CATALINA COUNCIL, BOY SCOUTS OF AMERICA

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

REGIER CARR & MONROE, LLP, CPAs

CATALINA COUNCIL, BOY SCOUTS OF AMERICA

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Executive Board
Catalina Council, Boy Scouts of America
Tucson, Arizona

We have audited the accompanying consolidated financial statements of Catalina Council, Boy Scouts of America (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, 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 misstatements, 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

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 misstatements 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.

(continued)

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 consolidated financial position of the Catalina Council, Boy Scouts of America and subsidiary as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2018, the Catalina Council, Boy Scouts of America and subsidiary adopted new accounting guidance related to not-for-profit financial statements presentation. Our opinion is not modified with respect to this matter.

As discussed in Note 22 to the financial statements, the December 31, 2017 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Regier Carr & Monroe, L.L.P.

May 16, 2019
Tucson, Arizona

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total
Cash and cash equivalents	$ 68,130	$ 3,315	$ 111,656	$ 183,101
Accounts and other receivables	16,450	-	2,117	18,567
Contributions receivable - Note 4	2,000	-	-	2,000
Inventory	951	-	-	951
Interfund loans	(11,123)	11,123	-	-
Prepaid expenses	35,978	306	-	36,284
Total current assets	112,386	14,744	113,773	240,903
Properties held for sale - Note 9	127,500	13,451	442	141,393
Land, buildings and equipment, net - Note 5	-	1,579,018	-	1,579,018
Investments - Notes 6 and 9	-	6,747	1,868,611	1,875,358
Total noncurrent assets	127,500	1,599,216	1,869,053	3,595,769
Total assets	$ 239,886	$ 1,613,960	$ 1,982,826	$ 3,836,672

LIABILITIES AND NET ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total
Accounts payable	$ 39,092	$ 698	$ 170	$ 39,960
Notes payable, current portion - Note 7	-	55,026	-	55,026
Custodial accounts	237,875	-	-	237,875
Deferred revenue	14,100	-	-	14,100
Other current liabilities	11,085	-	-	11,085
Total current liabilities	302,152	55,724	170	358,046
Notes payable, less current portion - Note 7	-	122,421	-	122,421
Total liabilities	302,152	178,145	170	480,467
Net assets:				
Net assets without donor restrictions	(71,297)	1,403,865	1,239,749	2,572,317
Net assets with donor restrictions	9,031	31,950	742,907	783,888
Total net assets (deficit)	(62,266)	1,435,815	1,982,656	3,356,205
Total liabilities and net assets	$ 239,886	$ 1,613,960	$ 1,982,826	$ 3,836,672

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total
Cash and cash equivalents	$ 177,489	$ 22,157	$ 307,167	$ 506,813
Accounts and other receivables, as restated - Note 22	31,496	5,103	362	36,961
Contributions receivable - Note 4	3,660	-	-	3,660
Inventory	16,367	-	-	16,367
Prepaid expenses	37,694	306	-	38,000
Total current assets	266,706	27,566	307,529	601,801
Properties held for sale - Note 9	147,500	13,451	442	161,393
Land, buildings and equipment - Note 5	-	1,604,888	-	1,604,888
Investments - Notes 6 and 9	-	78,772	1,861,986	1,940,758
Total noncurrent assets	147,500	1,697,111	1,862,428	3,707,039
Total assets	$ 414,206	$ 1,724,677	$ 2,169,957	$ 4,308,840

LIABILITIES AND NET ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total
Accounts payable, as restated - Note 22	$ 47,698	$ 6,526	$ -	$ 54,224
Notes payable, current portion - Note 7	-	55,000	-	55,000
Custodial accounts, as restated - Note 22	213,134	-	-	213,134
Deferred revenue	23,982	-	-	23,982
Other current liabilities	2,931	-	-	2,931
Total current liabilities	287,745	61,526	-	349,271
Notes payable, less current portion - Note 7	-	165,000	-	165,000
Total liabilities	287,745	226,526	-	514,271
Net assets:				
Net assets without donor restrictions, restated	124,366	1,466,351	1,408,550	2,999,267
Net assets with donor restrictions	2,095	31,800	761,407	795,302
Total net assets	126,461	1,498,151	2,169,957	3,794,569
Total liabilities and net assets	$ 414,206	$ 1,724,677	$ 2,169,957	$ 4,308,840

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018

	Operating Fund	Capital Fund	Endowment Fund	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Support and revenue				
Direct support:				
Friends of Scouting	$ 235,201	$ -	$ -	$ 235,201
Special events	96,592	-	-	96,592
Less cost of direct benefit to donors	(27,422)	-	-	(27,422)
Net special events	69,170	-	-	69,170
Foundations and trusts	68,571	-	-	68,571
Other direct support	62,986	55,149	1,055	119,190
Total direct support	435,928	55,149	1,055	492,132
United Way and other indirect support	20,528	-	-	20,528
Total support	456,456	55,149	1,055	512,660
Revenue				
Sale of supplies - Note 17	10,012	-	-	10,012
Less cost of goods sold	(11,775)	-	-	(11,775)
Net sale of supplies	(1,763)	-	-	(1,763)
Product sales	329,694	-	-	329,694
Less cost of goods sold	(91,131)	-	-	(91,131)
Less commissions paid	(136,945)	-	-	(136,945)
Net product sales	101,618	-	-	101,618
Investment return, net - Note 6	24,000	(1,792)	(169,685)	(147,477)
Camping revenue	309,675	-	-	309,675
Less cost of goods sold	(19,066)	-	-	(19,066)
Net camping revenue	290,609	-	-	290,609
Activity revenue	77,469	-	-	77,469
Gain on disposal of assets	-	6,800	-	6,800
Other revenue	138,070	-	-	138,070
Total revenue	630,003	5,008	(169,685)	465,326
Net assets released from restrictions				
Satisfaction of program restrictions	1,386	-	-	1,386
Expiration of time restrictions	2,750	-	-	2,750
Total support and revenue	1,090,595	60,157	(168,630)	982,122

(continued)

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED
For the Year Ended December 31, 2018

	Operating Fund	Capital Fund	Endowment Fund	Total
EXPENSES AND LOSSES				
Program services	1,067,146	120,872	148	1,188,166
Management and general support services	103,731	(4,212)	9	99,528
Fundraising support services	89,800	2,983	14	92,797
Total functional expenses	1,260,677	119,643	171	1,380,491
Loss on disposal of assets	6,445	-	-	6,445
Unallocated payments to affiliated organizations	22,136	-	-	22,136
Total expenses	1,289,258	119,643	171	1,409,072
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(198,663)	(59,486)	(168,801)	(426,950)
NET ASSETS WITH DONOR RESTRICTIONS				
Direct support				
Friends of Scouting	1,120	-	-	1,120
Grants and contributions	2,100	150	500	2,750
Other direct support	7,680	-	5,000	12,680
Indirect support	172	-	-	172
Investment return, net - Note 6	-	-	(24,000)	(24,000)
Total support and revenue	11,072	150	(18,500)	(7,278)
Net assets released from restrictions	(4,136)	-	-	(4,136)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	6,936	150	(18,500)	(11,414)
NET CHANGE IN NET ASSETS	(191,727)	(59,336)	(187,301)	(438,364)
NET ASSETS, BEGINNING OF YEAR				
Net assets without donor restrictions	124,366	1,466,351	1,408,550	2,999,267
Net assets with donor restrictions	2,095	31,800	761,407	795,302
TOTAL NET ASSETS, BEGINNING OF YEAR	126,461	1,498,151	2,169,957	3,794,569
INTERFUND TRANSFERS	3,000	(3,000)	-	-
NET ASSETS, END OF YEAR				
Net assets without donor restrictions	(71,297)	1,403,865	1,239,749	2,572,317
Net assets with donor restrictions	9,031	31,950	742,907	783,888
TOTAL NET ASSETS (DEFICIT), END OF YEAR	$ (62,266)	$ 1,435,815	$ 1,982,656	$ 3,356,205

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2017

	Operating Fund	Capital Fund	Endowment Fund	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Support and revenue				
Direct support:				
Friends of Scouting	$ 347,840	$ -	$ -	$ 347,840
Special events	104,674	-	-	104,674
Less cost of direct benefit to donors	(23,577)	-	-	(23,577)
Net special events	81,097	-	-	81,097
Foundations and trusts	106,128	-	-	106,128
Other direct support	70,153	113,094	1,900	185,147
Total direct support	605,218	113,094	1,900	720,212
United Way and other indirect support	27,934	-	-	27,934
Total support	633,152	113,094	1,900	748,146
Revenue				
Sale of supplies - Note 17	35,458	-	-	35,458
Less cost of goods sold	(21,885)	-	-	(21,885)
Net sale of supplies	13,573	-	-	13,573
Product sales	326,662	-	-	326,662
Less cost of goods sold	(82,390)	-	-	(82,390)
Less commissions paid, restated - Note 22	(95,874)	-	-	(95,874)
Net product sales	148,398	-	-	148,398
Rental income - Note 13	45,085	-	-	45,085
Investment return, net - Note 6	-	10,505	114,889	125,394
Camping revenue	303,829	-	-	303,829
Less cost of goods sold	(10,896)	-	-	(10,896)
Net camping revenue	292,933	-	-	292,933
Activity revenue	351,902	-	-	351,902
Gain on disposal of asset	-	1,101,209	-	1,101,209
Other revenue	146,124	32,133	-	178,257
Total revenue	998,015	1,143,847	114,889	2,256,751
Net assets released from restrictions				
Satisfaction of program restrictions	656	-	-	656
Expiration of time restrictions	16,291	-	-	16,291
Total support and revenue	1,648,114	1,256,941	116,789	3,021,844

(continued)

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASETS - CONTINUED
For the Year Ended December 31, 2017

	Operating Fund	Capital Fund	Endowment Fund	Total
EXPENSES AND LOSSES				
Program services	1,411,848	343,822	2,043	1,757,713
Management and general support services	73,925	9,566	947	84,438
Fundraising support services	114,688	18,874	1,912	135,474
Total functional expenses	1,600,461	372,262	4,902	1,977,625
Unallocated payments to affiliated organizations	23,239	-	-	23,239
Total expenses	1,623,700	372,262	4,902	2,000,864
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	24,414	884,679	111,887	1,020,980
NET ASSETS WITH DONOR RESTRICTIONS				
Direct support				
Friends of Scouting	1,000	-	-	1,000
Grants and contributions	1,750	1,800	-	3,550
Other direct support	-	-	17,000	17,000
Investment return, net - Note 6	-	-	74,910	74,910
Total support and revenue	2,750	1,800	91,910	96,460
Net assets released from restrictions	(16,947)	-	-	(16,947)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(14,197)	1,800	91,910	79,513
NET CHANGE IN NET ASSETS	10,217	886,479	203,797	1,100,493
NET ASSETS BEGINNING OF YEAR, restated				
Net assets without donor restrictions	124,952	1,556,672	296,663	1,978,287
Net assets with donor restrictions	16,292	30,000	669,497	715,789
TOTAL NET ASSETS, BEGINNING OF YEAR	141,244	1,586,672	966,160	2,694,076
INTERFUND TRANSFERS	(25,000)	(975,000)	1,000,000	-
NET ASSETS, END OF YEAR, restated				
Net assets without donor restrictions	124,366	1,466,351	1,408,550	2,999,267
Net assets with donor restrictions	2,095	31,800	761,407	795,302
TOTAL NET ASSETS, END OF YEAR, restated	$ 126,461	$ 1,498,151	$ 2,169,957	$ 3,794,569

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Employee Compensation					
Salaries	$ 469,258	$ 23,411	$ 40,481	$ 63,892	$ 533,150
Employee benefits	63,489	3,507	6,064	9,571	73,060
Payroll taxes	36,028	1,859	3,214	5,073	41,101
Total employee compensation	568,775	28,777	49,759	78,536	647,311
Other Expenses					
Professional fees	31,023	54,147	11,296	65,443	96,466
Supplies	175,755	334	3,561	3,895	179,650
Telephone	19,054	257	445	702	19,756
Postage and shipping	10,301	28	7,822	7,850	18,151
Occupancy	95,359	1,808	1,933	3,741	99,100
Equipment rental and maintenance	28,247	5	9	14	28,261
Printing and publications	8,818	(26)	2,132	2,106	10,924
Travel	48,169	1,854	3,206	5,060	53,229
Conferences and meetings	18,915	648	1,121	1,769	20,684
Specific assistance to individuals	4,264	-	-	-	4,264
Recognition awards	43,692	171	3,444	3,615	47,307
Interest expense	1,212	474	116	590	1,802
Insurance	46,816	14,202	4,241	18,443	65,259
Cost of direct benefit to donors	23,602	1,977	1,843	3,820	27,422
Cost of goods sold	104,979	8,794	8,199	16,993	121,972
Commissions paid	117,866	9,873	9,205	19,078	136,944
Other expenses	34,026	(4,206)	1,887	(2,319)	31,707
	812,098	90,340	60,460	150,800	962,898
Less Expenses Netted Against Revenue					
Cost of direct benefit to donors	(23,602)	(1,977)	(1,843)	(3,820)	(27,422)
Cost of goods sold	(104,979)	(8,794)	(8,199)	(16,993)	(121,972)
Commissions paid	(117,866)	(9,873)	(9,205)	(19,078)	(136,944)
Total other expenses	565,651	69,696	41,213	110,909	676,560
Total expenses before depreciation	1,134,426	98,473	90,972	189,445	1,323,871
Depreciation of buildings and equipment	53,740	1,055	1,825	2,880	56,620
Total functional expenses	$ 1,188,166	$ 99,528	$ 92,797	$ 192,325	$ 1,380,491

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

		Supporting Services			
	Program Services	Management and General	Fundraising	Total	Total Expenses
Employee Compensation					
Salaries	$ 491,180	$ 18,254	$ 36,014	$ 54,268	$ 545,448
Employee benefits	59,252	2,463	4,860	7,323	66,575
Payroll taxes	36,085	1,500	2,960	4,460	40,545
Total employee compensation	586,517	22,217	43,834	66,051	652,568
Other Expenses					
Professional fees	223,599	41,930	31,978	73,908	297,507
Supplies	298,716	707	5,859	6,566	305,282
Telephone	21,433	184	364	548	21,981
Postage and shipping	12,057	29	7,158	7,187	19,244
Occupancy	109,094	5,786	3,538	9,324	118,418
Equipment rental and maintenance	26,141	1	3	4	26,145
Printing and publications	16,292	-	54	54	16,346
Travel	155,144	1,349	2,661	4,010	159,154
Conferences and meetings	90,542	400	1,304	1,704	92,246
Specific assistance to individuals	2,405	-	-	-	2,405
Recognition awards	24,349	103	4,117	4,220	28,569
Insurance	54,748	7,478	4,077	11,555	66,303
Cost of direct benefit to donors	20,984	872	1,721	2,593	23,577
Cost of goods sold	102,503	4,261	8,407	12,668	115,171
Commissions paid	85,327	3,548	6,999	10,547	95,874
Other expenses	80,462	3,784	29,600	33,384	113,846
	1,323,796	70,432	107,840	178,272	1,502,068
Less Expenses Netted Against Revenue					
Cost of direct benefit to donors	(20,984)	(872)	(1,721)	(2,593)	(23,577)
Cost of goods sold	(102,503)	(4,261)	(8,407)	(12,668)	(115,171)
Commissions paid	(85,327)	(3,548)	(6,999)	(10,547)	(95,874)
Total other expenses	1,114,982	61,751	90,713	152,464	1,267,446
Total expenses before depreciation	1,701,499	83,968	134,547	218,515	1,920,014
Depreciation of buildings and equipment	56,214	470	927	1,397	57,611
Total functional expenses	$ 1,757,713	$ 84,438	$ 135,474	$ 219,912	$ 1,977,625

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	Operating Fund	Capital Fund	Endowment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net change in net assets	$ (191,727)	$ (59,336)	$ (187,301)	$ (438,364)
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation	-	56,620	-	56,620
Realized (gain) loss on disposal of fixed assets	6,445	(6,800)	-	(355)
Unrealized loss on investments	-	2,282	234,252	236,534
Realized (gains) loss on investments	-	-	(46,998)	(46,998)
Forgiveness of debt	-	(55,000)	-	(55,000)
(Increase) decrease in operating assets				
Accounts and other receivables	15,046	5,103	(1,755)	18,394
Contributions receivable	1,660	-	-	1,660
Inventory	15,416	-	-	15,416
Interfund loans	11,123	(11,123)	-	-
Prepaid expenses	1,716	-	-	1,716
Increase (decrease) in operating liabilities				
Accounts payable	(8,606)	(5,828)	170	(14,264)
Deferred revenue	(9,882)	-	-	(9,882)
Other current liabilities	8,154	-	-	8,154
Custodial accounts	24,741	-	-	24,741
Less long-term contributions	-	-	(17,000)	(17,000)
Net cash used in operating activities	(125,914)	(74,082)	(18,632)	(218,628)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of land, buildings and equipment	-	(30,750)	-	(30,750)
Proceeds from sales of investments	13,555	69,743	-	83,298
Proceeds from sale of land, buildings and equipment	-	6,800	-	6,800
Investment purchases	-	-	(193,879)	(193,879)
Interfund transfers	3,000	(3,000)	-	-
Net cash provided by (used in) investing activities	16,555	42,793	(193,879)	(134,531)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Proceeds from new loans	-	14,905	-	14,905
Payments on loans	-	(2,458)	-	(2,458)
Advances on line of credit	100,000	-	-	100,000
Repayments on line of credit	(100,000)	-	-	(100,000)
Contributions restricted for long-term purposes	-	-	17,000	17,000
Net cash provided by financing activities	-	12,447	17,000	29,447
Net change in cash and cash equivalents	(109,359)	(18,842)	(195,511)	(323,712)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	177,489	22,157	307,167	506,813
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 68,130	$ 3,315	$ 111,656	$ 183,101

The Notes to Consolidated Financial Statements are an integral part of these statements

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	Operating Fund	Capital Fund	Endowment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net change in net assets	$ 10,217	$ 886,479	$ 203,797	$ 1,100,493
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation	-	57,611	-	57,611
Realized (gain) on disposal of fixed assets	-	(1,101,209)	-	(1,101,209)
Unrealized (gains) on investments	-	(8,105)	(137,018)	(145,123)
Realized (gains) on investments	-	-	(19,195)	(19,195)
Forgiveness of debt	-	(55,000)	-	(55,000)
(Increase) decrease in operating assets				
Accounts and other receivables	(24,892)	(5,103)	(362)	(30,357)
Contributions receivable	10,253	6,230	2,594	19,077
Inventory	18,016	-	-	18,016
Prepaid expenses	125,099	-	-	125,099
Increase (decrease) in operating liabilities				
Accounts payable	(20,589)	(10,867)	-	(31,456)
Deferred revenue	(165,763)	-	-	(165,763)
Other current liabilities	(26,155)	-	-	(26,155)
Custodial accounts	(21,453)	-	-	(21,453)
Less long-term contributions	-	-	(17,000)	(17,000)
Net cash (used in) provided by operating activities	(95,267)	(229,964)	32,816	(292,415)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of land, buildings and equipment	-	(768,308)	-	(768,308)
Proceeds from sales of investments	54,289	-	-	54,289
Proceeds from sale of land, buildings and equipment	-	1,996,393	-	1,996,393
Investment purchases	-	(2,770)	(788,043)	(790,813)
Interfund transfers	(25,000)	(975,000)	1,000,000	-
Net cash provided by investing activities	29,289	250,315	211,957	491,561
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Contributions restricted for long-term purposes	-	-	17,000	17,000
Net cash provided by financing activities	-	-	17,000	17,000
Net change in cash and cash equivalents	(65,978)	20,351	261,773	216,146
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	243,467	1,806	45,394	290,667
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 177,489	$ 22,157	$ 307,167	$ 506,813

The Notes to Consolidated Financial Statements are an integral part of these statements

1. ORGANIZATIONS

Catalina Council, Boy Scouts of America (the "Council") is a nonprofit charitable organization serving the families of Cochise, Pima, Santa Cruz and southeastern Pinal counties in Southern Arizona. The Council Service Center is located in Tucson, Arizona. There was also a scout shop located in Sierra Vista, operated by the Council, which was closed in early 2018. Council camps include the Double V Scout Ranch in western Pima County and Camp Lawton in the Santa Catalina Mountains, on Mount Lemmon. The Council provides Scouting program opportunities to young people and families of all races, religions and economic levels. The Council is chartered by the Boy Scouts of America to promote self-reliance, train outdoor skills and teach patriotism and courage. The Catalina Council, Boy Scouts of America provides service to boys and young men ages 6-20, and girls ages 6-10 and young women ages 14-20.

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 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	Obedient
Loyal	Cheerful
Helpful	Thrifty
Friendly	Brave
Courteous	Clean
Kind	Reverent

The Boy Scouts of America will prepare every eligible youth in America to become a responsible, participating citizen and leader who is guided by the Scout Oath and Law.

The Council offers the following programs:

Cub Scouting is a year-round family program designed for boys and girls who are in the kindergarten through fifth grade (or 6 - 10 years of age).

Boy Scouting is a year-round program for boys age 11-17.

(continued)

Venturing is a youth development program of the Boy Scouts of America for young men and women who are 14 (and have completed the eighth grade) through 20 years of age.

Exploring is a worksite-based program. It is part of Learning for Life's career education program for young men and women who are 14 (and have completed the eighth grade) through 20 years old. Exploring's purpose is to provide experiences that help young people mature and to prepare them to become responsible and caring adults. Explorers are ready to investigate the meaning of interdependence in their personal relationships and communities. Exploring is based on a unique and dynamic relationship between youth and the councils in their communities. Local community councils initiate a specific Explorer post by matching their people and program resources to the interests of young people in the community. The result is a program of activities that helps youth pursue their special interests, grow, and develop. Exploring programs are based on live areas of emphasis: career opportunities, life skills, citizenship, character education, and leadership experience.

STEM Scouts. This is a pilot program (Coed - Ages 8-18) in Tucson, Arizona, focused on fun and exciting opportunities for elementary through high school girls and boys in science, technology, engineering and mathematics (STEM). It encourages the natural curiosity of members and their sense of wonder about the world around them.

The program helps young people understand how to apply STEM concepts in their everyday lives as well as develop leadership and communication skills. By giving them the opportunity to connect with STEM professionals, students can use their experiences to explore potential future careers. It is designed to be fast-paced, thought-provoking and, most importantly, FUN.

Starting in 2018, families could choose to sign up their sons and daughters who are ages 6-10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens or remain an all-boy pack. Cub Scout dens will be single gender – all boys or all girls.

Using the same curriculum as the Boy Scouting program, Scouts BSA is scheduled to launch in February 2019, enabling all eligible youth ages 11-17, to earn the Eagle Scout rank. Scouts BSA will be single gender – all-girl troops or all-boy troops. This unique approach allows the Council to maintain the integrity of the single-gender model while also meeting the needs of today's families.

Website - The Catalina Council website is www.catalinacouncil.org.

Catalina Council, Boy Scouts of America Scoutreach LLC (Scoutreach)

The Council is the sole member of the Catalina Council, Boy Scouts of America Scoutreach LLC. Scoutreach was formed on October 14, 2014 for the purpose of receiving donations that qualify for the Arizona individual tax credit for the working poor.

(continued)

1. ORGANIZATIONS (continued)

Boy Scouts Trust Fund

The Boy Scouts Trust Fund ("Fund"), was formed on December 1, 2016 for the purpose of holding principal investments or property given to this fund to invest and reinvest, unless the deed or legacy of a particular gift or gifts specifically authorizes or requires its retention and/or use for a specific purpose or project. Income available from the fund is to be reported at least annually to the Council to be requisitioned and used for the general purposes of promoting and conducting the Council work.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entities Presented and Principles of Consolidation

The accompanying consolidated financial statements present the accounts of the Council, Scoutreach, and the Fund. All significant interagency accounts and transactions have been eliminated in consolidation.

Fund Accounting

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

The accounts of the Council are maintained in three self-balancing fund groups according to their nature and purposes as follows:

General Operating Fund – The general operating fund is used to account for the Council's operating activities.

Capital Fund – The capital fund is used to account for property, buildings, equipment, and donor restricted cash that is to be expended for property, buildings, and equipment and related debt payments. Also included in this fund are investments, either restricted or designated for capital repair and improvements, where the income is either designated or restricted for those particular items. Revenues and expenses related to the capital fundraising campaign are also included in this fund.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment Fund – The endowment fund is normally used to account for amounts of gifts and bequests accepted with legal restrictions based on donor stipulation that the principal be maintained intact in perpetuity, until the occurrence of a specified event or for a specified period, and that only income from the investment thereof be expended either for general purposes or for purposes specified by the donor. Investment funds with and without donor restrictions are also included in the endowment fund.

Certain donor-restricted net assets have been restricted by donors to be maintained by the Council in perpetuity.

Basis of Presentation

The consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Council 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 improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Council's liquidity, financial performance, and cash flows.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with an original maturity of three months or less. The Council maintains its cash in bank and brokerage accounts whose balance may exceed federally insured limits or be uninsured. At December 31, 2018, the Council's bank balances were fully insured.

Accounts Receivable

Accounts receivable are recorded primarily for product sales and are reported at net realizable value if the amounts are due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2018 and 2017. It is the Council's policy to charge off uncollectible accounts receivable when management determines that the receivable will not be collected.

Inventory

Inventory consists of Scouting supplies and other items available for resale and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transfers

The capital fund transferred to the operating fund $3,000 during the year ended December 31, 2018 to assist the operating fund in covering operating costs during the year.

The operating fund transferred to the endowment fund $25,000 and the capital fund transferred to the endowment fund $975,000, for a total of $1,000,000 during the year ended December 31, 2017. These were surplus funds that were invested by the endowment fund.

Contributions

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

Donated Materials and Services

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council 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 Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, alternative investments, commodities, and money-market accounts. The Council accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the Consolidated Statements of Financial Position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the Consolidated Statements of Activities and Changes in Net Assets.

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

Revenue Recognition

Camping and activity revenue are recognized 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.

The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the Consolidated Statements of Activities and Changes in Net Assets.

Properties Held for Sale

Properties held for sale are carried at their estimated fair market value.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land, Buildings, and Equipment

Land, buildings, and equipment purchased are recorded at cost. Donated land, buildings, and equipment are 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 costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to the appropriate fund. Land, buildings, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. It is the Council's policy to capitalize assets with a value of $2,000 or more and with a useful life greater than one year.

Custodial Accounts

Custodial accounts consist of funds held for troops or other organizations.

Endowments

The Council's endowments consist of eight individual funds established for specific purposes. Its endowments consist of both donor-restricted funds and funds designated by the Executive Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds (including funds designated by the Executive Board to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona adopted the Prudent Management of Institutional Funds Act (PMIFA) (the "Act"). The Executive Board of the Council has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, as a result of this interpretation, the Council implemented a policy that classifies as net assets with donor restrictions (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 in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by the Act.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with the Act, the Council considers the following factors in making a determination to appropriate or accumulate endowment funds:

1) The duration and preservation of the fund.
2) The purposes of the Council 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 Council.
7) The investment policies of the Council.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for the years ended December 31, 2018 and 2017 amounted to $11,983 and $13,019, respectively.

Income Tax Status

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Council currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Council has adopted the provisions of the FASB standard on Accounting for Uncertainty in Income Taxes (ASC 740-10-25).

In accordance with FASB Accounting Standards Codification No. 740-10 (ASC 740-10), the Council holds no uncertain tax positions and, therefore, has no policy for evaluating them.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing the various programs and supporting services have been summarized on the Consolidated Statements of Activities and Changes in Net Assets on a functional basis. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, including the Scout executive, accounting, information technology personnel, and payroll taxes. The basis of allocation of these expenses is the result of a time study of staff performed every one or two years, which was most recently done in 2018. The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of three separate studies and is applied to the expenses that are allocated. In accordance with the policy of the National Council of the Boy Scouts of America (the "National Council"), the payment of the charter fee to the National Council is not allocated as a functional expense. The consolidated financial statements report expenses by function in the Consolidated Statements of Functional Expenses.

Estimates

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

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This ASU will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will 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. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective dates of ASU 2014-09. For local councils, the provisions of ASU 2014-09 are now effective for annual reporting periods beginning after December 15, 2018. Transition to the new guidance may be done using either a full or modified retrospective method. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* The amendments in ASU 2014-15 are intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. FASB ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim period within annual periods beginning after December 15, 2016. The Council adopted ASU 2014-15 in 2016 with no significant impact to the consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurements – Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (Topic 820).* This update specifies that an investment for which fair value is measured at net asset value per share or its equivalent using the practical expedient (i.e., the calculation of net asset value per share using the net asset value of the investment) is excluded from categorization within the fair value hierarchy. The update limits the scope of disclosures regarding fair value measurements of investments in certain entities that calculate net asset value per share, or its equivalent, for investments for which the entity has elected to estimate the fair value using that practical expedient. The update is effective for nonpublic entities for fiscal years beginning after December 15, 2016. The Council adopted ASU 2015-07 in 2017 with no significant impact to the consolidated financial statements.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Issued Accounting Standards

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330)* to require that inventory be valued at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this update are effective prospectively for fiscal years beginning after December 15, 2016. The Council adopted ASU 2015-11 in 2017 with no significant impact to the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Consolidated Statements of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated Statements of activities and changes in net assets and the consolidated Statements of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statements of Cash Flows (Topic 230)*. This ASU requires that a statements of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Issued Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires a not-for-profit to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented. The Council has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the consolidated financial statements as of and for the year ending December 31, 2017.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	Operating Fund	Capital Fund	Endowment Fund	Total of all Funds
As Originally Stated:				
Net assets, beginning of year				
Unrestricted	$ 145,016	$ 1,556,672	$ 296,663	$ 1,998,351
Restatements for error (Note 22)	(20,064)	-	-	(20,064)
Unrestricted, as restated	124,952	1,556,672	296,663	1,978,287
Temporarily restricted	16,292	30,000	30,807	77,099
Permanently restricted	-	-	638,690	638,690
Total net assets, beginning of year	$ 141,244	$ 1,586,672	$ 966,160	$ 2,694,076
Net assets, end of year				
Unrestricted	$ 124,366	$ 1,466,351	$ 1,408,550	$ 2,999,267
Temporarily restricted	2,095	31,800	105,717	139,612
Permanently restricted	-	-	655,690	655,690
Total net assets, end of year	$ 126,461	$ 1,498,151	$ 2,169,957	$ 3,794,569
As Restated:				
Net assets, beginning of year				
Without donor restrictions	$ 124,952	$ 1,556,672	$ 296,663	$ 1,978,287
With donor restrictions	16,292	30,000	669,497	715,789
Total net assets, beginning of year	$ 141,244	$ 1,586,672	$ 966,160	$ 2,694,076
Net assets, end of year				
Without donor restrictions	$ 124,366	$ 1,466,351	$ 1,408,550	$ 2,999,267
With donor restrictions	2,095	31,800	761,407	795,302
Total net assets, end of year	$ 126,461	$ 1,498,151	$ 2,169,957	$ 3,794,569

(continued)

3. 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 Statements of Financial Position date, are as follows:

	2018	2017
Cash - Operating Fund	$ 68,130	$ 177,489
Contributions receivable - Operating Fund	2,000	3,660
Accounts receivable - Operating Fund	16,450	31,496
Total financial assets as of year-end	86,580	212,645
Appropriation from quasi-endowment for general expenditure in subsequent year	113,168	49,908
Total financial assets available to meet general expenditures within the next 12 months	$ 199,748	$ 262,553

The Council's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 12, the quasi-endowment has a spending rate of 5% plus ½ of 5% of the growth of the portfolio value, $113,168 and $49,908 of appropriations from the quasi-endowment will be available within the next 12 months as of December 31, 2018 and 2017, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Council has established lines of credit in the amount of $100,000, upon which it could draw. Additionally, the Council has a quasi-endowment of $1,132,451. Although the Council does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 6 for disclosures about investments).

(continued)

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31, 2018 and 2017:

	2018	2017
Pledges receivable in one year	$ 2,000	$ 3,660
Less allowance for doubtful accounts	-	-
Total	$ 2,000	$ 3,660

All contributions receivable were collected in full after each year-end. All were also receivable within one year, therefore a present value adjustment was not required.

5. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at December 31, 2018:

	Basis	Accumulated Depreciation	Net Book Value
Capital Assets			
Land	$ 65,799	$ -	$ 65,799
Land improvements	288,934	(173,649)	115,285
Buildings and improvements	2,444,567	(1,136,483)	1,308,084
Furniture, fixtures and equipment	281,940	(215,316)	66,624
Vehicles	76,293	(53,067)	23,226
Total capital assets	$ 3,157,533	$ (1,578,515)	$ 1,579,018

Land, buildings and equipment consisted of the following at December 31, 2017:

	Basis	Accumulated Depreciation	Net Book Value
Capital Assets			
Land	$ 65,799	$ -	$ 65,799
Land improvements	288,934	(167,870)	121,064
Buildings and improvements	2,368,650	(1,008,339)	1,360,311
Furniture, fixtures and equipment	168,331	(115,908)	52,423
Vehicles	100,065	(94,774)	5,291
Total capital assets	$ 2,991,779	$ (1,386,891)	$ 1,604,888

Depreciation expense was $56,620 and $57,611 for the years ended December 31, 2018 and 2017, respectively.

(continued)

6. INVESTMENTS

The following is a breakdown of investments at December 31, 2018 and 2017:

	2018	2017
Equities	$ 1,593,562	$ 1,544,955
Bond funds	17,292	31,783
Equity funds	228,585	338,071
Real estate investment trusts (REITs)	35,919	25,949
Total	1,875,358	1,940,758
Less restricted by donor endowments	(742,907)	(761,407)
Available for operations	$ 1,132,451	$ 1,179,351

Investment return (loss) for the years ended December 31, 2018 and 2017 is reported in the Statements of Activities and Changes in Net Assets as follows:

	2018	2017
Interest and dividend income	$ 55,734	$ 58,635
Unrealized (loss) gains on securities	(236,534)	145,123
Realized gains on sale of securities	46,998	19,195
Investment fees	(37,675)	(22,649)
Investment (loss) return, net	$ (171,477)	$ 200,304

Investment income (loss) is presented in the Statements of Activities and Changes in Net Assets for the year ended December 31, 2018 as follows:

	Operating Fund	Capital Fund	Endowment Fund	Total
Net assets without donor restrictions	$ 24,000	$ (1,792)	$ (169,685)	$ (147,477)
Net assets with donor restrictions	-	-	(24,000)	(24,000)
Total	$ 24,000	$ (1,792)	$ (193,685)	$ (171,477)

(continued)

6. INVESTMENTS (continued)

Investment income (loss) is presented in the Statements of Activities and Changes in Net Assets for the year ended December 31, 2017 as follows:

	Operating Fund	Capital Fund	Endowment Fund	Total
Net assets without donor restrictions	$ -	$ 10,505	$ 114,889	$ 125,394
Net assets with donor restrictions	-	-	74,910	74,910
Total	$ -	$ 10,505	$ 189,799	$ 200,304

7. NOTES PAYABLE

The following is a summary of notes payable:

Note Holder	Collateral	Monthly Payment	Interest Rate	Maturity Date	Balance 2018	Balance 2017
Angel Charity	DOT	$ -	0%	6/2021	$ 165,000	$ 220,000
Wells Fargo Dealer	Vehicle	$ 233.52	3.99%	3/2024	12,447	-
Total notes payable					177,447	220,000
Less current portion					(55,026)	(55,000)
Total long-term notes payable					$ 122,421	$ 165,000

The future scheduled maturities of principal on the notes is as follows:

Year Ending December 31,	
2019	$ 55,026
2020	57,409
2021	57,508
2022	4,900
2023	2,604
Total	$ 177,447

(continued)

7. NOTES PAYABLE (continued)

Angel Charity

During March 2015, the Council entered into an agreement with the Angel Charity for Children, Inc. (the "Charity") whereby the Charity would provide funding for renovation projects at the Council's Camp Lawton site for $275,000 upon final completion of the renovations.

The funding was provided in the form of a non-interest bearing promissory note that was executed following completion of the renovations in June 2016. The note is to be forgiven evenly over a period of 5 years, beginning one year from June 8, 2016, provided that the Council continues to use the site to provide its children and youth programs. The note is collateralized by a first deed of trust encumbering the real property and improvements at the Council's administrative facility.

In the event that, at any time during the five-year term of the note, the Council fails to operate the children and youth programs at the Camp Lawton site, or if the Camp Lawton site is sold, transferred, leased or abandoned, then the balance due under the note that has not been forgiven shall become immediately due and payable.

During the year ended December 31, 2018, the Council purchased a vehicle for the use of the Scout Executive. This was financed with a loan with a financial institution for $14,905. The loan calls for 72 monthly payments of $233, and has an interest rate of 3.99%. Subsequent to December 31, 2018, the Scout Executive purchased the vehicle from the Council and assumed the balance of the note payable.

8. LINES OF CREDIT

In December 2016, the Council renewed its prior $100,000 revolving line of credit agreement with a bank. Interest only was payable at the prime rate plus 1.5% (totaling 5.25% at December 31, 2016). The outstanding principal balance and any accrued interest are due on December 28, 2017. The line of credit is secured by a deed of trust, assignment of rents, commercial security agreement, and a commercial pledge and security agreement of one of its brokerage accounts which had a balance of $168,453 at December 31, 2016. This line of credit was closed during 2017.

In June 2017, the Council executed a $100,000 revolving line of credit agreement with a bank. Interest only is payable monthly at the prime rate plus .5% (5.00% at December 31, 2018.) The outstanding principal balance and any accrued interest are due June 2018. In June 2018, the line of credit maturity date was extended to June 12, 2019. There was no outstanding balance on the line of credit at December 31, 2018.

(continued)

9. FAIR VALUE MEASUREMENTS

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 820-10 (ASC 820-10), fair value measurements are determined based on the assumptions, referred to as inputs, that market participants would use in pricing the asset. The fair value hierarchy distinguishes between market participant assumptions and the Council's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are the Council's own assumptions about what market participants would assume based on the best information available in the circumstances.

Level 1 inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of the Council's publicly traded securities and mutual funds are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

Level 2 inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. The Council does not utilize Level 2 inputs.

Level 3 inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. Fair values for properties held for sale are determined by reference to property tax assessed values and other relevant information generated by market transactions. No changes were made in the process used to value assets measured using Level 3 inputs during the year ended December 31, 2018.

Fair values of assets measured on a nonrecurring basis at December 31, 2018 and 2017 were as follows:

	2018	2017
Level 1 - publicly traded securities	$ 1,875,358	$ 1,940,758
Level 3 - properties held for sale	141,393	161,393
Total	$ 2,016,751	$ 2,102,151

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) consisted of properties held for sale, with activity as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Beginning fair value	$ 161,393	$ 215,682
Sales	(20,000)	(54,289)
Ending fair value	$ 141,393	$ 161,393

(continued)

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2018			
	Operating Fund	Capital Fund	Endowment Fund	Total of all Funds
Subject to Expenditure for a Specific Purpose:				
Building and equipment maintenance:	$ -	$ 31,950	$ -	$ 31,950
Total purpose restrictions	-	31,950	-	31,950
Subject to the Passage of Time:				
Friends of Scouting	9,031	-	-	9,031
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	505,659	505,659
Program activities	-	-	237,248	237,248
Total subject to endowment spending policy and appropriation	-	-	742,907	742,907
Total net assets with donor restrictions	$ 9,031	$ 31,950	$ 742,907	$ 783,888

(continued)

10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	2017			
	Operating Fund	Capital Fund	Endowment Fund	Total of all Funds
Subject to Expenditure for a Specific Purpose:				
Building and equipment maintenance	$ -	$ 31,800	$ -	$ 31,800
Total purpose restrictions	-	31,800	-	31,800
Subject to the passage of time:				
Friends of Scouting	2,095	-	-	2,095
Endowment				
Subject to endowment spending policy and appropriation:				
General use	-	-	524,159	524,159
Program activities	-	-	237,248	237,248
Total subject to endowment spending policy and appropriation	-	-	761,407	761,407
Total net assets with donor restrictions	$ 2,095	$ 31,800	$ 761,407	$ 795,302

11. NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

The Board has designated a portion of total net assets without donor restrictions at December 31, 2018 and 2017 as follows:

	2018	2017
Quasi-endowment fund, Note 12	$ 1,238,865	$ 1,408,550
Capital fund	197,898	197,898
Total designated net assets	$ 1,436,763	$ 1,606,448

(continued)

12. ENDOWMENTS

Return Objectives and Risk Parameters

The Council has adopted investment 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 or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the Executive Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index, Russell 1000 Value and EAFE while assuming a moderate level of investment risk. The desired investment objective for the endowment fund is a long-term target rate of return of 6% per year on a rolling 5-year basis, while minimizing portfolio volatility.

Equity holdings in any one company should not exceed more than 10% of the market value of the Plan portfolio. Not more than 25% of the market portfolio should be invested in any one industry category. Equity holdings shall be readily marketable securities of corporations that are actively traded on the major U.S. exchanges, including NASDAQ. Additionally, if foreign issues are approved, ADR and ORD shares may be purchased. Cash reserves to cover up to two years' spending may be held in money market funds.

Investment Strategies

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

The Council has a Board-approved total return spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. As of August 2, 2005, the Board-approved spending policy was to distribute up to 5% plus ½ of 5% of the growth of the portfolio balance, not to exceed 25% of the annual operating budget for the Council, for Council operating expenses, and to provide funding for capital improvement an amount not to invade the corpus of the portfolio.

(continued)

12. **ENDOWMENTS** (continued)

Endowment Fund Net Assets

Net assets in the endowment fund consisted of the following at December 31, 2018:

	Board Designated	Restricted by Donor	Total
Beginning balance	$ 1,408,550	$ 761,407	$ 2,169,957
Contributions	1,055	5,500	6,555
Investment (loss), net of fees	(169,856)	(24,000)	(193,856)
Appropriations and expenditures	-	-	-
Ending balance	$ 1,239,749	$ 742,907	$ 1,982,656

Net assets in the endowment fund consisted of the following at December 31, 2017:

	Board Designated	Restricted by Donor	Total
Beginning balance	$ 296,663	$ 669,497	$ 966,160
Contributions	-	17,000	17,000
Investment income, net of fees	111,887	74,910	186,797
Appropriations and expenditures	-	-	-
Interfund transfers	1,000,000	-	1,000,000
Ending balance	$ 1,408,550	$ 761,407	$ 2,169,957

(continued)

13. RENTAL INCOME

The Council leased office space to tenants under operating leases with terms ranging from month-to-month to long-term leases through 2020. Office space available for lease included 15,779 square feet of the total 25,000 square feet of the office facilities previously owned by the Council on Broadway Boulevard in Tucson, Arizona. During 2017, the Council sold this property and purchased a smaller building in which to house their main operations.

The cost basis associated with the rental portion of the Broadway office facilities at December 31, 2017 was $999,207 with accumulated depreciation of $766,338. Rental income for the year ended December 31, 2017 was $45,085.

Additionally, the National Council operates a Scout shop within the Tucson area. The National Council manages the Scout shop and pays the Council a commission of 8 percent on gross sales up to $750,000 and 13 percent on sales in excess of $750,000. The commissions earned (before expenses) by the Council during 2018 and 2017 amounted to $37,761 and $34,482, respectively, which are included in other income in the Statements of Activities and Changes in Net Assets.

14. RETIREMENT PLAN

The Council sponsors a 401(k) profit-sharing plan (the "401(k) Plan") that covers all eligible employees. Employees 21 years of age and older are eligible to make salary reduction contributions. In order to be eligible for employer matching contributions, the employee must be at least 21 years of age and have completed one year of service as defined by the 401(k) Plan. The Council matches 50% of the first 3% of compensation that employees contribute. Effective October 1, 2015, contributions to the 401(k) Plan by the employer are discretionary. The Council made contributions of $2,107 and $1,292, respectively, to the 401(k) Plan during the years ended December 31, 2018 and 2017.

15. PENSION PLAN

The National Council has a qualified contributory retirement plan (the "Plan") administered at the National Office that covers employees of the National Council and local councils, including the Tucson local area Council. The Plan covers all employees who have completed one year of service and who have agreed to make contributions. The Plan was closed to new employees hired after December 31, 2018. Employees whose age plus service in years, greater than or equal to 60 years, with at least 15 years of service as of January 1, 2019 are considered grandfathered employees. The Plan is frozen for non-grandfathered employees as of December 31, 2018. Eligible employees contribute 2% of compensation and the Council contributes an additional 7% to the Plan. Pension expense for the years ending December 31, 2018 and 2017 was $17,580 and $17,480, respectively, and covered current service costs. As of January 1, 2019, grandfathered employees will contribute 4.25% of compensation and the Council will contribute 7.75% to the Plan.

(continued)

15. PENSION PLAN (continued)

The Plan is a defined benefit multi-employer plan, and the individual information for each employer is not available. The actuarial information for the defined benefit plan as of February 1, 2018, indicates that it is in compliance with ERISA regulations regarding funding. The assumed rate of return used in determining actuarial present values of accumulated benefits was 7%. At February 1, 2018, the actuarial information stated that there were changes from the prior year in actuarial assumptions related to mortality assumptions for the Plan year ended December 31, 2018. The Plan uses the aggregate method for purposes of actuarial valuations. The actuarial valuation includes all Plan amendments as of February 1, 2017.

16. DEFERRED COMPENSATION PLAN

During May 2015, the Council established a 457(b) Eligible Tax-Exempt Deferred Compensation Plan for the benefit of its Scout Executive. Employer contributions are discretionary each year as determined by the board and/or the Chief Executive Officer. During the years ended December 31, 2018 and 2017, the Council made contributions of $2,478 and $1,548, respectively, to the Deferred Compensation Plan.

17. SALE OF SUPPLIES

During the year ended December 31, 2010, the Council opened a Scout shop located in Sierra Vista, Arizona. The Scout shop was closed during the year ended December 31, 2018. Gross sales, costs of goods sold and net sales were as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Sales	$ 10,012	$ 35,458
Cost of goods sold	(11,775)	(21,885)
Net sales	$ (1,763)	$ 13,573

(continued)

18. OPERATING LEASES

The Council has several non-cancelable operating leases, primarily for office equipment and office space that expire at various dates through July 2022. Rental expense for those leases totaled $22,229 and $23,997 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments for the next five years under operating leases that have remaining terms in excess of one year as of December 31, 2018 are:

Year Ending December 31,	
2019	$ 18,781
2020	5,018
2021	1,785
2022	892
Total	$ 26,476

19. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Cash paid for interest	$ 1,802	$ -

20. RELATED PARTY TRANSACTIONS

A board member is a partner of the insurance company providing insurance to the Council. The insurance company was paid $6,879 and $5,716 in premiums for the years December 31, 2018 and 2017, respectively.

A Board member is the owner of a restaurant that the Council uses as a food vendor for various events. The Council paid the restaurant $2,741 and $1,655 during the years ended December 31, 2018 and 2017, respectively.

(continued)

20. RELATED PARTY TRANSACTIONS (continued)

A board member was the general contractor for improvements to the Scout camp. Amounts paid to the board member totaled $121,211 during the year ended December 31, 2017.

A board member is an account representative at a media company from which the Council purchased advertising. The Council paid the media company $4,800 during the year ended December 31, 2018.

The Council owed $8,106 and $6,559 to National Boy Scouts of America at December 31, 2018 and 2017, respectively. These amounts are included in accounts payable.

21. CONTINGENCY

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

From time-to-time, the Council may become involved in certain legal proceedings and claims which arise in the normal course of business. Management of the Council does not believe that the outcome of these matters will have a material effect on the Council's financial position.

The Boy Scouts of America National Council has been involved in certain legal proceedings and claims. The Catalina Council is not directly involved in these legal proceedings and claims and management of the Council does not believe the Council will be directly impacted by these matters.

(continued)

22. PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2018, management determined that the custodial funds had been understated on the Statements of net position since the year ended December 31, 2016. A prior period adjustment was made as of January 1, 2017 to correct that error. Also during the year ended December 31, 2018, management determined that balances in accounts receivable and accrued expenses related to the popcorn fundraising program had been removed in error. These errors were corrected as of December 31, 2017, with the effect on amounts presented in the consolidated financial statements as follows:

Net assets without donor restrictions as reported:	$ 145,016
Restatement related to custodial accounts	(20,064)
Net assets without donor restrictions, January 1, 2017, as restated	$ 124,952
Custodial accounts as reported:	$ 193,070
Restatement	20,064
Custodial accounts, January 1, 2017, as restated	$ 213,134
Accounts and other receivables as reported:	$ 1,731
Restatement	29,765
Accounts receivable December 31, 2017, as restated	$ 31,496
Accounts payable as reported:	$ 34,646
Restatement	13,052
Accounts payable December 31, 2017, as restated	$ 47,698
Commissions paid as reported, December 31, 2017,	$ 112,587
Restatement	16,713
Commissions paid, December 31, 2017, as restated	$ 95,874

23. SUBSEQUENT EVENTS

Management's Review

Subsequent events have been evaluated through May 16, 2019, which is the date the consolidated financial statements were available to be issued.

See Note 7 regarding the sale of a vehicle to the Scout Executive in 2019.