

National Capital Area Council, Boy Scouts of America

Audited Financial Statements and Supplemental Information

*Years ended December 31, 2021 and 2020
with Report of Independent Auditors*

National Capital Area Council, Boy Scouts of America

Audited Financial Statements
and Supplemental Information

Years ended December 31, 2021 and 2020

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Report of Independent Auditors

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

Opinion

We have audited the financial statements of National Capital Area Council, Boy Scouts of America (the Council), which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter - Contingencies

As discussed in Note O to the financial statements, the Boy Scouts of America, Inc., National Council (Boy Scouts of America) filed for protection under Chapter 11 of the United States Bankruptcy Code. Under the Boy Scouts of America's plan of reorganization, the Council has agreed to remit a contribution to the Boy Scouts of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2021 fund detail consisting of the Operating fund, the Capital fund and the Endowment fund presented on pages 4 - 9 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 3, 2022

National Capital Area Council, Boy Scouts of America

Statements of Financial Position with Supplemental Information

As of December 31, 2021 and 2020

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2021	2020
Assets					
Cash and cash equivalents	\$ 2,186,505	\$ 1,872,096	\$ 3,828,408	\$ 7,887,009	\$ 4,221,403
Restricted cash	1,686,177	-	-	1,686,177	1,640,250
Pledges receivable, net	546,000	-	32,504	578,504	729,137
Accounts receivable	858,036	-	-	858,036	66,521
Inventories	186,763	-	-	186,763	247,996
Prepaid expenses and other assets	148,491	-	210,700	359,191	460,851
Investments	-	-	11,724,108	11,724,108	13,390,946
Land, buildings and equipment, net	-	26,280,433	-	26,280,433	27,362,721
Total assets	\$ 5,611,972	\$ 28,152,529	\$ 15,795,720	\$ 49,560,221	\$ 48,119,825
Liabilities and net assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 369,295	\$ -	\$ -	\$ 369,295	\$ 348,581
Custodian accounts	1,635,401	-	-	1,635,401	1,589,575
Settlement contingency	-	8,000,000	-	8,000,000	-
Deferred revenue:					
Activity revenue	79,106	-	-	79,106	86,090
Camping program	69,372	-	-	69,372	88,699
Other	24,256	-	-	24,256	25,522
Total liabilities	2,177,430	8,000,000	-	10,177,430	2,138,467
Net assets:					
Without donor restrictions	2,395,810	19,995,354	3,713,455	26,104,619	33,558,796
With donor restrictions	1,038,732	157,175	12,082,265	13,278,172	12,422,562
Total net assets	3,434,542	20,152,529	15,795,720	39,382,791	45,981,358
Total liabilities and net assets	\$ 5,611,972	\$ 28,152,529	\$ 15,795,720	\$ 49,560,221	\$ 48,119,825

See accompanying notes to financial statements.

National Capital Area Council, Boy Scouts of America

Statements of Activities with Supplemental Information

Years ended December 31, 2021 and 2020

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2021	2020
Changes in net assets without donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting, net	\$ 866,381	\$ -	\$ -	\$ 866,381	\$ 993,921
Contributions	856,477	-	-	856,477	972,667
Special events revenue	<u>122,608</u>	-	-	<u>122,608</u>	<u>40,519</u>
Special fundraising events, gross	979,085	-	-	979,085	1,013,186
Less cost of direct benefits to donors	<u>(122,608)</u>	-	-	<u>(122,608)</u>	<u>(40,519)</u>
Special fundraising events, net	856,477	-	-	856,477	972,667
Foundations, estates and trusts, net	152,402	-	-	152,402	1,299,054
Other contributions	<u>496,172</u>	<u>65,260</u>	-	<u>561,432</u>	<u>51,804</u>
Total direct public support	2,371,432	65,260	-	2,436,692	3,317,446
Indirect public support:					
United Way and other support	178,637	-	-	178,637	112,753
Government fees and grants	<u>1,640,367</u>	-	-	<u>1,640,367</u>	<u>947,100</u>
Total indirect public support	1,819,004	-	-	1,819,004	1,059,853
Other revenue:					
Sale of supplies (less cost of goods sold of \$64,105 in 2021 and \$27,639 in 2020)	54,729	-	-	54,729	34,985
Product sales	1,178,893	-	-	1,178,893	338,556
Less cost of goods sold	(370,554)	-	-	(370,554)	(120,642)
Commissions paid to units	<u>(401,848)</u>	-	-	<u>(401,848)</u>	<u>(135,804)</u>
Product sales, net	406,491	-	-	406,491	82,110
Investment return, net	470,307	131,462	234,754	836,523	507,271
Camping fees	2,195,883	-	-	2,195,883	297,727
Activity revenue	447,066	-	-	447,066	243,232
Other revenue	<u>664,617</u>	<u>78,480</u>	-	<u>743,097</u>	<u>512,451</u>
Total other revenue	<u>4,239,093</u>	<u>209,942</u>	<u>234,754</u>	<u>4,683,789</u>	<u>1,677,776</u>
Total public support and revenue	8,429,529	275,202	234,754	8,939,485	6,055,075
Net assets released from restrictions	<u>869,828</u>	<u>12,032</u>	-	<u>881,860</u>	<u>991,465</u>
Total public support and revenue	\$ 9,299,357	\$ 287,234	\$ 234,754	\$ 9,821,345	\$ 7,046,540

See accompanying notes to financial statements.

National Capital Area Council, Boy Scouts of America

Statements of Activities with Supplemental Information (Continued)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2021	2020
Expenses:					
Program services - Scouting	\$ 6,265,172	\$ 1,049,301	\$ 10,793	\$ 7,325,266	\$ 5,935,361
Support services:					
Management and general	630,658	105,624	1,086	737,368	795,707
Fundraising	944,535	158,192	1,627	1,104,354	1,133,896
Total support services	1,575,193	263,816	2,713	1,841,722	1,929,603
Unallocated payments to Boy Scouts of America	108,534	8,000,000	-	8,108,534	108,531
Total expenses	7,948,899	9,313,117	13,506	17,275,522	7,973,495
Change in net assets without donor restrictions	1,350,458	(9,025,883)	221,248	(7,454,177)	(926,955)
Changes in net assets with donor restrictions					
Public support and revenue:					
Direct public support:					
Friends of Scouting, net	488,835	-	-	488,835	537,857
Capital campaign, net	-	-	-	-	29,005
Other	185,000	52,500	231,546	469,046	311,757
Total direct public support	673,835	52,500	231,546	957,881	878,619
Indirect public support:					
United Way and other support	975	-	-	975	-
Total indirect public support	975	-	-	975	-
Investment return, net	7,250	-	771,364	778,614	490,929
Net assets released from restriction	(869,828)	(12,032)	-	(881,860)	(991,465)
Change in net assets with donor restrictions	(187,768)	40,468	1,002,910	855,610	378,083
Change in total net assets	\$ 1,162,690	\$ (8,985,415)	\$ 1,224,158	\$ (6,598,567)	\$ (548,872)

See accompanying notes to financial statements.

National Capital Area Council, Boy Scouts of America

Statements of Changes in Net Assets with Supplemental Information

As of December 31, 2021 and 2020

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2021	2020
Net assets - beginning of year					
Net assets without donor restrictions	\$ 2,495,352	\$ 27,571,237	\$ 3,492,207	\$ 33,558,796	\$ 34,485,751
Net assets with donor restrictions	1,226,500	116,707	11,079,355	12,422,562	12,044,479
Total net assets	3,721,852	27,687,944	14,571,562	45,981,358	46,530,230
Change in net assets					
Net assets without donor restrictions	1,350,458	(9,025,883)	221,248	(7,454,177)	(926,955)
Net assets with donor restrictions	(187,768)	40,468	1,002,910	855,610	378,083
	1,162,690	(8,985,415)	1,224,158	(6,598,567)	(548,872)
Transfers between funds	(1,450,000)	1,450,000	-	-	-
Net assets - end of year					
Without donor restrictions	2,395,810	19,995,354	3,713,455	26,104,619	33,558,796
With donor restrictions	1,038,732	157,175	12,082,265	13,278,172	12,422,562
Total net assets	<u>\$ 3,434,542</u>	<u>\$ 20,152,529</u>	<u>\$ 15,795,720</u>	<u>\$ 39,382,791</u>	<u>\$ 45,981,358</u>

See accompanying notes to financial statements.

National Capital Area Council, Boy Scouts of America

Statements of Cash Flows with Supplemental Information

Years ended December 31, 2021 and 2020

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2021	2020
Cash flows from operating activities					
Change in total net assets	\$ 1,162,690	\$ (8,985,415)	\$ 1,224,158	\$ (6,598,567)	\$ (548,872)
Transfers between funds	(1,450,000)	1,450,000	-	-	-
Adjustments to reconcile change in net assets and transfers between funds to net cash provided by (used in) operating activities:					
Depreciation	-	1,179,640	-	1,179,640	1,234,129
Contributions restricted for long term investment	-	-	(231,546)	(231,546)	(9,280)
Proceeds from sale of stock donation	-	-	40,914	40,914	27,832
Change in provision for uncollectible pledges and unamortized discount	(29,081)	-	364	(28,717)	(11,343)
Change in fair value of investments	-	-	(1,053,208)	(1,053,208)	(623,951)
Change in assets:					
Pledges receivable, net	183,025	-	(3,675)	179,350	54,759
Accounts receivable	(791,515)	-	-	(791,515)	135,657
Inventories	61,233	-	-	61,233	5,907
Prepaid expenses and other assets	82,191	-	19,469	101,660	(57,913)
Change in liabilities:					
Accounts payable and accrued expenses	22,294	(1,580)	-	20,714	(95,914)
Settlement contingency	-	8,000,000	-	8,000,000	-
Custodian accounts	45,826	-	-	45,826	31,620
Deferred revenue	(27,577)	-	-	(27,577)	(109,128)
Net cash provided by (used in) operating activities	<u>\$ (740,914)</u>	<u>\$ 1,642,645</u>	<u>\$ (3,524)</u>	<u>\$ 898,207</u>	<u>\$ 33,503</u>

See accompanying notes to financial statements.

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	
				2021	2020
Cash flows from investing activities					
Purchase of fixed assets	\$ -	\$ (97,352)	\$ -	\$ (97,352)	\$ (8,291)
Purchase of investments	-	-	(4,115,412)	(4,115,412)	(549,786)
Proceeds from the sale of investments	-	-	6,794,544	6,794,544	1,225,507
Net cash (used in) provided by investing activities	-	(97,352)	2,679,132	2,581,780	667,430
Cash flows from financing activities					
Contributions to be held permanently	-	-	231,546	231,546	9,280
Net cash provided by financing activities	-	-	231,546	231,546	9,280
Change in cash and cash equivalents	(740,914)	1,545,293	2,907,154	3,711,533	710,213
Cash and cash equivalents, beginning of year	4,613,596	326,803	921,254	5,861,653	5,151,440
Cash and cash equivalents, end of year	<u>\$ 3,872,682</u>	<u>\$ 1,872,096</u>	<u>\$ 3,828,408</u>	<u>\$ 9,573,186</u>	<u>\$ 5,861,653</u>
Cash and cash equivalents:					
Cash	\$ 2,186,505	\$ 1,872,096	\$ 3,828,408	\$ 7,887,009	\$ 4,221,403
Restricted cash	1,686,177	-	-	1,686,177	1,640,250
	<u>\$ 3,872,682</u>	<u>\$ 1,872,096</u>	<u>\$ 3,828,408</u>	<u>\$ 9,573,186</u>	<u>\$ 5,861,653</u>

See accompanying notes to financial statements.

National Capital Area Council, Boy Scouts of America

Statement of Functional Expenses

Year ended December 31, 2021

	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	\$ 2,682,206	\$ 391,629	\$ 605,030	\$ -	\$ -	\$ 996,659	\$ -
Employee benefits	513,603	85,890	125,191	-	-	211,081	-
Payroll taxes	219,343	29,838	46,284	-	-	76,122	-
Employee related expense	2,204	367	466	-	-	833	-
Total employee compensation	3,417,356	507,724	776,971	-	-	1,284,695	-
Other expenses:							
Professional fees	518,759	128,089	104,856	-	-	232,945	-
Supplies	643,197	1,585	2,375	-	-	3,960	-
Telephone	48,852	6,149	9,333	-	-	15,482	-
Postage and shipping	5,558	806	3,207	-	-	4,013	-
Occupancy	727,630	21,978	26,954	-	-	48,932	-
Rent and maintenance of equipment	64,683	2,978	3,446	-	-	6,424	-
Publication and media	11,051	149	37,308	-	-	37,457	-
Travel/transportation	224,962	17,446	32,848	-	-	50,294	-
Conferences and training	105,983	1,125	5,416	-	-	6,541	-
Specific assistance to individuals	56,266	-	-	-	-	-	-
Recognition and awards	132,634	6,629	34,889	-	-	41,518	-
Cost of products sold and unit commissions	-	-	-	772,402	-	772,402	-
Cost of goods sold - scout shop and trading posts	64,105	-	-	-	-	-	-
Cost of direct benefit to donors	-	-	-	-	122,608	122,608	-
Insurance	172,595	14,819	4,915	-	-	19,734	-
Other expenses	71,581	3,446	30,800	-	-	34,246	-
Payments to Boy Scouts of America	-	-	-	-	-	-	8,108,534
Total other expenses	2,847,856	205,199	296,347	772,402	122,608	1,396,556	8,108,534
Expenses before depreciation	6,265,212	712,923	1,073,318	772,402	122,608	2,681,251	8,108,534
Depreciation and amortization	1,124,159	24,445	31,036	-	-	55,481	-
Total Functional Expenses	7,389,371	737,368	1,104,354	772,402	122,608	2,736,732	8,108,534
Expenses included with revenue on the statement of activities							
Cost of products sold and unit commissions	-	-	-	(772,402)	-	(772,402)	-
Cost of goods sold - scout shop and trading post	(64,105)	-	-	-	-	-	-
Cost of direct benefit to donors	-	-	-	-	(122,608)	(122,608)	-
Total expenses included in the expense section on the statement of activities	\$ 7,325,266	\$ 737,368	\$ 1,104,354	\$ -	\$ -	\$ 1,841,722	\$ 8,108,534

See accompanying notes to financial statements.

National Capital Area Council, Boy Scouts of America

Statement of Functional Expenses

Year ended December 31, 2020

	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			Total Supporting Services
Expenses								
Employee compensation:								
Salaries	\$ 2,606,431	\$ 488,498	\$ 679,729	\$ -	\$ -	\$ 1,168,227	\$ -	\$ 3,774,658
Employee benefits	466,179	87,979	106,039	-	-	194,018	-	660,197
Payroll taxes	221,433	38,962	53,819	-	-	92,781	-	314,214
Employee related expense	7,998	22	28	-	-	50	-	8,048
Total employee compensation	3,302,041	615,461	839,615	-	-	1,455,076	-	4,757,117
Other expenses:								
Professional fees	160,738	64,929	62,445	-	-	127,374	-	288,112
Supplies	133,336	1,907	8,220	-	-	10,127	-	143,463
Telephone	42,205	5,947	8,636	-	-	14,583	-	56,788
Postage and shipping	8,795	1,405	6,523	-	-	7,928	-	16,723
Occupancy	515,671	19,453	23,488	-	-	42,941	-	558,612
Rent and maintenance of equipment	35,903	4,269	7,019	-	-	11,288	-	47,191
Publication and media	8,939	1,136	23,014	-	-	24,150	-	33,089
Travel/transportation	157,959	21,269	40,124	-	-	61,393	-	219,352
Conferences and training	58,599	5,074	7,014	-	-	12,088	-	70,687
Specific assistance to individuals	12,060	15	18	-	-	33	-	12,093
Recognition and awards	78,723	4,382	38,092	-	-	42,474	-	121,197
Cost of products sold and unit commissions	-	-	-	256,446	-	256,446	-	256,446
Cost of goods sold - scout shop and trading post	27,639	-	-	-	-	-	-	27,639
Cost of direct benefit to donors	-	-	-	-	40,519	40,519	-	40,519
Insurance	164,848	15,522	3,699	-	-	19,221	-	184,069
Other expenses	77,628	10,171	34,543	-	-	44,714	-	122,342
Payments to Boy Scouts of America	-	-	-	-	-	-	108,531	108,531
Total other expenses	1,483,043	155,479	262,835	256,446	40,519	715,279	108,531	2,306,853
Expenses before depreciation	4,785,084	770,940	1,102,450	256,446	40,519	2,170,355	108,531	7,063,970
Depreciation and amortization	1,177,916	24,767	31,446	-	-	56,213	-	1,234,129
Total Functional Expenses	5,963,000	795,707	1,133,896	256,446	40,519	2,226,568	108,531	8,298,099
Expenses included with revenue on the statement of activities								
Cost of products sold and unit commissions	-	-	-	(256,446)	-	(256,446)	-	(256,446)
Cost of goods sold - scout shop and trading post	(27,639)	-	-	-	-	-	-	(27,639)
Cost of direct benefit to donors	-	-	-	-	(40,519)	(40,519)	-	(40,519)
Total expenses included in the expense section on the statement of activities	\$ 5,935,361	\$ 795,707	\$ 1,133,896	\$ -	\$ -	\$ 1,929,603	\$ 108,531	\$ 7,973,495

See accompanying notes to financial statements.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements

Years ended December 31, 2021 and 2020

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. The Boy Scouting program transitioned to Scouts BSA 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, 2021.

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 3, 2022, 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

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 2021 and 2020, skilled services of \$372,355 and \$11,200, respectively were received relating to legal services and video production, respectively, 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.

Employee Retention Credit

During the year, the Council applied for a refund under the Employee Retention Credit (ERC). The ERC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, that was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Council believes it has met the ERC's eligibility requirements and has recorded the ERC in accordance with the guidance for conditional contributions and will recognize the grant in the statement of activities when there is no longer a measurable performance or other barrier. The Council has interpreted the conditions of the grant to be the qualifying payroll expenses and that all conditions have been met as of December 31, 2021. Accordingly, the Council recognized \$795,292 in accounts receivable in the statements of financial position as of December 31, 2021 and in government fees and grants in the statements of activities for the year ended December 31, 2021.

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 and other payments remitted to the Boy Scouts of America are not allocated as a functional expense.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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, 2021 and 2020. 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 from exchange transactions that are bound by contracts or similar arrangements as performance obligations are satisfied in accordance with U.S. GAAP.

The Council records the following exchange transaction revenue in its statements of activities for the years ended December 31, 2021 and 2020:

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, 2021 and 2020.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

Product sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout 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 units are allowed to purchase popcorn "on account" with payment due at a later date. In accordance with U.S. GAAP, 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 October 29, 2021 and October 26, 2020. As of December 31, 2021 and 2020, no probable popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

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

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

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. U.S. GAAP 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 contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

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:

	2021	2020
Cash	\$ 3,583,200	\$ 2,361,091
Short term investments	50,776	264,753
Accounts receivable	858,036	66,521
Pledges receivable	<u>546,000</u>	<u>699,944</u>
Total financial assets at end of year	5,038,012	3,392,309
Appropriations from the general endowment for general expenditures in subsequent year	<u>457,164</u>	<u>577,482</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 5,495,176</u>	<u>\$ 3,969,791</u>

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. \$457,164 and \$577,482 of appropriations without restrictions limiting their use will be available within the next 12 months as of December 31, 2021 and 2020, 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 as described in Note K.

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>2021</u>	<u>2020</u>
Receivable within one year	\$ 616,686	\$ 795,694
Receivable in one to five years	<u>22,283</u>	<u>22,625</u>
	638,969	818,319
Discount to present value	(1,387)	(1,207)
Allowance for uncollectible amounts	<u>(59,078)</u>	<u>(87,975)</u>
Pledges receivable, net	<u>\$ 578,504</u>	<u>\$ 729,137</u>

Note D - Related Party Transactions

The Council recognized approximately \$172,245 and \$456,856 in related contribution revenue from Board members for the years ended December 31, 2021 and 2020, 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 \$108,531 during the years ending December 31, 2021 and 2020.

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>2021</u>	<u>2020</u>
Buildings	\$ 24,893,855	\$ 24,873,532
Land and land improvements	18,113,988	18,113,988
Furniture and fixtures	1,713,018	1,688,824
Motor vehicles	<u>630,274</u>	<u>656,774</u>
Total	45,351,135	45,333,118
Less accumulated depreciation	<u>(19,070,702)</u>	<u>(17,970,397)</u>
Land, building and equipment, net	<u>\$ 26,280,433</u>	<u>\$ 27,362,721</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, 2021 and 2020 was \$331,900 and \$325,750, respectively. The amount of Endowment Fund income transferred to the Capital Fund for years ended December 31, 2021 and 2020 was \$292,704 and \$275,766, 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:

	2021	2020
	With Donor Restrictions	With Donor Restrictions
Original donor gifts - perpetual in duration	\$ 8,367,639	\$ 8,136,093
Accumulated investment earnings	1,906,297	1,301,734
Total endowment net assets	\$ 10,273,936	\$ 9,437,827

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note G - Endowment (Continued)

Interpretation of Relevant Law (continued)

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

	<u>2021</u>	<u>2020</u>
	With Donor Restrictions	With Donor Restrictions
Endowment net assets - beginning of year	\$ 9,437,827	\$ 9,046,953
Investment return, net	604,563	381,594
Contributions	<u>231,546</u>	<u>9,280</u>
Endowment net assets - end of year	<u>\$ 10,273,936</u>	<u>\$ 9,437,827</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, 2021 and 2020. 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

Money from the endowment fund can be spent at the discretion of the board as long as the spending is in alignment with the purpose of the restriction. Reference is made to Note F for further details regarding the spending policy.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note H - Retirement Plans

The National Council has a qualified defined benefit pension plan ("the plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Local Council, Inc. The plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees*. Effective December 31, 2018, the plan was frozen to employees with less than 15 years of vesting service, and whose age plus vesting service equaled less than 60 as of December 31, 2018 (non-grandfathered employees). Effective August 1, 2020, the plan was frozen to grandfathered employees, thereby freezing the plan for all BSA employees. The Council contributed 12 and 7.75 percent in 2021 and 2020, respectively, of eligible employees' compensation to the BSA retirement program. Pension expense (excluding the contributions made by employees) for the years ended December 31, 2021 and 2020 was \$292,471 and \$111,358, 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, 2021 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% as of both February 1, 2021 and 2020, 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, 2021.

Total plan assets at January 31, 2021 and 2020 were \$1,384,321,619 and \$1,451,270,887, respectively. The actuarial present value of accumulated plan benefits at January 31, 2021 and 2020 was \$1,350,092,817 and \$1,331,912,303, respectively.

Effective August 1, 2020, the Plan was amended to freeze disability benefits.

Effective January 1, 2019, the Council participates in a defined contribution plan established by the Boy Scouts of America. The plan name is the BSA Match Savings Plan, which covers substantially all of the employees of the Council. Participants in the BSA Match Savings Plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. The Council matches employee contributions to the BSA Match Savings Plan up to 50 percent of contributions from each participant, limited to 6 percent of each employee's gross pay. The Council contributed approximately \$83,039 and \$148,407 during 2021 and 2020, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note I - Investments

As of December 31, 2021 and 2020, the Council held investments, at fair value, as follows:

	<u>2021</u>	<u>2020</u>
Mutual Funds - Equities	\$ 11,159,373	\$ 12,870,334
Mutual Funds - Bonds	<u>564,735</u>	<u>520,612</u>
Total investments	<u>\$ 11,724,108</u>	<u>\$ 13,390,946</u>

Investment return, net of fees, is comprised of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 618,723	\$ 430,487
Realized and unrealized gain on investments, net	<u>1,053,208</u>	<u>624,182</u>
Investment return	1,671,931	1,054,669
Investment fees	<u>(56,794)</u>	<u>(56,469)</u>
Investment return, net	<u>\$ 1,615,137</u>	<u>\$ 998,200</u>

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.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note J - Fair Value Measurement (Continued)

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.

Investments

The Council's investments at fair value at December 31, 2021 and 2020 by fair value hierarchy category in accordance with U.S. GAAP, are shown below:

<u>Class of Security</u>	<u>2021</u>	<u>2020</u>	<u>Level</u>
Mutual Funds - Equities	\$ 11,159,373	\$ 12,870,334	1
Mutual Funds - Bonds	<u>564,735</u>	<u>520,612</u>	1
Total investments, at fair value	<u>\$ 11,724,108</u>	<u>\$ 13,390,946</u>	

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, 2020	\$ 286,122
Distributions	<u>(55,953)</u>
Balance at December 31, 2020	230,169
Distributions	<u>(19,469)</u>
Balance at December 31, 2021	<u>\$ 210,700</u>

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, 2021 and 2020 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, 2021 and 2020. Total credit available was approximately \$1,500,000 at December 31, 2021 and 2020.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

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:

	<u>2021</u>	<u>2020</u>
<i>Time restriction:</i>		
Available for future periods	\$ 527,347	\$ 558,824
<i>Purpose restriction:</i>		
Program specific support	342,481	327,904
Camping	<u>12,032</u>	<u>104,737</u>
Net assets released from restriction	<u>\$ 881,860</u>	<u>\$ 991,465</u>

Note M - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
<i>Subject to the passage of time:</i>		
Available for future periods	\$ 640,416	\$ 778,928
<i>Subject to expenditure for a specific purpose:</i>		
Maintenance Endowment	1,263,522	865,130
Wetlands	1,088,872	989,576
Camping	361,177	314,167
Camperships	787,330	730,462
Scouting Cares Programs	337,069	297,063
Various funds	432,147	311,143
<i>Perpetual in nature:</i>		
Endowment funds	<u>8,367,639</u>	<u>8,136,093</u>
	<u>\$ 13,278,172</u>	<u>\$ 12,422,562</u>

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 \$292,624 and \$173,886 for the years ended December 31, 2021 and 2020, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note O - Commitments and Contingencies

Office Lease

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 expires on October 31, 2024. Future minimum lease payments under the non-cancelable lease agreement noted above are as follows:

2022	\$	120,096
2023		122,843
2024		<u>27,813</u>
	\$	<u>270,752</u>

Rental expense under these leases were approximately \$138,290 and \$131,451 for the years ending December 31, 2021 and 2020, respectively.

COVID-19 Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is continuing to have a broad and negative impact on commerce and financial markets around the world and COVID-19 variants have produced a sequence of infection spikes that require changes to how our economy operates. The United States and global markets experienced significant disruption resulting from uncertainty caused by the pandemic. The Council is closely monitoring its investment portfolio and its liquidity and is actively working to manage the continuing impact of the pandemic. The extent of the impact of COVID-19 on the Council's operational and financial performance will depend on certain developments, including the duration of the pandemic and its impacts on the Council's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Council's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Contingency

On February 18, 2020, the Boy Scouts of America filed for protection under Chapter 11 of the United States Bankruptcy Code as a result of it being named as defendant in numerous civil lawsuits alleging sexual abuse.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note O - Commitments and Contingencies (Continued)

Contingency (continued)

The Council subsequently became aware of sexual abuse claims filed by Claimants in the Boy Scouts of America Bankruptcy proceedings which allege that employees or volunteers associated with the Council may have injured such Claimants. The Council entered its appearance in the Bankruptcy case and will continue to monitor the Bankruptcy proceedings with the intention to obtain a channeling injunction to discharge the Council from potential liability related to the Bankruptcy claims. Should the Council in the future become a civil defendant in relation to activities alleged by Claimants in the Bankruptcy proceedings, such claims are covered by the Boy Scouts of America's general liability insurance program (GLIP). Changes in state law could result in additional claims being asserted against the Council.

The Boy Scouts of America continues to operate its charitable non-profit operations in the ordinary course and has received bankruptcy court approval to continue its relationship with the Councils including the benefit and insurance programs. Neither the Council nor any other local council are currently parties to the bankruptcy proceeding. The Boy Scouts of America has obtained a temporary stay litigation against both the Boy Scouts of America and local councils and has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020. This plan which remains subject to material modification, will require local councils to make a substantial contribution in exchange for such protection from sexual abuse claims. The Boy Scouts of America and victims' attorneys previously reached a settlement which includes the Council contributing \$8,000,000 in cash and or property to the Settlement Fund. Modifications to the settlement agreement may add additional liability to the Council. In accordance with GAAP, Management of the Council has recorded \$8,000,000 within the settlement fund contingency liability and payments to National Organization as of December 31, 2021 as its best estimate for its ultimate liability of this matter.

Note P - Paycheck Protection Program

In 2020 and 2021, the Council received proceeds under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner for an aggregate principal amount of \$947,100 and \$845,075, respectively. Established as part of the CARES Act, the PPP provides for forgivable loans to qualifying organizations as long as the organization maintains its payroll levels and uses the proceeds for eligible purposes, including payroll, benefits, rent, and utilities, over a "covered period" (twenty-four weeks). Up to 100% of a loan is forgivable. The forgiveness amount will be reduced if the organization terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

Note P - Paycheck Protection Program (Continued)

The Council elected to account for the PPP Loans in accordance with the FASB ASC 958-605 conditional contribution model. Under the conditional contribution model, the PPP Loan forgiveness is recognized as revenue when conditions are substantially met. The Council recognized revenue of \$947,100 and \$845,075 for the years ended December 31, 2020 and 2021, respectively, based on management's assessment that all barriers to revenue recognition had been met. The Council received approval for forgiveness by the SBA on January 21, 2021 and October 7, 2021, respectively, for the PPP Loans.