,587	\$ 312,940	\$ 3,542,810	\$ 3,331,868
Restricted cash	1,608,630	-	-	1,608,630	1,538,063
Pledges receivable, net	664,103	-	108,450	772,553	626,630
Accounts receivable	202,178	-	-	202,178	298,183
Inventories	253,903	-	-	253,903	227,887
Prepaid expenses and other assets	116,815	-	286,123	402,938	430,248
Investments	-	-	13,470,548	13,470,548	11,801,179
Land, buildings and equipment, net	-	28,588,559	-	28,588,559	29,702,394
Total assets	\$ 5,690,912	\$ 28,973,146	\$ 14,178,061	\$ 48,842,119	\$ 47,956,452
Liabilities and net assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 444,495	\$ -	\$ -	\$ 444,495	\$ 738,287
Custodian accounts	1,557,955	-	-	1,557,955	1,488,063
Deferred revenue:					
Activity revenue	113,245	-	-	113,245	132,556
Camping program	163,218	-	-	163,218	132,047
Other	32,976	-	-	32,976	122,976
Total liabilities	2,311,889	-	-	2,311,889	2,613,929
Net assets:					
Without donor restrictions	2,123,229	28,788,487	3,574,035	34,485,751	35,038,305
With donor restrictions	1,255,794	184,659	10,604,026	12,044,479	10,304,218
Total net assets	3,379,023	28,973,146	14,178,061	46,530,230	45,342,523
Total liabilities and net assets	\$ 5,690,912	\$ 28,973,146	\$ 14,178,061	\$ 48,842,119	\$ 47,956,452

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, 2019 and 2018

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2019	2018
Changes in net assets without donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting, net	\$ 1,008,843	\$ -	\$ -	\$ 1,008,843	\$ 1,109,947
Contributions	1,246,973	-	-	1,246,973	1,096,629
Special events revenue	<u>274,492</u>	-	-	<u>274,492</u>	<u>254,367</u>
Special fundraising events, gross	1,521,465	-	-	1,521,465	1,350,996
Less cost of direct benefits to donors	<u>(274,492)</u>	-	-	<u>(274,492)</u>	<u>(254,367)</u>
Special fundraising events, net	1,246,973	-	-	1,246,973	1,096,629
Foundations, estates and trusts, net	78,617	-	-	78,617	59,204
Other contributions	<u>65,083</u>	<u>4,512</u>	-	<u>69,595</u>	<u>392,902</u>
Total direct public support	2,399,516	4,512	-	2,404,028	2,658,682
Indirect public support:					
United Way and other support	<u>150,116</u>	-	-	<u>150,116</u>	<u>167,474</u>
Total indirect public support	150,116	-	-	150,116	167,474
Other revenue:					
Sale of supplies (less cost of goods sold of \$85,856 in 2019 and \$121,213 in 2018)	87,795	-	-	87,795	70,592
Product sales	2,912,335	-	-	2,912,335	3,268,156
Less cost of goods sold	(829,270)	-	-	(829,270)	(846,875)
Commissions paid to units	<u>(1,012,154)</u>	-	-	<u>(1,012,154)</u>	<u>(1,097,889)</u>
Product sales, net	1,070,911	-	-	1,070,911	1,323,392
Investment return (loss), net	323,636	231,259	488,996	1,043,891	(415,954)
Camping fees	3,183,551	-	-	3,183,551	3,279,091
Activity revenue	755,325	-	-	755,325	550,617
Other revenue	<u>1,162,779</u>	-	-	<u>1,162,779</u>	<u>1,120,676</u>
Total other revenue	<u>6,583,997</u>	<u>231,259</u>	<u>488,996</u>	<u>7,304,252</u>	<u>5,928,414</u>
	9,133,629	235,771	488,996	9,858,396	8,754,570
Net assets released from restrictions	<u>670,677</u>	<u>23,960</u>	-	<u>694,637</u>	<u>839,732</u>
Total public support and revenue	\$ 9,804,306	\$ 259,731	\$ 488,996	\$ 10,553,033	\$ 9,594,302

- 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	
				2019	2018
Expenses:					
Program services - Scouting	\$ 7,536,904	\$ 1,107,153	\$ 36,470	\$ 8,680,527	\$ 9,466,800
Support services:					
Management and general	875,602	128,622	4,236	1,008,460	886,633
Fundraising	1,132,127	166,307	5,478	1,303,912	943,460
Total support services	2,007,729	294,929	9,714	2,312,372	1,830,093
Unallocated payments to Boy Scouts of America	112,688	-	-	112,688	105,861
Total expenses	9,657,321	1,402,082	46,184	11,105,587	11,402,754
Change in net assets without donor restrictions	146,985	(1,142,351)	442,812	(552,554)	(1,808,452)
Changes in net assets with donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting, net	558,824	-	-	558,824	476,826
Other	441,899	-	300,486	742,385	754,940
Total direct public support	1,000,723	-	300,486	1,301,209	1,231,766
Investment return (loss), net	-	11,550	1,122,139	1,133,689	(103,816)
Net assets released from restriction	(670,677)	(23,960)	-	(694,637)	(839,731)
Change in net assets with donor restrictions	330,046	(12,410)	1,422,625	1,740,261	288,219
 Change in total net assets	 \$ 477,031	 \$ (1,154,761)	 \$ 1,865,437	 \$ 1,187,707	 \$ (1,520,233)

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, 2019 and 2018

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2019	2018
Net assets - beginning of year					
Net assets without donor restrictions	\$ 2,026,244	\$ 29,880,838	\$ 3,131,223	\$ 35,038,305	\$ 36,846,757
Net assets 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	2,951,992	30,077,907	12,312,624	45,342,523	46,862,756
Change in net assets					
Net assets without donor restrictions	146,985	(1,142,351)	442,812	(552,554)	(1,808,452)
Net assets with donor restrictions	<u>330,046</u>	<u>(12,410)</u>	<u>1,422,625</u>	<u>1,740,261</u>	<u>288,219</u>
	477,031	(1,154,761)	1,865,437	1,187,707	(1,520,233)
Transfers between funds	(50,000)	50,000	-	-	-
Net assets - end of year					
Without donor restrictions	2,123,229	28,788,487	3,574,035	34,485,751	35,038,305
With donor restrictions	<u>1,255,794</u>	<u>184,659</u>	<u>10,604,026</u>	<u>12,044,479</u>	<u>10,304,218</u>
Total net assets	<u>\$ 3,379,023</u>	<u>\$ 28,973,146</u>	<u>\$ 14,178,061</u>	<u>\$ 46,530,230</u>	<u>\$ 45,342,523</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, 2019 and 2018

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2019	2018
Cash flows from operating activities					
Change in total net assets	\$ 477,031	\$ (1,154,761)	\$ 1,865,437	\$ 1,187,707	\$ (1,520,233)
Transfers between funds	(50,000)	50,000	-	-	-
Adjustments to reconcile change in net assets and transfers between funds to net cash (used in) provided by operating activities					
Depreciation	-	1,262,257	-	1,262,257	1,317,434
Contributions restricted for long term investment	-	-	(295,573)	(295,573)	(327,678)
Proceeds from sale of stock donation	-	-	16,538	16,538	13,931
Change in provision for uncollectible pledges and unamortized discount	(44,978)	(3,250)	12,315	(35,913)	5,857
Change in fair value of investments	-	-	(1,851,440)	(1,851,440)	657,358
Change in assets:					
Pledges receivable	(154,674)	50,000	(5,336)	(110,010)	569,261
Accounts receivable	96,005	-	-	96,005	(115,410)
Inventories	(26,016)	-	-	(26,016)	2,247
Prepaid expenses and other assets	67,230	-	(39,920)	27,310	(5,791)
Change in liabilities:					
Accounts payable and accrued expenses	(290,835)	(674)	(2,283)	(293,792)	39,198
Custodian accounts	69,892	-	-	69,892	261,063
Deferred revenue	(78,140)	-	-	(78,140)	73,986
Net cash (used in) provided by operating activities	<u>\$ 65,515</u>	<u>\$ 203,572</u>	<u>\$ (300,262)</u>	<u>\$ (31,175)</u>	<u>\$ 971,223</u>

- Continued -

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	
				2019	2018
Cash flows from investing activities					
Purchase of fixed assets	\$ -	\$ (148,422)	\$ -	\$ (148,422)	\$ (105,854)
Purchase of investments	-	-	(5,890,240)	(5,890,240)	(1,236,478)
Proceeds from the sale of investments	-	-	6,055,773	6,055,773	549,262
Net cash provided by (used in) investing activities	-	(148,422)	165,533	17,111	(793,070)
Cash flows from financing activities					
Contributions to be held permanently	-	-	295,573	295,573	327,678
Net cash provided by financing activities	-	-	295,573	295,573	327,678
Change in cash and cash equivalents	65,515	55,150	160,844	281,509	505,831
Cash and cash equivalents, beginning of year	4,388,398	329,437	152,096	4,869,931	4,364,100
	<u>\$ 4,453,913</u>	<u>\$ 384,587</u>	<u>\$ 312,940</u>	<u>\$ 5,151,440</u>	<u>\$ 4,869,931</u>
Cash and cash equivalents:					
Cash	\$ 2,845,283	\$ 384,587	\$ 312,940	\$ 3,542,810	\$ 3,331,868
Restricted cash	1,608,630	-	-	1,608,630	1,538,063
	<u>\$ 4,453,913</u>	<u>\$ 384,587</u>	<u>\$ 312,940</u>	<u>\$ 5,151,440</u>	<u>\$ 4,869,931</u>

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America

Statement of Functional Expenses

Year ended December 31, 2019

	Supporting Services					Total Supporting Services	Payments to National Organization	Total Expenses
	Program Services - Scouting	Management & General	Fundraising	Product Sales Cost of Sales	Cost of Direct Benefits to Donors			
Expenses:								
Employee compensation								
Salaries	\$ 3,032,691	\$ 597,962	\$ 669,903	\$ -	\$ -	\$ 1,267,865	\$ -	\$ 4,300,556
Employee benefits	484,756	101,604	126,834	-	-	228,438	-	713,194
Payroll taxes	276,098	47,935	53,929	-	-	101,864	-	377,962
Employee related expense	<u>17,602</u>	<u>2,933</u>	<u>4,159</u>	-	-	<u>7,092</u>	-	<u>24,694</u>
Total employee compensation	3,811,147	750,434	854,825	-	-	1,605,259	-	5,416,406
Other expenses								
Professional fees	248,341	79,792	23,555	-	-	103,347	-	351,688
Supplies	962,728	4,929	25,546	-	-	30,475	-	993,203
Telephone	47,218	7,307	9,022	-	-	16,329	-	63,547
Postage and shipping	15,123	2,187	11,502	-	-	13,689	-	28,812
Occupancy	875,732	28,135	34,669	-	-	62,804	-	938,536
Rent and maintenance of equipment	117,111	8,133	15,107	-	-	23,240	-	140,351
Publication and media	42,553	3,206	47,474	-	-	50,680	-	93,233
Travel/transportation	458,920	25,456	46,062	-	-	71,518	-	530,438
Conferences and training	178,545	11,067	16,580	-	-	27,647	-	206,192
Specific assistance to individuals	31,508	371	471	-	-	842	-	32,350
Recognition and awards	266,869	18,461	66,215	-	-	84,676	-	351,545
Cost of products sold and unit commissions	-	-	-	1,841,423	-	1,841,423	-	1,841,423
Cost of goods sold - scout shop and trading post	268,798	-	-	-	-	-	-	268,798
Cost of direct benefit to donors	-	-	-	-	274,490	274,490	-	274,490
Insurance	321,863	35,020	37,545	-	-	72,565	-	394,428
Other expenses	99,357	8,080	82,478	-	-	90,558	-	189,915
Payments to Boy Scouts of America	-	-	-	-	-	-	112,688	112,688
Total other expenses	<u>3,934,666</u>	<u>232,144</u>	<u>416,226</u>	<u>1,841,423</u>	<u>274,490</u>	<u>2,764,283</u>	<u>112,688</u>	<u>6,811,637</u>
Expenses before depreciation	7,745,813	982,578	1,271,051	1,841,423	274,490	4,369,542	112,688	12,228,043
Depreciation and amortization	<u>1,203,512</u>	<u>25,882</u>	<u>32,861</u>	-	-	<u>58,743</u>	-	<u>1,262,255</u>
Total Functional Expenses	<u>\$ 8,949,325</u>	<u>\$ 1,008,460</u>	<u>\$ 1,303,912</u>	<u>\$ 1,841,423</u>	<u>\$ 274,490</u>	<u>\$ 4,428,285</u>	<u>\$ 112,688</u>	<u>\$ 13,490,298</u>
Expenses included with revenue on the statement of activities								
Cost of products sold and unit commissions	\$ -	\$ -	\$ -	\$ (1,841,423)	\$ -	\$ (1,841,423)	\$ -	\$ (1,841,423)
Cost of goods sold - scout shop and trading post	(268,798)	-	-	-	-	-	-	(268,798)
Cost of direct benefit to donors	-	-	-	-	(274,490)	(274,490)	-	(274,490)
Total expenses included in the expense section on the statement of activities	<u>\$ 8,680,527</u>	<u>\$ 1,008,460</u>	<u>\$ 1,303,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,312,372</u>	<u>\$ 112,688</u>	<u>\$ 11,105,587</u>

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America

Statement of Functional Expenses

Year ended December 31, 2018

	Supporting Services					Total Supporting Services	Payments to National Organization	Total Expenses
	Program Services - Scouting	Management & General	Fundraising	Product Sales Cost of Sales	Cost of Direct Benefits to Donors			
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
Supplies	934,105	3,079	10,156	-	-	13,235	-	947,340
Telephones	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 training	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
Cost of products sold and unit commissions	-	-	-	1,944,764	-	1,944,764	-	1,944,764
Cost of goods sold - scout shop and trading posts	298,886	-	-	-	-	-	-	298,886
Cost of direct benefit to donors	-	-	-	-	254,365	254,365	-	254,365
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 Boy Scouts of America	-	-	-	-	-	-	105,861	105,861
Total other expenses	<u>4,131,770</u>	<u>192,090</u>	<u>329,009</u>	<u>1,944,764</u>	<u>254,365</u>	<u>2,720,228</u>	<u>105,861</u>	<u>6,957,859</u>
Expenses before depreciation	8,485,196	866,766	926,383	1,944,764	254,365	3,992,278	105,861	12,583,335
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>9,765,686</u>	<u>886,633</u>	<u>943,460</u>	<u>1,944,764</u>	<u>254,365</u>	<u>4,029,222</u>	<u>105,861</u>	<u>13,900,769</u>
Expenses included with revenue on the statement of activities								
Cost of products sold and unit commissions	\$ -	\$ -	\$ -	\$ (1,944,764)	\$ -	\$ (1,944,764)	\$ -	\$ (1,944,764)
Cost of goods sold - scout shop and trading post	(298,886)	-	-	-	-	-	-	(298,886)
Cost of direct benefit to donors	-	-	-	-	(254,365)	(254,365)	-	(254,365)
Total expenses included in the expense section on the statement of activities	<u>\$ 9,466,800</u>	<u>\$ 886,633</u>	<u>\$ 943,460</u>	<u>\$ -</u>	<u>\$ -</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

Notes to Financial Statements

Years ended December 31, 2019 and 2018

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 granted it by the Boy Scouts of America, Inc. National Council (Boy Scouts of America) and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America, 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.

Scouts BSA - Scouts BSA is a year-round program for youth 11-17 years old that provides fun, adventure, learning, challenge, and responsibility to help them become the best version of themselves.

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 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.

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)

Families can choose to sign up their sons and daughters who are ages 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 (now) former Boy Scouting program, Scouts BSA launched in February 2019, enabling all eligible youth ages 11-17, to earn the Eagle Scout rank. Scouts BSA is 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 also 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 Boy Scouts of America, 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, 2019.

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 Boy Scouts of America.

Subsequent Events

The Council has evaluated subsequent events for disclosure and recognition through May 7, 2020, the date on which these financial statements were available to be issued. All material subsequent events have been disclosed through that date.

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.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

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.

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.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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

During 2018 Investments consisted of a single investment in the BSA Commingled Endowment Fund, LP. In April 2019, 100% of the investment in the BSA Commingled Endowment Fund was withdrawn and transferred to a financial institution for investment in accordance with the Council's investment policies. 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 (loss) in the statements of activities. Realized gains and losses are determined on a specific identification basis.

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.

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 2019 and 2018, skilled services of \$41,500 and \$55,000, respectively were received relating to video production and recorded in other contributions in the statements of activities.

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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met.

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. The expenses in this category include occupancy, depreciation, office supplies, insurance, program and other supplies, professional fees, rental and maintenance of equipment, travel, conferences and meetings, recognition and awards, salaries and wages of support personnel, including the Scout Executive's, accounting, information technology personnel, and payroll taxes. In accordance with the Boy Scouts of America Local Council Accounting Manual, payment of the charter fee to the Boy Scouts of America 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. The Council is not aware of any material contingencies related to injuries as of December 31, 2019 and 2018. Additionally, see Note O for details regarding contingencies associated with the Boy Scouts of America.

Revenue Recognition

Revenue from Exchange Transactions: The Council recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Council records the following exchange transaction revenue in its statements of activities for the years ended December 31, 2019 and 2018:

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

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 revenue from these sales is recorded in other revenue in the statements of activities. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Council based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Council recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Council estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2019 and 2018.

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 packs and troops earn a commission of 35% on each online sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many Boy Scouts of America (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 statements of activities 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 by a return-by date of November 30, 2019 and October 26, 2018. As of December 31, 2019 and 2018, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

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 one performance obligation. Fees collected in advance of delivery of the camp or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the program has occurred.

Special fundraising event revenue - The Council conducts special events in which a portion of the gross proceeds paid by the participants 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 exist 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 statements of activities. 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. Accordingly, the Council separates in its statements of activities 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 American Institute of Certified Public Accountants (AICPA) guidance where the contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Accounting Pronouncements Adopted

As of January 1, 2019, the Council adopted the provisions of FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), 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. Results for reporting the years ending December 31, 2019 and 2018 are presented under FASB ASC Topic 606. The ASU has been applied using a modified retrospective approach to all periods presented, with no effect on net assets or previously issued financial statements.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted (continued)

As of January 1, 2019, the Council also adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2019 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 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:

	2019	2018
Cash	\$ 2,240,892	\$ 2,079,126
Short term investments	256,344	260,506
Accounts receivable	202,178	298,184
Pledges receivable	595,695	492,951
Total financial assets at end of year	3,295,109	3,130,767
Appropriations from the general endowment for general expenditures in subsequent year	554,322	509,638
Total financial assets available to meet general expenditures within the next 12 months	\$ 3,849,431	\$ 3,640,405

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.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note B - Liquidity and Availability of Funds (Continued)

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. \$554,322 and \$509,638 of appropriations without restrictions limiting their use will be available within the next 12 months as of December 31, 2019 and 2018, 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:

	2019	2018
Receivable within one year	\$ 704,890	\$ 726,068
Receivable in one to five years	168,188	37,000
	873,078	763,068
Discount to present value	(11,302)	(750)
Allowance for uncollectible amounts	(89,223)	(135,688)
Pledges receivable, net	\$ 772,553	\$ 626,630

Note D - Related Party Transactions

The Council recognized approximately \$176,143 and \$837,642 in related contribution revenue from Board members for the years ended December 31, 2019 and 2018, 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.

The Council is an affiliated organization of the Boy Scouts of America and is subject to the rules and regulations of the Boy Scouts of America. In accordance with an affiliation agreement between the Council and the Boy Scouts of America, certain expenses are paid to the Boy Scouts of America in the forms of periodic dues and an annual charter fee to support its activities. These expenses totaled \$112,688 and \$105,861 during the years ending December 31, 2019 and 2018, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note E - Land, Buildings and Equipment

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

	<u>2019</u>	<u>2018</u>
Buildings	\$ 24,849,167	\$ 24,836,247
Land and land improvements	18,113,988	18,113,988
Furniture and fixtures	1,775,282	1,791,208
Motor vehicles	<u>656,774</u>	<u>627,322</u>
Total	45,395,211	45,368,765
Less accumulated depreciation	<u>(16,806,652)</u>	<u>(15,666,371)</u>
Land, building and equipment, net	<u>\$ 28,588,559</u>	<u>\$ 29,702,394</u>

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

Note F - Life Endowment Program

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, 2019 and 2018 was \$312,953 and \$268,282, respectively. The amount of Endowment Fund income transferred to the Capital Fund for years ended December 31, 2019 and 2018 was \$242,808 and \$186,882, respectively.

Note G - Endowment

The Council's endowment consists of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note G - Endowment (Continued)

Interpretation of Relevant Law

In April 2019, the Council transferred donor-restricted funds from a trust which did not fall under the purview of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) to another financial institution and as a result of this transfer, determined UPMIFA applied to certain donor-restricted funds. Based on UPMIFA, the Council classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted in perpetuity until the Board of Directors appropriates such amounts for expenditure. The Council's Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Council considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Council has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the Council.

Endowment net assets consisted of the following at December 31, 2019:

	With Donor <u>Restrictions</u>
Original donor gifts - perpetual in duration	\$ 8,126,813
Accumulated investment earnings	<u>920,140</u>
Total endowment net assets	<u><u>\$ 9,046,953</u></u>

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note G - Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2019:

	<u>With Donor Restrictions</u>
Endowment net assets - beginning of year	\$ -
Transfer in	7,831,241
Investment return, net	920,140
Contributions	<u>295,572</u>
Endowment net assets - end of year	<u>\$ 9,046,953</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment fund may fall below the level that the donor or applicable state law requires the Council to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2019. The Council has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Return Objectives and Risk Parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Council must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that it will earn a base return of 7.5 percent of the original principal, expressed in dollars, above the trailing three-year average of the Consumer Price Index. Asset allocations should be targeted to produce expected returns consistent with this target using long term historical returns of assets classes as a guide. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Council tries to maximize the spending objectives of the endowment fund by spending as much of the investment earnings as prudent and practical in any given year.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note H - Retirement Plans

The Boy Scouts of America 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 and chartered councils, including this Council, and is administered by the Boy Scouts of America. 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 2019 and 2018 to the Plan. Pension expense (excluding the contributions made by employees) for the years ended December 31, 2019 and 2018 was \$90,887 and \$196,429, 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, 2019 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 6.50% and 7.00% as of both February 1, 2019 and 2018, respectively. 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, 2019.

Total plan assets at January 31, 2019 and 2018 were \$1,352,225,730 and \$1,437,253,787, respectively. The actuarial present value of accumulated plan benefits at January 31, 2019 and 2018 was \$1,332,375,203 and \$1,229,677,066, 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 provided a 403(b) defined contribution plan, which provided retirement benefits for substantially all of its employees. The Council contributed 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. In a board resolution dated November 15, 2018, the Council also announced their intent to no longer make employer contributions to the 403(b) plan effective December 31, 2018. Grandfathered employees are able to continue accruing benefits within the 403(b) plan, whereas all other participants are unable to continue accruing benefits. The Council contributed approximately \$152,530 during 2018.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note H - Retirement Plans (Continued)

Effective January 1, 2019 the Council participates in a defined contribution plan established by the the Boy Scouts of America. The plan name is the BSA Match Savings Plan, which covers substantially all of the employees of the Council. Participants in the BSA Match Savings Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. The Council matches employee contributions to the BSA Match Savings Plan up to 100 percent of contributions from each participant, limited to 6 percent of each employee's gross pay. The Council contributed approximately \$194,722 in 2019.

Note I - Investments

As of December 31, 2019 and 2018, the Council held investments, at fair value, as follows:

	<u>2019</u>	<u>2018</u>
Mutual Funds - Equities	\$ 11,579,118	\$ -
Mutual Funds - Bonds	1,891,430	-
BSA Commingled Endowment Fund, LP	-	11,801,179
Total investments	<u>\$ 13,470,548</u>	<u>\$ 11,801,179</u>

Investment return, net of fees, is comprised of the following for the year ended December 31, 2019:

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>Total all Funds</u>
Interest and dividends	\$ 172,108	\$ 66,061	\$ 154,755	\$ 392,924
Realized and unrealized gain on investments, net	<u>151,528</u>	<u>176,748</u>	<u>1,523,164</u>	<u>1,851,440</u>
Investment return	323,636	242,809	1,677,919	2,244,364
Investment fees	<u>-</u>	<u>-</u>	<u>(66,784)</u>	<u>(66,784)</u>
Investment return, net	<u>\$ 323,636</u>	<u>\$ 242,809</u>	<u>\$ 1,611,135</u>	<u>\$ 2,177,580</u>

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

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

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note J - 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.

Investments

The Council's investments at fair value at December 31, 2019 and 2018 by fair value hierarchy category in accordance with U.S. GAAP, are shown below:

<u>Class of Security</u>	<u>2019</u>	<u>2018</u>	<u>Level</u>
Mutual Funds	\$ 12,931,372	\$ -	1
Equities	539,176	-	1
BSA Commingled Endowment Fund, LP (a)	-	11,801,179	2
Total investments, at fair value	<u>\$ 13,470,548</u>	<u>\$ 11,801,179</u>	

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note J - Fair Value Measurement (Continued)

(a) The Council invested in the BSA Commingled Endowment Fund. The assets of the BSA Commingled Endowment Fund, LP were managed so as to provide the highest total return consistent with prudent investment practices, provided for long-term returns sufficient to cover the return requirements of a 4.5% total return spending formula. Safety and preservation of capital were 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 provided 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, there were no unfunded commitments.

Beneficial Interests

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 statement of financial position. Beneficial interests in charitable gift annuities held by others 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, 2018	\$ 266,327
Distributions	<u>(20,124)</u>
Balance at December 31, 2018	246,203
Additions	<u>39,919</u>
Balance at December 31, 2019	<u>\$ 286,122</u>

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, 2019 and 2018 pledges receivable evaluated on a non-recurring basis at a Level 3 fair value were \$310,000 and \$0, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note K - 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, 2019 and 2018 there was no balance outstanding on this line of credit. The interest rate on the line of credit was approximately 4% for the years ending December 31, 2019 and 2018. Total credit available was approximately \$1,500,000 at December 31, 2019 and 2018.

Note L - 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:

	2019	2018
<i>Time restriction:</i>		
Available for future periods	\$ 476,827	\$ 535,276
<i>Purpose restriction:</i>		
Program specific support	193,850	178,750
Camping	23,960	125,706
Net assets released from restriction	\$ 694,637	\$ 839,732

Note M - Net Assets With Donor Restrictions

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

	2019	2018
<i>Subject to the passage of time:</i>		
Available for future periods	\$ 712,020	\$ 602,674
<i>Subject to expenditure for a specific purpose:</i>		
Capital Campaign	562,276	-
Wetlands	914,923	735,638
Camping	402,904	420,368
Camperships	652,054	49,796
Scoutreach Programs	419,181	47,190
Various funds	254,308	617,311
<i>Perpetual in nature:</i>		
Endowment funds	8,126,813	7,831,241
	\$ 12,044,479	\$ 10,304,218

Note N - Rental Income

The Council leases space to the Boy Scouts of America 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, respectively. Rental income related to these leases, which are included in other revenue in the statements of activities, was \$411,391 and \$414,616 for the years ended December 31, 2019 and 2018, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note O - Commitments and Contingencies

The Council leases office space in Springfield, Virginia under a non-cancelable operating lease agreement. The Council entered into a 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 expired on September 22, 2019. Future minimum lease payments under the non-cancelable lease agreement noted above are as follows:

2020	\$	114,896
2021		117,496
2022		120,129
2023		122,843
2024		<u>27,813</u>
	\$	<u>503,177</u>

Rental expense under these leases were approximately \$129,075 and \$125,485 for the years ending December 31, 2019 and 2018, 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 Boy Scouts of America units after December 31, 2019. Both the program and full financial effects of this change are unknown at this time.

Note P - Management's Plans

On February 18, 2020, the Boy Scouts of America filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. Due to uncertainty regarding legal claims that may be asserted to the Council that resulted in the Chapter 11 filing, this raises doubt about the Council's ability to continue as a going concern. Management has sufficient net assets to absorb any loss of revenue through May 2021 as a result of the petition as noted above. Additionally, the Boy Scouts of America continues to operate its business in the ordinary course and has received bankruptcy court approval to continue its relationship with the Council including benefit and insurance programs. The Boy Scouts of America has sought to stay litigation against both the Boy Scouts of America and the Council and as previously noted, there is uncertainty with regards to how legal claims could impact the Council. Any impact on the Council's financial position cannot be reasonably estimated at this time. With this considered, management expects the Council to meet all expected business obligations through May 2021.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note Q - Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. The Council derives a significant portion of its revenues from program participation and other events and activities. Regulatory restrictions and discretionary cutbacks have been imposed which may have significant impacts on the Council. At this time, the Council is unable to determine the impact the outbreak might have on future operations. In addition, subsequent to the balance sheet date, domestic and global investment markets have experienced significant volatility. This volatility is the result of numerous economic and political factors including the impact of the spread of the coronavirus. As a result, any impact on the Council's financial position cannot be reasonably estimated at this time.

In April 2020, the Council submitted an application to the Small Business Association, which it approved, for a loan to be made in association with the federally authorized Paycheck Protection Program (Program). The approximate amount of such approved loan is \$947,000. In accordance with the interim Department of Treasury regulations, portions of this loan amount utilized by the Council for qualifying business expenses as authorized by the Program may be eligible for forgiveness.