SAM HOUSTON AREA COUNCIL
BOY SCOUTS OF AMERICA

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CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE

YEARS ENDED DECEMBER 31, 2019 AND 2018

AND INDEPENDENT AUDITOR'S REPORT

MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY

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MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of
Sam Houston Area Council Boy Scouts of America and Subsidiary

We have audited the accompanying consolidated financial statements of Sam Houston Area Council Boy Scouts of America and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended December 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sam Houston Area Council Boy Scouts of America and Subsidiary as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

6002 Rogerdale, Ste. 200 Houston, Texas 77072 Tel 281-759-1120 Fax 281-759-5500

Report on Summarized Comparative Information

We have previously audited the Sam Houston Area Council Boy Scouts of America and Subsidiary's 2018 consolidated financial statements, and our report dated May 14, 2019 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented in the consolidated statement of functional expenses for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Melton & Melton, L.L.P.

Houston, Texas
September 9, 2020

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	2018	2019	2018	2019	2018	2019	2018
ASSETS								
Current Assets:								
Cash	$ 7,797,138	$ 6,166,338	$ -	$ -	$ -	$ -	$ 7,797,138	$ 6,166,338
Short-term investments	393,819	-	18,155,905	13,075,525	-	-	18,549,724	13,075,525
Accounts receivable	230,902	254,877	90,166	-	157,257	114,598	478,325	369,475
Contributions receivable	573,728	1,421,563	550,770	852,114	47,732	64,644	1,172,230	2,338,321
Inventories	33,865	44,859	-	-	-	-	33,865	44,859
Prepaid expenses	92,571	105,597	-	91,268	-	-	92,571	196,865
Total current assets	9,122,023	7,993,234	18,796,841	14,018,907	204,989	179,242	28,123,853	22,191,383
Noncurrent Assets:								
Contributions receivable	94,544	-	443,562	705,443	4,927,835	4,485,057	5,465,941	5,190,500
Property, net	-	-	68,453,428	47,720,043	-	-	68,453,428	47,720,043
Property held for sale	-	-	-	4,995,467	-	-	-	4,995,467
Intangibles held for sale	-	-	1,200,000	-	-	-	1,200,000	-
Long-term investments	-	-	11,857	18,970	77,070,438	70,565,225	77,082,295	70,584,195
Cash surrender value of life insurance	-	-	-	-	231,760	199,055	231,760	199,055
Other assets	-	26,000	-	-	-	-	-	26,000
Total noncurrent assets	94,544	26,000	70,108,847	53,439,923	82,230,033	75,249,337	152,433,424	128,715,260
Total Assets	**$ 9,216,567**	**$ 8,019,234**	**$ 88,905,688**	**$ 67,458,830**	**$ 82,435,022**	**$ 75,428,579**	**$ 180,557,277**	**$ 150,906,643**
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Accounts payable	$ 242,970	$ 201,736	$ 6,338,278	$ 814,340	$ -	$ -	$ 6,581,248	$ 1,016,076
Accrued expenses	487,800	488,448	30	-	-	-	487,830	488,448
Payroll taxes withheld	24	309	-	-	-	-	24	309
Custodial accounts	2,374,210	1,448,909	140,585	140,585	-	-	2,514,795	1,589,494
Deferred activity income	8,523	31,465	-	-	-	-	8,523	31,465
Deferred camp income	88,515	9,898	-	-	-	-	88,515	9,898
Deferred other income	78,936	41,717	-	10,000	-	-	78,936	51,717
Other current liabilities	5,077	28,496	-	-	-	-	5,077	28,496
Total current liabilities	3,286,055	2,250,978	6,478,893	964,925	-	-	9,764,948	3,215,903
Net Assets:								
Without donor restrictions	4,817,610	4,473,762	64,034,538	48,883,341	18,334,394	18,287,679	87,186,542	71,644,782
With donor restrictions	1,112,902	1,294,494	18,392,257	17,610,564	64,100,628	57,140,900	83,605,787	76,045,958
Total net assets	5,930,512	5,768,256	82,426,795	66,493,905	82,435,022	75,428,579	170,792,329	147,690,740
Total Liabilities and Net Assets	**$ 9,216,567**	**$ 8,019,234**	**$ 88,905,688**	**$ 67,458,830**	**$ 82,435,022**	**$ 75,428,579**	**$ 180,557,277**	**$ 150,906,643**

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
For the Years Ended December 31, 2019 and 2018

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
Support and revenues (losses):								
Direct support:								
Friends of Scouting	$ 2,108,372	$ 2,033,864	$ -	$ -	$ -	$ -	$ 2,108,372	$ 2,033,864
Capital campaign	-	-	320,943	815,493	-	-	320,943	815,493
Special events, gross	464,865	1,135,724	-	-	-	-	464,865	1,135,724
Less: Cost of direct benefit	133,247	337,935	-	-	-	-	133,247	337,935
Net special events	331,618	797,789	-	-	-	-	331,618	797,789
Foundations and trusts	478,543	481,920	-	-	-	-	478,543	481,920
Other direct	452,695	172,931	24,325	83,355	9,010	12,838	486,030	269,124
Legacies and bequests	-	-	-	-	-	-	-	-
Total direct support	3,371,228	3,486,504	345,268	898,848	9,010	12,838	3,725,506	4,398,190
Indirect support:								
United Way	825,055	888,514	-	-	-	-	825,055	888,514
Total indirect support	825,055	888,514	-	-	-	-	825,055	888,514
Total support	4,196,283	4,375,018	345,268	898,848	9,010	12,838	4,550,561	5,286,704
Revenues (losses):								
Sale of supplies, gross	4,224	3,863	-	-	-	-	4,224	3,863
Less: Cost of goods sold	1,616	1,938	-	-	-	-	1,616	1,938
Net sale of supplies	2,608	1,925	-	-	-	-	2,608	1,925
Product sales, gross	3,734,653	4,056,013	-	-	-	-	3,734,653	4,056,013
Less: Cost of goods sold	1,145,502	1,061,608	-	-	-	-	1,145,502	1,061,608
Less: Commissions paid to units	1,251,460	1,399,065	-	-	-	-	1,251,460	1,399,065
Net product sales	1,337,691	1,595,340	-	-	-	-	1,337,691	1,595,340
Investment return, net	24,245	4,922	419,672	285,877	1,082,871	178,660	1,526,788	469,459
Spending policy allocation	2,694,056	2,395,414	1,032,376	1,206,734	(3,726,432)	(3,602,148)	-	-
Camping	563,195	559,870	-	-	-	-	563,195	559,870
Activities	732,079	713,265	-	-	-	-	732,079	713,265
Gain on sale of property	-	-	14,945,994	-	-	-	14,945,994	-
Other revenue	589,595	638,886	80,096	11,977	-	-	669,691	650,863
Total revenues (losses)	5,943,469	5,909,622	16,478,138	1,504,588	(2,643,561)	(3,423,488)	19,778,046	3,990,722

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended December 31, 2019 and 2018

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	2018	2019	2018	2019	2018	2019	2018
Net assets released from restrictions (see Note 12):								
Satisfaction of program restrictions	$ 527,523	$ 689,873	$ -	$ -	$ -	$ -	$ 527,523	$ 689,873
Expiration of time restrictions	738,318	374,725	-	-	-	-	738,318	374,725
Satisfaction of property acquisition restrictions	-	-	2,755,036	8,528,046	-	-	2,755,036	8,528,046
Satisfaction of investment income restrictions	-	-	-	-	2,753,766	2,606,504	2,753,766	2,606,504
Total net assets released from restrictions	1,265,841	1,064,598	2,755,036	8,528,046	2,753,766	2,606,504	6,774,643	12,199,148
Other reclassifications of net assets (see Note 12):								
Restriction of property	-	-	(2,307,646)	-	-	-	(2,307,646)	-
Restriction of other direct support	-	-	-	-	(37,408)	(169,768)	(37,408)	(169,768)
Restriction of investment income	-	-	(932,376)	(982,224)	-	-	(932,376)	(982,224)
Total other reclassifications of net assets	-	-	(3,240,022)	(982,224)	(37,408)	(169,768)	(3,277,430)	(1,151,992)
Total support and revenues (losses)	11,405,593	11,349,238	16,338,420	9,949,258	81,807	(973,914)	27,825,820	20,324,582
Expenses:								
Program services	9,692,018	9,493,100	1,070,976	1,368,598	52,096	49,501	10,815,090	10,911,199
Support services:								
Management and general	482,460	566,107	23,472	39,258	15,628	16,314	521,560	621,679
Fundraising	803,467	1,005,528	55,367	162,041	4,776	6,786	863,610	1,174,355
Total functional expenses	10,977,945	11,064,735	1,149,815	1,569,897	72,500	72,601	12,200,260	12,707,233
Charter and national service fees	83,800	82,028	-	-	-	-	83,800	82,028
Total expenses	11,061,745	11,146,763	1,149,815	1,569,897	72,500	72,601	12,284,060	12,789,261
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	343,848	202,475	15,188,605	8,379,361	9,307	(1,046,515)	15,541,760	7,535,321
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:								
Support and revenues (losses):								
Direct support:								
Friends of Scouting	397,701	468,253	-	-	-	-	397,701	468,253
Capital campaign	-	-	296,707	12,519	-	-	296,707	12,519
Special events, gross	4,000	15,000	-	-	-	-	4,000	15,000
Less: Cost of direct benefit	-	-	-	-	-	-	-	-
Net special events	4,000	15,000	-	-	-	-	4,000	15,000
Foundations and trusts	9,262	830	-	-	-	-	9,262	830
Other direct	401,359	503,022	-	25,000	808,463	466,530	1,209,822	994,552
Change in split-interest agreement	517	142	-	-	-	-	517	142
Legacies and bequests	-	-	-	-	484,616	855,473	484,616	855,473
Total direct support	812,839	987,247	296,707	37,519	1,293,079	1,322,003	2,402,625	2,346,769

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended December 31, 2019 and 2018

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Indirect support:								
Investment return, net	$ -	$ -	$ -	$ -	$ 8,383,007	$ (2,382,931)	$ 8,383,007	$ (2,382,931)
United Way	271,410	292,815	-	-	-	-	271,410	292,815
Total indirect support	271,410	292,815	-	-	8,383,007	(2,382,931)	8,654,417	(2,090,116)
Net assets released from restrictions (total) (see Note 12)	(1,265,841)	(1,064,598)	(2,755,036)	(8,528,046)	(2,753,766)	(2,606,504)	(6,774,643)	(12,199,148)
Other reclassifications of net assets (total) (see Note 12)	-	-	3,240,022	982,224	37,408	169,768	3,277,430	1,151,992
Total support and revenues (losses)	(181,592)	215,464	781,693	(7,508,303)	6,959,728	(3,497,664)	7,559,829	(10,790,503)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(181,592)	215,464	781,693	(7,508,303)	6,959,728	(3,497,664)	7,559,829	(10,790,503)
INCREASE (DECREASE) IN TOTAL NET ASSETS	162,256	417,939	15,970,298	871,058	6,969,035	(4,544,179)	23,101,589	(3,255,182)
NET ASSETS, beginning of year								
Without donor restrictions	4,473,762	4,271,287	48,883,341	40,673,748	18,287,679	19,164,426	71,644,782	64,109,461
With donor restrictions	1,294,494	1,079,030	17,610,564	25,118,867	57,140,900	60,638,564	76,045,958	86,836,461
Total net assets, beginning of year	5,768,256	5,350,317	66,493,905	65,792,615	75,428,579	79,802,990	147,690,740	150,945,922
Transfers in (out) of net assets without donor restrictions	-	-	(37,408)	(169,768)	37,408	169,768	-	-
NET ASSETS, end of year								
Without donor restrictions	4,817,610	4,473,762	64,034,538	48,883,341	18,334,394	18,287,679	87,186,542	71,644,782
With donor restrictions	1,112,902	1,294,494	18,392,257	17,610,564	64,100,628	57,140,900	83,605,787	76,045,958
Total net assets, end of year	**$ 5,930,512**	**$ 5,768,256**	**$ 82,426,795**	**$ 66,493,905**	**$ 82,435,022**	**$ 75,428,579**	**$ 170,792,329**	**$ 147,690,740**

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Program Services 2019	Support Services: Management & General 2019	Support Services: Fundraising 2019	Support Services: Total Support Services 2019	Total Expenses 2019	Total Expenses 2018
Employee Compensation:						
Salaries	$ 5,151,272	$ 251,473	$ 382,739	$ 634,212	$ 5,785,484	$ 5,999,824
Employee benefits	1,047,845	59,754	90,944	150,698	1,198,543	1,122,152
Payroll taxes	433,660	24,175	36,795	60,970	494,630	528,262
Employee related expenses	27,923	662	1,007	1,669	29,592	25,555
Total employee compensation	6,660,700	336,064	511,485	847,549	7,508,249	7,675,793
Other Expenses:						
Professional fees	179,906	103,571	88,582	192,153	372,059	758,297
Supplies	658,422	2,682	40,276	42,958	701,380	697,744
Telephone	53,311	2,012	3,062	5,074	58,385	71,008
Postage and shipping	8,581	381	16,257	16,638	25,219	30,192
Occupancy	879,141	33,246	50,599	83,845	962,986	980,236
Rental and maintenance of equipment	125,591	5,428	8,261	13,689	139,280	149,834
Publications and media	54,102	1,463	41,799	43,262	97,364	86,303
Travel	249,090	12,849	35,825	48,674	297,764	341,895
Local conferences and meetings	63,401	3,093	9,819	12,912	76,313	88,839
Specific assistance to individuals	373,416	5	8	13	373,429	278,739
Recognition awards	55,179	1,167	27,807	28,974	84,153	58,312
Insurance	349,427	2,894	4,405	7,299	356,726	347,376
Other expenses	168,120	(2,093)	(3,186)	(5,279)	162,841	178,091
Total other expenses	3,217,687	166,698	323,514	490,212	3,707,899	4,066,866
Total expenses before depreciation	9,878,387	502,762	834,999	1,337,761	11,216,148	11,742,659
Depreciation expense	936,703	18,798	28,611	47,409	984,112	964,574
Total Functional Expenses	**$ 10,815,090**	**$ 521,560**	**$ 863,610**	**$ 1,385,170**	**$ 12,200,260**	**$ 12,707,233**
Percent of Total Expenses by Function *	**88.65%**	**4.27%**	**7.08%**	**11.35%**		
Time Study Percentages	**86.81%**	**5.23%**	**7.96%**			

* Percentage figures after combining allocated and unallocated expenses

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Cash Flows from Operating Activities:								
Increase (decrease) in total net assets	$ 162,256	$ 417,939	$ 15,970,298	$ 871,058	$ 6,969,035	$ (4,544,179)	$ 23,101,589	$ (3,255,182)
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities:								
Depreciation	-	-	984,112	964,574	-	-	984,112	964,574
Amortization of net discounts on bond investments	-	-	-	-	28,135	(40,010)	28,135	(40,010)
Gain on sale of property	-	-	(14,945,994)	-	-	-	(14,945,994)	-
Realized and unrealized (gain) loss on investments, net	-	-	7,113	11,746	(7,566,138)	4,274,506	(7,559,025)	4,286,252
Contributions restricted for long-term purposes	-	-	-	-	(1,293,079)	(1,322,003)	(1,293,079)	(1,322,003)
Change in assets and liabilities:								
Accounts receivable	23,975	129,361	(90,166)	-	(42,659)	34,837	(108,850)	164,198
Contributions receivable	753,291	(830,858)	563,225	511,454	(425,866)	(725,825)	890,650	(1,045,229)
Inventories	10,994	11,045	-	-	-	-	10,994	11,045
Prepaid expenses	13,026	51,946	91,268	(22,238)	-	-	104,294	29,708
Other assets	26,000	(26,000)	-	-	-	-	26,000	(26,000)
Cash surrender value of life insurance	-	-	-	-	(32,705)	13,536	(32,705)	13,536
Accounts payable	41,234	(15,725)	5,523,938	760,308	-	-	5,565,172	744,583
Accrued expenses	(648)	(402,676)	-	-	-	-	(648)	(402,676)
Payroll taxes withheld	(285)	285	-	-	-	-	(285)	285
Custodial accounts	620,914	(222,499)	-	-	-	-	620,914	(222,499)
Deferred activity income	(22,942)	10,560	-	-	-	-	(22,942)	10,560
Deferred camp income	78,617	1,208	-	-	-	-	78,617	1,208
Deferred other income	37,219	6,379	-	-	-	-	37,219	6,379
Other current liabilities	(23,419)	(56)	(9,970)	10,000	-	-	(33,389)	9,944
Net cash provided by (used in) operating activities	1,720,232	(869,091)	8,093,824	3,106,902	(2,363,277)	(2,309,138)	7,450,779	(71,327)

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2019 and 2018

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Cash Flows from Investing Activities:								
Proceeds from sale of property	$ -	$ -	$ 19,933,462	$ -	$ -	$ -	$ 19,933,462	$ -
Purchase of property	-	-	(22,909,498)	(9,532,063)	-	-	(22,909,498)	(9,532,063)
Proceeds from sale of investments	-	-	17,471,395	9,451,155	4,061,439	3,881,341	21,532,834	13,332,496
Purchase of investments	(89,432)	-	(22,551,775)	(2,856,226)	(3,028,649)	(3,063,974)	(25,669,856)	(5,920,200)
Net cash provided by (used in) investing activities	(89,432)	-	(8,056,416)	(2,937,134)	1,032,790	817,367	(7,113,058)	(2,119,767)
Cash Flows from Financing Activities:								
Proceeds from contributions restricted for long-term purposes	-	-	-	-	1,293,079	1,322,003	1,293,079	1,322,003
Transfers in (out) net assets without donor restrictions	-	-	(37,408)	(169,768)	37,408	169,768	-	-
Net cash provided by (used in) financing activities	-	-	(37,408)	(169,768)	1,330,487	1,491,771	1,293,079	1,322,003
Net change in cash	1,630,800	(869,091)	-	-	-	-	1,630,800	(869,091)
Cash, beginning of year	6,166,338	7,035,429	-	-	-	-	6,166,338	7,035,429
Cash, end of year	**$ 7,797,138**	**$ 6,166,338**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 7,797,138**	**$ 6,166,338**

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Local Council, Sam Houston Area Council Boy Scouts of America (the "Council"), headquartered in Houston, Texas, operates in the counties of Austin, Brazos, Burleson, portions of Chambers, Colorado, Fort Bend, Grimes, Harris, Madison, Matagorda, Montgomery, portions of Trinity, Walker, Waller, Washington, and Wharton. The Council has three camping facilities. The Camp Strake Properties Foundation Incorporated (the "Foundation") was established for the benefit of the Council. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys, 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 that are now in common use by the Boy Scouts of America.

Mission – The mission of the Boy Scouts of America is to prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Scout Law.

Scout Oath – On my honor I will do my best to do my duty to God and my country and to obey the Scout Law; to help other people at all times; to keep myself physically strong, mentally awake, and morally straight.

Scout Law – A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent.

Mission Statement of the Council – Leading Youth to Lifelong Values, Service, and Achievement.

Vision Statement of the Council – The Council will reach across the community to serve all ethnicities and youth age groups with a leadership and character-building program that has long-lasting impact.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Boy Scouting (Scouts BSA beginning in February 2019 – see below) – With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.

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

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

Starting in 2018, families can choose to sign up their sons and daughters who are ages 5 to 10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens or remain an all-boy pack. Cub Scout dens will be single gender — all boys or all girls. Using the same curriculum as the Boy Scouting program, Scouts BSA was launched in February 2019, enabling all eligible youth ages 11 to 17, to earn the Eagle Scout rank. Scouts BSA will be single gender – all-girl troops or all-boy troops. This unique approach allows the Council 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.samhoustonbsa.org.

Principles of Consolidation

The Council has voting control over and an economic interest in the Foundation, which results in the accounts of the Foundation being consolidated with those of the Council in the consolidated financial statements. All intercompany balances and transactions have been eliminated in the consolidation. The Council and the Foundation are hereinafter collectively referred to as the "Organization."

Prior-Period Information

The consolidated statement of functional expenses includes certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Financial Statement Format

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Also, the Organization prepares its consolidated financial statements in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies the current net asset classification requirements and improves the information presented in the consolidated financial statements and notes about the Organization's liquidity, financial performance, and cash flows. Total net assets did not change as a result of the adoption of ASU 2016-14.

The Organization reports net assets, revenue, gains and losses based on the existence or absence of donor-imposed restrictions, as follows:

- **Net assets without donor restrictions -** Net assets that are not subject to donor-imposed restrictions.
- **Net assets with donor restrictions -** Net assets that are subject to donor-imposed restrictions.

Change in Accounting Principle

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The guidance introduced ASC Topic 606 ("ASC 606") that prescribes a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09, as amended, also required disclosures sufficient to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract.

The Organization adopted ASC 606, effective January 1, 2019, using the modified retrospective method applying ASC 606 to contracts that were not complete as of the date of initial application. The adoption of ASC 606 resulted in no significant changes to the Organization's revenue recognition and had no effect on net assets as of the date of initial application, January 1, 2019. The comparative information for 2018 has not been restated and continues to be reported under U.S. GAAP in effect prior to January 1, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into three funds based on specified activities or objectives, the Operating Fund, the Capital Fund, and the Endowment Fund.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Accounts Receivable

Accounts receivable are recorded primarily for product sales and are stated at net realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. Receivable balances are charged off against the allowance for doubtful accounts when they are considered uncollectible by management. No allowance for doubtful accounts was considered necessary as of December 31, 2019 and 2018.

Inventories

Inventories consist of Scouting and other items available for resale and are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Investments

Investments consist primarily of assets invested in mutual funds, debt and equity securities, a limited partnership, and money market and savings accounts. The Organization accounts for investments in accordance with the FASB standard for investments held by not-for-profit entities. This standard requires that investments be measured at fair value in the consolidated statements of financial position. See Note 5 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned on the accrual basis. Dividends are recorded on the ex-dividend date. The realized and unrealized gain or loss on investments is reflected in the consolidated statements of activities and changes in net assets. Investment return restricted by a donor is reported as increases or decreases in net assets without donor restrictions if the restrictions are met in the reporting period in which the return is recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Investment and Spending Policies

The Organization's investment policy intends for the Organization to invest in assets that would produce results exceeding the investment's purchase price and incur a reasonable yield of return, while assuming a moderate level of investment risk. The Organization expects its Endowment Fund, over time, to provide a reasonable rate of return. To satisfy this objective, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on mutual funds and debt and equity securities to achieve its long-term return objectives within prudent risk constraints.

The spending policy of the Organization defines the total funds available from the Endowment Fund in a given year (the distributable income) as up to 5% of the Endowment Fund's average market value over the preceding three years. The Endowment Fund strives to have returns greater than the proposed distribution plus costs that are appropriate and reasonable in relation to the assets, the purposes of the Organization, and the skills available to the Organization. These costs, which are netted out from the market value of the Endowment Fund prior to calculation of a distribution, are related to the audit, investment managers, and the Organization's human resources responsible for the management and growth of the investment fund. If the market value of the Endowment Fund falls to or below the amount of the Endowment Fund's donor-restricted gifts, then the spending policy may be amended in accordance with the guidelines found in the Texas Uniform Prudent Management of Institutional Funds Act ("TXUPMIFA") and may not exceed the actual earnings of the Endowment Fund. The executive committee may amend this spending policy.

Property

Property acquired prior to January 1, 1973 is stated at appraised values as established by officials of the Organization at that time. Property purchased subsequent to January 1, 1973 is recorded at cost. Donated property is recorded at the approximate fair market value of the asset on the date of donation. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently. Proceeds from property disposals are unrestricted, unless restricted by the donor. Property is depreciated using the straight-line method over the estimated useful lives of the assets. Construction in progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property held for sale is separately classified in the consolidated statements of financial position and recorded at the lower of its net carrying value or its fair value net of costs to sell.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long-lived assets during 2019 and 2018.

Revenue Recognition from Contracts with Customers (Excluding Contributions)

As discussed under "Change in Accounting Principle" above, the Organization adopted the provisions of ASC 606 effective January 1, 2019. The Organization accounts for revenue from exchange agreements, i.e., agreements whereby resource providers receive direct commensurate value for assets transferred, in accordance with ASC 606. Under ASC 606, an exchange agreement (contract with a customer) is an agreement which both parties have approved, that creates enforceable rights and obligations, has commercial substance and where payment terms are identified and collectability is probable. Once the Organization has entered into a contract, the contract is evaluated to identify performance obligations. For each performance obligation, revenue is recognized as control of promised goods or services transfers to the customer in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services. The amount of revenue recognized takes into account variable consideration when applicable. The Organization's contracts contained no significant variable consideration in 2019 and 2018.

Prior to 2019, revenue under such agreements was recognized when all the following conditions were satisfied: a) persuasive evidence of an arrangement existed, b) the price was fixed or determinable, c) collectability was reasonably assured and d) delivery had occurred or services had been rendered.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service, or a bundle of goods or services, to the customer, and is the unit of accounting under ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's revenues from customers are derived from camping and activity, special events and sales of products and supplies.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Camping and Activity Revenues

Camping and activity revenues are recognized at a point in time in the period in which the services are provided. Funds received in advance of providing these services are recorded as deferred income until the services are provided.

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the benefits received by the participant at the event. This portion of the gross proceeds is recorded as revenues from contracts at a point in time in the period in which the special event is conducted; the remaining portion is treated as a contribution. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the consolidated statements of activities and changes in net assets. Payments from participants received in advance are deferred until the events occur.

Sales of Products and Supplies

Sales of products and supplies are recognized at a point in time in the period in which title to the items are transferred to the buyer.

Contract Balances

Contract assets relate to the Organization's right to consideration for products sold or services performed but not billed at the reporting date. There were no contract assets at December 31, 2019 and 2018. Contract liabilities relate to advance consideration received from customers for which revenue has not been recognized. Contract liabilities consist primarily of deferred income from camping and activity and special events and are recorded under current liabilities in the consolidated statements of financial position. Contract liabilities are reduced when the associated revenue from the contract is recognized.

Critical Accounting Estimates

As discussed above, estimates are used to determine the portion of the gross proceeds from special events that are applicable to benefits received by the participants at such events. The Organization adjusts such estimates from time to time to reflect changes in circumstances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition from Contributions

Contributions receivable are recognized upon notification of a donor's unconditional promise to give to the Organization. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value. An allowance for uncollectible contributions receivable is recorded based on an analysis of collection histories and on reviews of the creditworthiness of major donors. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Other Reclassifications of Net Assets

Donor restrictions imposed on net assets otherwise without donor restrictions are reclassified from net assets without donor restrictions to net assets with donor restrictions. These reclassifications are reported as other reclassifications of net assets in the consolidated statements of activities and changes in net assets.

Donated Materials and Services

Donated property, investments, and other noncash donations are recorded as contributions at their fair value at their date of donation. The Organization reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the consolidated financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fundraising campaigns, the value of which is not recorded in the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Custodial Accounts

Custodial accounts primarily consist of registration and Boy's Life fees due to the National Council of the Boy Scouts of America (the "National Council"). These fees are received by the Organization from the individual units to be remitted to the National Council. In addition, custodial accounts consist of amounts on deposit for affiliated Scouting associations for their future use, and amounts on deposit by member units for purchases of uniforms and supplies. Accordingly, a liability is presented in the consolidated statements of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services. In accordance with the policy of the National Council, the payment of the charter and national service fees to the National Council are not allocated as functional expenses.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expense for 2019 and 2018 amounted to approximately $101,000 and $82,000, respectively, and are included in other expenses in the consolidated statement of functional expenses.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"), except on net income derived from unrelated business activities. The Organization is classified as a public charity and currently has no unrelated business income. The Organization is also exempt from state income tax. Accordingly, no provision for income taxes has been recorded.

The Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the consolidated financial statements. The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits. With few exceptions, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported changes in net assets.

Recent Accounting Pronouncements

Adopted:

As described more fully above, the Organization adopted the provisions of ASU 2014-09 in 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall* (Subtopic 825-10) – *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 makes the following changes to previous U.S. GAAP for entities that are not public business entities:

- Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to determine impairment.
- Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial assets (that is, securities or loans and receivables) on the consolidated statements of financial position or the accompanying notes to the consolidated financial statements.

The adoption of ASU 2016-01 in 2019 did not affect the Organization’s consolidated statements of financial position or beginning net assets.

Pending:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for operating or financing lease arrangements exceeding a twelve-month term, a right-of-use asset, and a lease obligation will be recognized on the statement of financial position of the lessee while the statement of activities and changes in net assets will reflect lease expense for operating leases and amortization/ interest expense for financing leases. ASU 2016-02, as amended, is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the impact this ASU will have on the Organization’s consolidated financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, are as follows:

	2019	2018
Cash – Operating Fund, net of certain custodial funds	$ 7,428,596	$5,707,752
Accounts receivable – Operating Fund	230,902	254,877
Contributions receivable – Operating Fund, net of amounts subject to donor restrictions	281,753	595,747
Total financial assets as of year-end	7,941,251	6,558,376
Appropriation from the general endowment for general expenditures in subsequent year	-	1,328,186
Appropriation from quasi-endowment for general expenditures in subsequent year	3,533,840	995,645
Financial assets available to meet general expenditures within the next 12 months	$11,475,091	$8,882,207

The Organization's endowment funds consist of donor-restricted endowments, general endowments, and a quasi-endowment (board-designated funds). Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 1, the endowment has a spending rate of five percent. Appropriations of $3,533,840 from the quasi-endowment will be available within the next 12 months as of December 31, 2019. No appropriations will be available from the general endowments as of December 31, 2019. Appropriations of $1,328,186 and $995,645 from the general endowments and the quasi-endowment, respectively, were available within the next 12 months as of December 31, 2018.

As part of the Organization'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. Additionally, the Organization has a quasi-endowment of $18,177,136 and $18,173,081 at December 31, 2019 and 2018. Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following table represents an analysis of revenue by the timing of such revenue recognized during the years ended December 31, 2019 and 2018:

	2019	2018
Revenue recognized at a point in time:		
Camping and activity	$1,295,274	$1,273,135
Special events	133,247	337,935
Sales of products and supplies	3,738,877	4,059,876
	$5,167,398	$5,670,946

Accounts Receivable from Contracts with Customers

The following table provides information about accounts receivable from contracts with customers for 2019 and 2018:

	2019	2018
Accounts receivable, beginning of year	$254,877	$384,238
Accounts receivable, end of year	$321,068	$254,877

The Organization recognized no credit losses related to accounts receivable from contracts with customers in 2019 and 2018.

Contract Liabilities

The following table provides information about contract liabilities for 2019 and 2018:

	2019	2018
Beginning of the year:		
Deferred income	$ 83,080	$64,933
End of the year:		
Deferred income	$175,974	$83,080

All contract liabilities were current at both the beginning and the end of the years ended December 31, 2019 and 2018.

NOTE 4 - INVESTMENTS

Investments at December 31, 2019 and 2018 are comprised of the following:

	2019 Fair Value	2018 Fair Value
Limited partnership - Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ 462,856	$ 560,421
Mutual funds	29,808,219	39,740,875
Debt securities	28,226,050	15,669,283
Equity securities	31,524,938	24,087,056
Money market and savings accounts	5,609,956	3,602,085
	$95,632,019	$83,659,720
Classified as follows in the consolidated statements of financial position:		
Short-term investments	$18,549,724	$13,075,525
Long-term investments	77,082,295	70,584,195
	$95,632,019	$83,659,720

The following schedule summarizes the investment return in the consolidated statements of activities and changes in net assets for the years ended December 31, 2019 and 2018:

	2019	2018
Without donor restrictions:		
Interest and dividend income	$ 922,224	$ 1,034,905
Net realized and unrealized gains (losses)	604,564	(565,446)
	1,526,788	469,459
With donor restrictions:		
Interest and dividend income	1,428,546	1,337,875
Net realized and unrealized gains (losses)	6,954,461	(3,720,806)
	8,383,007	(2,382,931)
	$9,909,795	$(1,913,472)

NOTE 4 - INVESTMENTS (CONTINUED)

Income from interest and dividends on investments and realized and unrealized gains and losses on investments ("Investment Income, Gains, and Losses") are mostly recognized and initially recorded in the Endowment Fund. Distributions of Investment Income, Gains, and Losses from the Endowment Fund are recorded as income by the Operating and Capital Funds in the period in which the distributions are made in accordance with the Organization's spending policy (Note 1) and included in the spending policy allocation presented on the consolidated statements of activities and changes in net assets. For 2019 and 2018, investment expenses were $182,543 and $204,943, respectively, and are netted against investment return in the consolidated statements of activities and changes in net assets.

NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS

Various inputs are used in determining the fair value of the Organization's assets and liabilities. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy, including the types of assets and liabilities that fall under each category and the valuation methodologies used to measure fair value, are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Debt and equity securities - Valued at the closing market price on the New York Stock Exchange or an active secondary market.

Mutual funds - Valued at net asset value ("NAV") of shares held by the Organization at year-end. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

Money market and savings accounts - Comprised of funds invested in savings accounts at various financial institutions and money market mutual funds. Funds invested in savings accounts are reported at the value of deposited funds and net investment earnings less withdrawals and fees. The money market mutual funds consist primarily of domestic commercial paper and other cash management instruments, such as repurchase agreements and master notes, U.S. government and corporate obligations, and other securities of foreign issuers. The funds seek to maintain a stable NAV of $1.

Level 2 - Inputs to the methodology are other than quoted market prices in active markets that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - Inputs to the valuation methodology are unobservable inputs (i.e., projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP ("NB Fund") - Investments held by the NB Fund are in private equity investments and valued at fair value based on the best information available. Securities listed on a securities exchange are valued at the closing price less a discount to reflect legal restrictions associated with the securities, if any. Private interests are valued based on a methodology that begins with the most recent information available from the general partner of the underlying fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other reliable information that reports or indicates valuation changes, including realizations and other portfolio company events. The NB Fund's private equity investments are diversified in large-cap buyout, mid-cap buyout, special situations, and venture capital. The NB Fund is valued at the Organization's ownership percentage in the NB Fund's underlying net assets. Redemptions are not permitted during the life of the NB Fund. The return of capital and the realization of gains on investments, if any, will generally occur only upon the partial or complete disposition of an investment by the NB Fund, which is not within the control of the fund's general partner or advisor. The liquidation period of the NB Fund is unknown.

Beneficial interest in split-interest agreements - Contributions receivable from the Organization's beneficial interest in split-interest agreements is based on the fair value of the assets held in the trust, as reported by the trustee, multiplied by the Organization's percentage of trust assets to be received from the trust and a present value discount factor based on beneficiary life expectancies and a stated rate of return in the agreement or the prime rate in effect on the receipt date of the trust. The Organization will never receive the trust assets or have the ability to direct the trustee to redeem them.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The inputs and methodologies used for valuing assets and liabilities are not an indication of the risk associated with those assets and liabilities. There have been no changes in the methodologies used at December 31, 2019 or 2018.

NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables provide fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	December 31, 2019			
Description	Level 1	Level 2	Level 3	Total
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ -	$ -	$ 462,856	$ 462,856
Mutual funds	29,808,219	-	-	29,808,219
Debt securities	28,226,050	-	-	28,226,050
Equity securities	31,524,938	-	-	31,524,938
Money market and savings accounts	5,609,956	-	-	5,609,956
Total investments	95,169,163	-	462,856	95,632,019
Beneficial interest in split-interest agreements (Notes 9 and 14)	-	-	2,722,973	2,722,973
Total recurring fair value measurements	$95,169,163	$ -	$3,185,829	$98,354,992

	December 31, 2018			
Description	Level 1	Level 2	Level 3	Total
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ -	$ -	$ 560,421	$ 560,421
Mutual funds	39,740,875	-	-	39,740,875
Debt securities	15,669,283	-	-	15,669,283
Equity securities	24,087,056	-	-	24,087,056
Money market and savings accounts	3,602,085	-	-	3,602,085
Total investments	83,099,299	-	560,421	83,659,720
Beneficial interest in split-interest agreements (Notes 9 and 14)	-	-	2,323,277	2,323,277
Total recurring fair value measurements	$83,099,299	$ -	$2,883,698	$85,982,997

NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2019 and 2018:

2019	Investments	Beneficial Interest In Split-Interest Agreements	Total
Balance, beginning of year	$ 560,421	$2,323,277	$2,883,698
Sales	(81,205)	-	(81,205)
Net realized and unrealized losses on investments in the consolidated statements of activities and changes in net assets	(16,360)	-	(16,360)
Change in value of split-interest agreements (Note 14)	-	399,696	399,696
Balance, end of year	$ 462,856	$2,722,973	$3,185,829
Total loss included in the increase (decrease) in total net assets due to the change in unrealized gain (loss) on investments that relate to assets held at the reporting date and are included in investment return in the consolidated statements of activities and changes in net assets	$ (4,568)	$ -	$ (4,568)

2018	Investments	Beneficial Interest In Split-Interest Agreements	Total
Balance, beginning of year	$ 734,316	$1,587,087	$2,321,403
Sales	(231,250)	-	(231,250)
Net realized and unrealized gains on investments in the consolidated statements of activities and changes in net assets	57,355	-	57,355
Change in value of split-interest agreements (Note 14)	-	736,190	736,190
Balance, end of year	$ 560,421	$2,323,277	$2,883,698

NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

2018 (Continued)

	Investments	Beneficial Interest In Split-Interest Agreements	Total
Total gain included in the increase (decrease) in total net assets due to the change in unrealized gain (loss) on investments that relate to assets held at the reporting date and are included in investment return in the consolidated statements of activities and changes in net assets	$ 82,502	$ -	$ 82,502

The following tables present the Organization's Level 3 assets, the valuation techniques used to measure the fair value of those assets, the significant unobservable inputs, and the ranges of values for those inputs.

	2019			
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial Interest in Split-Interest Agreements	$ 2,722,973	Present value of future payments	Life expectancies Discount rates	Various 3.4%-6%
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ 462,856	Fair value of underlying assets	Closing prices, pricing models, discounted cash flows	Unknown

	2018			
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial Interest in Split-Interest Agreements	$ 2,323,277	Present value of future payments	Life expectancies Discount rates	Various 3.4%-6%
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ 560,421	Fair value of underlying assets	Closing prices, pricing models, discounted cash flows	Unknown

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring measurements. The Organization's board of directors assesses and approves these policies and procedures. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of cash, accounts receivable, and accounts payable approximate their respective carrying values due to the short-term nature of these accounts.

NOTE 6 - PROPERTY

Property at December 31, 2019 and 2018 consists of the following:

	Useful Lives	2019	2018
Land		$13,978,570	$13,978,570
Building, structures, and land improvements	5 - 50 years	22,964,477	22,964,477
Furniture, fixtures, and equipment	2 - 30 years	5,242,635	5,098,232
Construction in progress		42,919,980	21,348,047
		85,105,662	63,389,326
Less: Accumulated depreciation		16,652,234	15,669,283
		$68,453,428	$47,720,043

Land in the amount of approximately $8 million is restricted for use as a camp at December 31, 2019 and 2018. The Organization may sell all or any portion of the land as it deems necessary; however, the sale proceeds must be applied either to acquire replacement property that will be used for the same purpose or for other purposes specifically permitted by the agreement with the donor.

NOTE 7 - PROPERTY HELD FOR SALE

During 2016, the Organization initiated plans to sell the El Rancho Cima Scout Ranch ("Cima"). The decision to sell the camp was based on the financial performance of the camp and significant expenditures required to repair the flooding damages incurred at the camp. In April 2019, the Cima property was sold for approximately $21 million with a realized gain of approximately $15 million.

Property held for sale at December 31, 2018 consists of the following:

	2018
Land	$3,195,000
Building, structures, and land improvements	4,364,207
Furniture, fixtures, and equipment	404,908
	7,964,115
Less: Accumulated depreciation	2,968,648
	$4,995,467

NOTE 8 - INTANGIBLES HELD FOR SALE

The Organization acquired 6,000 stream mitigation credits from the Houston-Conroe Mitigation Bank to offset the impact from creating an 18-acre lake on property that had been acquired in a previous year. During 2019, the Organization initiated plans to sell the mitigation credits. The decision to sell was based on the determination that the credits are no longer necessary for the creation of the lake. The intangibles held for sale is $1,200,000 as of December 31, 2019.

NOTE 9 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2019 and 2018 consist of the following:

	2019	2018
United Way	$ 271,410	$ 292,815
Friends of Scouting	439,734	505,753
Beneficial interest in split-interest agreements (Note 14)	2,722,973	2,323,277
Foundations	-	25,000
Other unrestricted promises	18,974	635,521
Restricted to capital campaign	1,032,002	1,685,346
Restricted to Endowment Fund	4,559,131	4,576,043
Less: Discount for timing of cash flows	(2,350,163)	(2,477,408)
Subtotal	6,694,061	7,566,347
Less: Allowance for uncollectible contributions receivable	(55,890)	(37,526)
	$ 6,638,171	$ 7,528,821

	2019	2018
Contributions receivable, due in:		
Less than one year	$ 1,172,230	$ 2,338,321
One to five years	5,465,941	5,190,500
	$ 6,638,171	$ 7,528,821

The discount for timing of cash flows is computed using the risk-free interest rate applicable to the year in which the contribution is received or the Internal Revenue Service's actuarial mortality table, Table R(2). Risk-free interest rates range from 3.25% to 7.25% and Table R(2) rates range from 0.30 to 0.64.

Allocations from United Way of Greater Houston for $257,342 and $279,264 (designated for general operating purposes for the first three months of 2020 and 2019, respectively) have been recorded in the consolidated financial statements since the amounts were pledged in 2019 and 2018, respectively. The Organization has been notified of an additional allocation from United Way of Greater Houston in 2020 for approximately $772,000. The revenue from the additional allocation will be recorded in 2020 when the firm commitment is received.

NOTE 10 - CONDITIONAL CONTRIBUTIONS

Through April 2016, the Organization had a $5,000,000 matching grant with a donor, contingent upon meeting certain restrictions. The grant was to be paid over five years, and income from the grant was to be used by the Organization, as agreed upon with the donor. The purpose of the grant was to maximize board giving, in which the donor would match the first $250,000 of all gifts from members of the Organization's board of directors. In April 2016, the donor changed the terms of the grant as a result of board-approved changes to the scope of the Organization's Leaders of Tomorrow campaign. The terms of the revised grant no longer retain a matching requirement and provide that the remaining unfunded portion of the grant ($3,000,000) will be restricted to expanding the Organization's staff to grow Scouting. The Organization received $500,000 in both 2019 and 2018 from the donor. Funds totaling approximately $390,000 and $508,000 were restricted at December 31, 2019 and 2018, respectively.

In October 2016, a donor awarded a $1 million challenge grant for a construction project to construct certain facilities at Camp Strake. In accordance with the grant terms, the Organization is required to raise approximately $4.2 million, restricted for the construction project, from third-party sources by October 2017. In December 2017, the Organization received $1 million from the challenge grant, which remains restricted at December 31, 2019. There were no challenge grant funds received in 2019.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

2019	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Special events	$ 4,000	$ -	$ -	$ 4,000
Wood Badge/NYLT Scholarships	11,060	-	-	11,060
Sales and onboarding division	390,328	-	-	390,328
Other	12,172	27,717	-	39,889
Building and equipment purchase/ maintenance:				
Order of the Arrow	-	140,585	-	140,585
Bovay Scout ranch - land acquisition	-	358,213	-	358,213
Camp Strake	-	4,162,482	-	4,162,482
Fleming Cub World	-	80,292	-	80,292
Leaders of Tomorrow campaign	-	3,140,675	-	3,140,675
Total purpose restrictions	417,560	7,909,964	-	8,327,524
Subject to the passage of time:				
Friends of Scouting	420,451	-	-	420,451
Scouting activities	233,078	-	-	233,078
Exploring activities	24,264	-	-	24,264
United Way designation	14,068	-	-	14,068
Legacies and bequests	3,481	-	-	3,481
Total passage of time restrictions	695,342	-	-	695,342
Perpetual in nature:				
Land use restrictions	-	10,482,293	-	10,482,293

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

2019

	Operating Fund	Capital Fund	Endowment Fund	Total
Endowment - subject to endowment spending policy and appropriation:				
General use	$ -	$ -	$ 35,937,334	$ 35,937,334
Program activities	-	-	28,163,294	28,163,294
Total subject to endowment spending policy and appropriation	-	-	64,100,628	64,100,628
Total net assets with donor restrictions	$ 1,112,902	$ 18,392,257	$ 64,100,628	$ 83,605,787

2018

	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Special events	$ 15,000	$ -	$ -	$ 15,000
Staff recognition	4,292	-	-	4,292
Sales and onboarding division	507,981	-	-	507,981
Other	3,189	27,717	-	30,906
Building and equipment purchase/ maintenance:				
Order of the Arrow	-	140,585	-	140,585
Bovay Scout ranch - land acquisition	-	358,213	-	358,213
Camp Strake	-	3,312,781	-	3,312,781
Fleming Cub World	-	80,292	-	80,292
Leaders of Tomorrow campaign	-	5,516,328	-	5,516,328
Total purpose restrictions	530,462	9,435,916	-	9,966,378

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

2018	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to passage of time:				
Friends of Scouting	$ 468,253	$ -	$ -	$ 468,253
Scouting activities	252,933	-	-	252,933
Exploring activities	26,331	-	-	26,331
United Way designation	13,551	-	-	13,551
Legacies and bequests	2,964	-	-	2,964
Total passage of time restrictions	764,032	-	-	764,032
Perpetual in nature:				
Land use restrictions	-	8,174,648	-	8,174,648
Endowment - subject to endowment spending policy and appropriation:				
General use	-	-	31,695,141	31,695,141
Program activities	-	-	25,445,759	25,445,759
Total subject to endowment spending policy and appropriation	-	-	57,140,900	57,140,900
Total net assets with donor restrictions	$ 1,294,494	$ 17,610,564	$ 57,140,900	$ 76,045,958

NOTE 12 - RECLASSIFICATIONS OF NET ASSETS

Net assets were released from donor restrictions during 2019 and 2018 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Net assets released were related to the following:

	2019	2018
Satisfaction of program restrictions:		
Special events	$ 15,000	$ 31,500
Foundations and trusts	250	7,765
Other direct support	512,273	650,608
Expiration of time restrictions:		
Friends of Scouting	445,503	54,375
United Way	292,815	320,350
Satisfaction of property acquisition restrictions	2,755,036	8,528,046
Satisfaction of investment income restrictions	2,753,766	2,606,504
	$ 6,774,643	$12,199,148

NOTE 12 - RECLASSIFICATIONS OF NET ASSETS (CONTINUED)

Other reclassifications of net assets, resulting from donor restrictions imposed on net assets otherwise without restrictions, were as follows in 2019 and 2018:

	2019	2018
Restriction of other direct support	$ 37,408	$ 169,768
Restriction of property	2,307,646	-
Restriction of investment income	932,376	982,224
	$3,277,430	$1,151,992

The proceeds from the sale of certain property in a prior year are purpose-restricted as $34,000,000 in the Endowment Fund and $28,445,669 in the Capital Fund. In 2014, the agreement with the donor of funds used to acquire the original property was amended to allow the release of approximately $16,063,000 of net assets with donor restrictions to net assets without restrictions in the Endowment Fund. It was further amended to create a new account in the Capital Fund ("Capital Account") for future use of depreciation and improvements, including long-term major maintenance projects, purchase and replacement of major equipment and vehicles, future permanent improvements, and future additional land acquisitions for expansion of the current acreage. The Capital Account is required to be funded, annually, with at least $200,000 of the Organization's spending policy distributable amount from the donor's related account in the Endowment Fund. In 2019 and 2018, the Organization funded the Capital Account with $932,376 and $982,224, respectively, and accordingly, reclassified the funds as net assets with donor restrictions.

NOTE 13 - ENDOWMENT FUND

The purpose of the Organization's Endowment Fund, also called the Investment Fund, is to assist in the financial requirements of the Organization in its delivery of a quality Scout program, in its service to its chartering partners, and in its long-term financial sustainability. The Endowment Fund of the Organization is made up of net assets both with and without donor restrictions, including several individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions, identified by the Organization's board of directors to be used for future investment and growth, are included in net assets without donor restrictions – board-designated.

NOTE 13 - ENDOWMENT FUND (CONTINUED)

The Organization has interpreted TXUPMIFA as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the following as net assets with donor restrictions - perpetual in duration: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in duration is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TXUPMIFA. In accordance with TXUPMIFA, the Organization 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 Organization.

Endowment fund net assets consisted of the following at December 31, 2019 and 2018:

2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds, perpetual in duration - original gift amount	$ -	$ 30,688,725	$ 30,688,725
Donor-restricted capital/program services funds	-	28,605,306	28,605,306
Cash surrender value of life insurance	-	231,760	231,760
Unpaid contributions	-	4,975,567	4,975,567
Accrued interest receivable	157,258	-	157,258
Accumulated investment gains	-	1,218,464	1,218,464
Accumulated investment losses	-	(1,619,194)	(1,619,194)
Board-designated funds	18,177,136	-	18,177,136
Total endowment fund net assets	$ 18,334,394	$ 64,100,628	$ 82,435,022

NOTE 13 - ENDOWMENT FUND (CONTINUED)

2018	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds, perpetual in duration - original gift amount	$ -	$ 29,833,452	$ 29,833,452
Donor-restricted capital/program services funds	-	28,556,259	28,556,259
Cash surrender value of life insurance	-	199,055	199,055
Unpaid contributions	-	4,549,701	4,549,701
Accrued interest receivable	114,598	-	114,598
Accumulated investment gains	-	34,927	34,927
Accumulated investment losses	-	(6,032,494)	(6,032,494)
Board-designated funds	18,173,081	-	18,173,081
Total endowment fund net assets	$ 18,287,679	$ 57,140,900	$ 75,428,579

Changes in endowment fund net assets consisted of the following for the years ended December 31, 2019 and 2018:

2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets:			
Balance, beginning of year	$ 18,287,679	$ 57,140,900	$ 75,428,579
Investment return:			
Investment income	398,694	1,428,545	1,827,239
Net realized and unrealized gains (losses)	611,676	6,954,462	7,566,138
Donor-restricted funds, perpetual in duration - original gift amount	-	1,293,079	1,293,079
Board-designated funds - original gift amount	9,010	-	9,010
Transfers in	-	37,408	37,408
Appropriation of net assets for expenditure	(972,665)	(2,753,766)	(3,726,431)
Balance, end of year	$ 18,334,394	$ 64,100,628	$ 82,435,022

NOTE 13 - ENDOWMENT FUND (CONTINUED)

2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets:			
Balance, beginning of year	$ 19,164,426	$ 60,638,564	$ 79,802,990
Investment return:			
Investment income	355,084	1,715,151	2,070,235
Net realized and unrealized gains (losses)	(174,774)	(4,099,732)	(4,274,506)
Donor-restricted funds, perpetual in duration - original gift amount	-	1,322,003	1,322,003
Board-designated funds - original gift amount	12,838	-	12,838
Transfers in	-	169,768	169,768
Appropriation of net assets for expenditure	(1,069,895)	(2,604,854)	(3,674,749)
Balance, end of year	$ 18,287,679	$ 57,140,900	$ 75,428,579

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Organization to retain as funds of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. At December 31, 2019, funds with original gift values of $44,660,819, fair values of $43,041,627 and deficiencies of $1,619,192 were reported in net assets with donor restrictions. At December 31, 2018, funds with original gift values of $55,479,497, fair values of $49,447,003 and deficiencies of $6,032,494 were reported in net assets with donor restrictions. Deficiencies of this nature result from unfavorable market fluctuations and continued appropriations. The Organization has interpreted the TXUPMIFA and applicable state trust laws to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTE 14 - SPLIT-INTEREST AGREEMENTS

A split-interest agreement is an agreement in which a donor contributes assets directly to the Organization or places them in a trust for the benefit of the Organization and the Organization is not the sole beneficiary of the assets' economic value. The contributed assets are held, invested, and administered by the Organization or a trustee who is responsible for making the required distributions to the beneficiaries. Upon expiration of the agreements, the remaining assets will be distributed to or retained by the Organization.

The Organization is the recipient of various charitable remainder trusts. Under terms of the split-interest agreements, the Organization is to receive a percentage of the trusts' assets upon the death of a beneficiary, as defined in the agreements. Until receipt of the assets from the trusts, the Organization reports the trusts' assets in the Operating or Endowment Fund's net assets with donor restrictions as determined by the Organization's unsolicited gifts policy. Upon receipt of the assets from the trusts, the trusts' assets will be released to net assets without donor restrictions in the applicable fund. Based on the life expectancies of the beneficiaries and the stated rate of return in the agreements or the prime rate in effect on the receipt date of the trust, the present value of the future benefits expected to be received by the Organization from the trusts, combined, was estimated to be approximately $2,723,000 and $2,323,000 at December 31, 2019 and 2018, respectively.

In 2019 and 2018, the Organization recorded changes in the value of the split-interest agreements amounting to approximately $400,000 and $736,000, respectively.

NOTE 15 - ENDOWED FUND AGREEMENT

Endowment Fund

The Organization has established an endowment fund to be permanently held and managed for the long-term use and benefit of a Boy Scout camp, as defined in the agreement (the "Camp"). The fund consists of the grantor's annual grants and unexpended income.

In furtherance of the grantor's mission to support the Boy Scouts, and for as long as the agreement remains in effect, the grantor intends to make annual grants to the endowment fund equal to 25% of the annual qualifying distributions made by the grantor within the meaning of Section 4942 of the IRC and as reported in its annual Form 990 ("Annual Qualifying Distributions").

Non-Endowment Grants

In addition to the endowment grants mentioned above, the grantor intends to make annual non-endowment grants to the Organization equal to 12.5% of the grantor's Annual Qualifying Distributions. Such grants shall be used by the Organization to support the Camp or other projects that further the ideas and goals of the grantor and the Organization, as approved in advance on an annual basis by the board of directors of the grantor.

For 2018, the Organization received endowment and non-endowment grants under the above agreement totaling approximately $466,000.

NOTE 15 - ENDOWED FUND AGREEMENT (CONTINUED)

In March 2019, the grantor under the above endowed fund agreement entered into a new agreement with the Organization (the "Restated Agreement") restating the previous agreement ("Original Agreement"). The Restated Agreement retains the endowment fund established under the Original Agreement. All future additions to the endowment fund shall be considered permanent in nature. The grantor intends to make annual grants to the endowment fund equal to 25% of the annual qualifying distributions made by the grantor within the meaning of Section 4942 of the IRC and as reported in its annual Form 990 until the endowment fund has reached $10,000,000. Future distributions from the endowment fund shall be made in an amount determined under the Organization's Endowment Fund spending policy (Note 1). No future non-endowment grants will be made.

For 2019, the Organization received endowment grants under the above agreement totaling approximately $782,000.

NOTE 16 - EMPLOYEE BENEFIT PLANS

Retirement Plan

The National Council has a qualified defined benefit pension plan (the "Plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Organization. The Plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees* and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contributed 2% of compensation, and the Organization contributed an additional 7% in both 2019 and 2018 to the Plan. Pension expense (excluding the contributions made by employees) was $116,079 and $289,403 in 2019 and 2018, respectively, and covered current service cost.

The Plan is a multi-employer plan, and the individual information for each employer is not available. The actuarial information for the multi-employer plan as of February 1, 2019 indicates that it is in compliance with the Employee Retirement Income Security Act regulations regarding funding. The assumed rate of return used in determining actuarial present values of accumulated benefits at December 31, 2019 and 2018 was 6.50% and 7.00%, respectively. The actuarial value includes all Plan amendments as of February 1, 2019.

NOTE 16 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Thrift Plan

The Organization has established a thrift plan covering substantially all of the employees of the Organization. Participants in the thrift plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the IRC. The Organization has elected to match employee contributions to the thrift plan up to 50% of contributions from each participant, limited to 3% of each employee's gross pay. The Organization contributed approximately $98,000 to the thrift plan in 2018. Effective December 31, 2018, the assets within the thrift plan were frozen and no further employee or employer contributions shall be made to the plan that relate to compensation earned by the plan participants after December 31, 2018.

Savings Plan

Effective January 1, 2019, the Organization adopted the Boy Scouts of America Match Savings Plan ("Savings Plan") for the benefit of all eligible employees of the Organization. All net assets of the thrift plan will be transferred to the Savings Plan. Participants in the 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 IRC. The Organization matches employee contributions to the Savings Plan up to 50% of contributions from each participant, limited to 6% of each employee's gross pay. The Organization contributed approximately $285,000 to the savings plan in 2019.

Health Care Plan

The Organization's employees participate in a health care plan provided by the National Council. The Organization pays a portion of the cost for the employees and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2019 and 2018, the Organization remitted approximately $611,000 and $670,000, respectively, on behalf of its employees to the National Council related to the health care plan.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash at financial institutions. At times, the balances in cash accounts may be in excess of federally insured limits. Management continuously monitors the Organization's balances at financial institutions and invests excess operating cash in short-term investments.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Claims

The Organization is involved in various legal matters arising in the normal course of operations. The Organization does not believe that the ultimate resolution of these matters will have a significant effect on its consolidated financial position.

Operating Leases

The Organization accounts for the lease of office equipment and Scout shops as operating leases. Total rent expense amounted to approximately $322,000 and $306,000 for 2019 and 2018, respectively. These leases will expire on various dates through 2024. As of December 31, 2019, the minimum required future lease payments under these leases are as follows:

For the Year Ending December 31:	
2020	$179,081
2021	138,021
2022	130,596
2023	83,290
2024	16,500
	$547,488

NOTE 18 - SCOUT SHOPS

The National Council operates five Scout shops within the Houston area. The National Council manages the Scout shops and pays the Organization an 8% commission on gross sales up to $750,000 and 13% on sales in excess of $750,000. The commissions earned (before expenses) by the Organization during 2019 and 2018 amounted to approximately $427,000 and $463,000, respectively, which are included in other revenue in the consolidated statements of activities and changes in net assets.

NOTE 19 - SUBSEQUENT EVENTS

On February 18, 2020, the National Council filed for protection under chapter 11 of the United States Bankruptcy Code. The National Council continues to operate its business in the ordinary course and has received bankruptcy court approval to continue its relationship with the Councils including the benefit and insurance programs noted above. Neither the Organization nor any other local council are parties to the bankruptcy proceeding. The National Council has sought to stay litigation against both the National Council and local councils and has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020 subject to a to-be-determined contribution from local councils. The ability of the National Council to confirm such a plan and the size of the potential contribution, if any, from the Organization is unknown. Management of the Organization is unable to assess the effect, if any, the resolution of these matters by the National Council may have on the Organization's operations or its consolidated financial statements.

NOTE 19 - SUBSEQUENT EVENTS (CONTINUED)

Subsequent to year end, the COVID-19 viral outbreak in the United States has caused business disruption through mandated and voluntary closings of all nonessential businesses. The Organization was mandated to close its office, camping facilities and cancel all scouting gatherings, membership joining events, and fundraising presentations. Where possible, the Organization is utilizing technology to continue program activities and is rescheduling gatherings for later in the year. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closure. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.

As one of its responses to the COVID-19-related closure, the Organization applied for a Small Business Administration loan under the federal Paycheck Protection Program ("PPP"). On April 23, 2020, the Council received a $1,287,718 loan. The loan accrues interest at 1% and is due 2 years from the issuance date. The loan will be used primarily to offset eight weeks of payroll costs in 2020. Upon meeting certain criteria of the program, the loan may be forgiven.

Management has evaluated subsequent events through September 9, 2020, the date the consolidated financial statements were available to be issued.