CATALINA COUNCIL, BOY SCOUTS OF AMERICA

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

RCM
REGIER CARR & MONROE, LLP, CPAs

CATALINA COUNCIL, BOY SCOUTS OF AMERICA

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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, 2019 and 2018, 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)

4801 E. BROADWAY BLVD. STE. 501 TUCSON, AZ 85711-3648 RCMTUCSON.COM P 520-624-8229 F 520-884-1102 REGIER CARR & MONROE LLP, CPAs TUCSON I TULSA/McALESTER I WICHITA

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, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements for 2019, Catalina Council, Boy Scouts of America adopted new accounting guidance *ASU No. 2014-09 – Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Regier Carr & Monroe, L.L.P.

June 2, 2020
Tucson, Arizona

BOY SCOUTS OF AMERICA - CATALINA COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total
Cash and cash equivalents	$ 197,443	$ 11,703	$ 280,812	$ 489,958
Accounts and other receivables	3,093	-	959	4,052
Contributions receivable, net - Note 4	51,570	300	1,200	53,070
Inventory	951	-	-	951
Prepaid expenses	11,882	-	2,396	14,278
Total current assets	264,939	12,003	285,367	562,309
Properties held for sale - Note 9	17,500	13,451	442	31,393
Land, buildings and equipment, net - Note 5	-	1,499,089	-	1,499,089
Investments - Notes 6 and 9	-	9,063	2,058,308	2,067,371
Total noncurrent assets	17,500	1,521,603	2,058,750	3,597,853
Total assets	$ 282,439	$ 1,533,606	$ 2,344,117	$ 4,160,162

LIABILITIES AND NET ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total
Accounts payable	$ 63,907	$ -	$ -	$ 63,907
Notes payable, current portion - Note 7	-	55,000	-	55,000
Custodial accounts	329,178	-	-	329,178
Deferred revenue	4,340	-	-	4,340
Total current liabilities	397,425	55,000	-	452,425
Notes payable, less current portion - Note 7	-	55,000	-	55,000
Total liabilities	397,425	110,000	-	507,425
Net assets:				
Net assets without donor restrictions	(256,695)	1,388,806	1,568,112	2,700,223
Net assets with donor restrictions	141,709	34,800	776,005	952,514
Total net assets (deficit)	(114,986)	1,423,606	2,344,117	3,652,737
Total liabilities and net assets	$ 282,439	$ 1,533,606	$ 2,344,117	$ 4,160,162

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, 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 - 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 ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2019

	Operating Fund	Capital Fund	Endowment Fund	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Support and revenue				
Direct support:				
Friends of Scouting	$ 181,570	$ -	$ -	$ 181,570
Project sales	1,943	-	-	1,943
Special events	140,870	-	-	140,870
Less cost of direct benefit to donors	(37,473)	-	-	(37,473)
Net special events	103,397	-	-	103,397
Foundations and trusts	136,519	-	-	136,519
Other direct support	52,756	55,000	-	107,756
Total direct support	476,185	55,000	-	531,185
United Way and other indirect support	15,223	-	-	15,223
Total support	491,408	55,000	-	546,408
Revenue				
Sale of supplies - Note 17	12,741	-	-	12,741
Less cost of goods sold	(6,468)	-	-	(6,468)
Net sale of supplies	6,273	-	-	6,273
Product sales	369,468	-	-	369,468
Less cost of goods sold	(123,008)	-	-	(123,008)
Less commissions paid	(124,816)	-	-	(124,816)
Net product sales	121,644	-	-	121,644
Investment return, net - Note 6	99,000	1,036	326,304	426,340
Camping revenue	290,165	-	-	290,165
Less cost of goods sold	(17,831)	-	-	(17,831)
Net camping revenue	272,334	-	-	272,334
Activity revenue	39,350	-	-	39,350
Other revenue	165,525	-	1,889	167,414
Total revenue	704,126	1,036	328,193	1,033,355
Net assets released from restrictions				
Satisfaction of program restrictions	5,681	-	-	5,681
Expiration of time restrictions	1,120	-	-	1,120
Total support and revenue	1,202,335	56,036	328,193	1,586,564

(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, 2019

	Operating Fund	Capital Fund	Endowment Fund	Total
EXPENSES AND LOSSES				
Program services	1,118,430	65,560	(148)	1,183,842
Management and general support services	86,376	2,233	(8)	88,601
Fundraising support services	116,757	2,676	(14)	119,419
Total functional expenses	1,321,563	70,469	(170)	1,391,862
Loss on disposal of assets	50,371	626	-	50,997
Unallocated payments to affiliated organizations	15,799	-	-	15,799
Total expenses	1,387,733	71,095	(170)	1,458,658
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(185,398)	(15,059)	328,363	127,906
NET ASSETS WITH DONOR RESTRICTIONS				
Direct support				
Friends of Scouting	37,900	-	-	37,900
Grants and contributions	-	2,850	-	2,850
Foundations and trusts	84,908	-	-	84,908
Other direct support	16,543	-	33,098	49,641
Indirect support	128	-	-	128
Investment return, net - Note 6	-	-	-	-
Total support and revenue	139,479	2,850	33,098	175,427
Net assets released from restrictions	(6,801)	-	-	(6,801)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	132,678	2,850	33,098	168,626
NET CHANGE IN NET ASSETS	(52,720)	(12,209)	361,461	296,532
NET ASSETS, BEGINNING 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), BEGINNING OF YEAR	(62,266)	1,435,815	1,982,656	3,356,205
NET ASSETS, END OF YEAR				
Net assets without donor restrictions	(256,695)	1,388,806	1,568,112	2,700,223
Net assets with donor restrictions	141,709	34,800	776,005	952,514
TOTAL NET ASSETS (DEFICIT), END OF YEAR	$ (114,986)	$ 1,423,606	$ 2,344,117	$ 3,652,737

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 asset	-	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

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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, 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 (DEFICIT), 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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

		Supporting Services			
	Program Services	Management and General	Fundraising	Total	Total Expenses
Employee Compensation					
Salaries	$ 475,328	$ 23,864	$ 41,265	$ 65,129	$ 540,457
Employee benefits	63,298	3,496	6,046	9,542	72,840
Payroll taxes	37,555	2,068	3,576	5,644	43,199
Employee Related Expenses	26,684	1,141	1,974	3,115	29,799
Total employee compensation	602,865	30,569	52,861	83,430	686,295
Other Expenses					
Professional fees	85,594	4,827	31,022	35,849	121,443
Supplies	115,168	527	2,175	2,702	117,870
Telephone	20,278	499	862	1,361	21,639
Postage and shipping	2,164	(25)	6,934	6,909	9,073
Occupancy	84,975	1,230	2,126	3,356	88,331
Equipment rental and maintenance	30,390	872	1,508	2,380	32,770
Printing and publications	5,398	-	762	762	6,160
Travel	45,949	1,756	3,036	4,792	50,741
Conferences and meetings	13,765	523	905	1,428	15,193
Specific assistance to individuals	5,700	-	-	-	5,700
Recognition awards	42,679	29	7,320	7,349	50,028
Interest expense	1,257	737	88	825	2,082
Insurance	23,229	40,859	1,791	42,650	65,879
Cost of direct benefit to donors	31,873	2,385	3,215	5,600	37,473
Cost of goods sold	125,292	9,377	12,638	22,015	147,307
Commissions paid	106,162	7,945	10,709	18,654	124,816
Other expenses	39,148	4,660	5,370	10,030	49,178
	779,021	76,201	90,461	166,662	945,683
Less Expenses Netted Against Revenue					
Cost of direct benefit to donors	(31,873)	(2,385)	(3,215)	(5,600)	(37,473)
Cost of goods sold	(125,292)	(9,377)	(12,638)	(22,015)	(147,307)
Commissions paid	(106,162)	(7,945)	(10,709)	(18,654)	(124,816)
Total other expenses	515,694	56,494	63,899	120,393	636,087
Total expenses before depreciation	1,118,559	87,063	116,760	203,823	1,322,382
Depreciation of buildings and equipment	65,283	1,538	2,659	4,197	69,480
Total functional expenses	$ 1,183,842	$ 88,601	$ 119,419	$ 208,020	$ 1,391,862

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

		Supporting Services			
	Program Services	Management and General	Fundraising	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 CASH FLOWS
For the Year Ended December 31, 2019

	Operating Fund	Capital Fund	Endowment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net change in net assets	$ (52,720)	$ (12,209)	$ 361,461	$ 296,532
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation	-	69,480	-	69,480
Realized loss on disposal of fixed assets	50,371	626	-	50,997
Unrealized (gains) on investments	-	(945)	(374,378)	(375,323)
Realized (gains) on investments	-	-	(28,988)	(28,988)
Debt assumed by buyer of vehicle	-	(12,447)	-	(12,447)
Forgiveness of debt	-	(55,000)	-	(55,000)
(Increase) decrease in operating assets				
Accounts and other receivables	13,357	-	1,158	14,515
Contributions receivable	(49,570)	(300)	(1,200)	(51,070)
Interfund loans	(11,123)	11,123	-	-
Prepaid expenses	24,097	305	(2,396)	22,006
Increase (decrease) in operating liabilities				
Accounts payable	24,814	(697)	(170)	23,947
Deferred revenue	(9,760)	-	-	(9,760)
Other current liabilities	(11,085)	-	-	(11,085)
Custodial accounts	91,303	-	-	91,303
Net cash provided by (used in) operating activities	69,684	(64)	(44,513)	25,107
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of land, buildings and equipment	-	(625)	-	(625)
Proceeds from sale of properties held for sale	59,629	-	-	59,629
Proceeds from sales of investments	-	-	216,503	216,503
Proceeds from sale of land, buildings and equipment	-	10,448	-	10,448
Investment purchases	-	(1,371)	(2,834)	(4,205)
Net cash provided by investing activities	59,629	8,452	213,669	281,750
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Advances on line of credit	25,000	-	-	25,000
Repayments on line of credit	(25,000)	-	-	(25,000)
Net cash provided by financing activities	-	-	-	-
Net change in cash and cash equivalents	129,313	8,388	169,156	306,857
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	68,130	3,315	111,656	183,101
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 197,443	$ 11,703	$ 280,812	$ 489,958

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) 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

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

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 is 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 youth to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods which are now in common use by the Boys Scouts of America. The Council delivered the Scouting program to 7,400 youth members in 2019.

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.

<u>Scout Oath</u>

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.

<u>Scout Law</u>

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 Scouting program includes the following:

<u>Lion Scouts</u> – A fun introduction to the Scouting program for kindergarten-age youth. 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.

(continued)

1. ORGANIZATIONS (CONTINUED)

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

Cub Scouting – Family and community-centered approach to learning citizenship, compassion, and courage through service projects, ceremonies, games, and other activities promoting character development and physical fitness.

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

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

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.

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

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 boys and girls 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.

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 ("Trust"), was formed on December 1, 2016 for the purpose of holding principal investments or property given to this Trust 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 Trust 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 Trust. 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, 2019, 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, 2019 and 2018. 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

There were no interfund transfers during the year ended December 31, 2019.

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.

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

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

The Council's Service Center sells select Scouting-related items, primarily patches. The Council also operates a Trading Post at its summer camp, which sell Scouting-related merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Council based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Council recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Council estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2019 and 2018.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of 38% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council (if applicable). The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. Per FASB ASU 2014-09, the Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the Council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. The Council uses the Trail's End website to track and manage unit accounts receivable. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its statements of activities and changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions.

Scout units have the right to return to the Council any full cases of unsold product, subject to a return-by date of November 12th. As of December 31, 2019 and 2018, minimal popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

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

Other revenue consists primarily of rent revenue and is recognized on a monthly basis as earned.

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 $1,000 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. See Note 12 for disclosure of the Council's endowment spending policy.

(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, 2019 and 2018 amounted to $7,097 and $11,983, 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.

Recent Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

As of January 1, 2019, the Council adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending December 31, 2019 and 2018 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In 2019, the Council adopted the provisions of FASB ASU 2016-18, Statement of Cash Flows (Topic 230). This ASU requires that a statement 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 statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Council has applied the provisions of ASU 2016-18 to retrospectively to all periods presented with no effect on net assets or previously issued 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 statement 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 statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2019, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. 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)

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 changed the previous guidance for net asset classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduced 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 was eliminated. ASU 2016-14 requires not- for-profit entities to disclose the aggregate fair value of underwater endowment funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires an NFP to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds are classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the previous 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 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 must 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. For statements of cash flows, 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 was effective for annual reporting periods beginning after December 15, 2017. The Council adopted the provisions of ASU 2016-14 in 2018 and has retrospectively applied this standard to the consolidated financial statements as of and for the year ending December 31, 2017. Accordingly, adoption of this accounting pronouncement had no effect on 2018 net assets.

(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:

	2019	2018
Cash - Operating Fund	$ 197,443	$ 68,130
Contributions receivable, net - Operating Fund	51,570	2,000
Accounts receivable - Operating Fund	3,093	16,450
Total financial assets as of year-end	252,106	86,580
Appropriation from quasi-endowment for general expenditure in subsequent year	99,133	113,168
Total financial assets available to meet general expenditures within the next 12 months	$ 351,239	$ 199,748

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, $99,133 and $113,168 of appropriations from the quasi-endowment will be available within the next 12 months as of December 31, 2019 and 2018, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in 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 $1,069,180. 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, 2019 and 2018:

	2019	2018
Pledges receivable in one year	$ 66,319	$ 2,000
Less allowance for doubtful accounts	(13,249)	-
Total	$ 53,070	$ 2,000

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, 2019:

	Basis	Accumulated Depreciation	Net Book Value
Capital Assets			
Land	$ 65,799	$ -	$ 65,799
Land improvements	290,235	(175,666)	114,569
Buildings and improvements	2,444,567	(1,187,318)	1,257,249
Furniture, fixtures and equipment	283,235	(224,680)	58,555
Vehicles	51,243	(48,326)	2,917
Total capital assets	$ 3,135,079	$ (1,635,990)	$ 1,499,089

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

Depreciation expense was $69,480 and $56,620 for the years ended December 31, 2019 and 2018, respectively.

(continued)

6. INVESTMENTS

The following is a breakdown of investments at December 31, 2019 and 2018:

	2019	2018
Equities	$ 1,831,408	$ 1,593,562
Bond funds	22,975	17,292
Equity funds	164,781	228,585
Real estate investment trusts (REITs)	48,207	35,919
Total	2,067,371	1,875,358
Less restricted by donor endowments	(776,005)	(742,907)
Available for operations	$ 1,291,366	$ 1,132,451

Investment return (loss) for the years ended December 31, 2019 and 2018 is reported in the Statements of Activities and Changes in Net Assets as follows:

	2019	2018
Interest and dividend income	$ 59,020	$ 55,734
Unrealized gains (loss) on securities	375,323	(236,534)
Realized gains on sale of securities	28,988	46,998
Investment fees	(36,991)	(37,675)
Investment gain (loss) return, net	$ 426,340	$ (171,477)

Investment income (loss) is presented in the Statements of Activities and Changes in Net Assets for the year ended December 31, 2019 as follows:

	Operating Fund	Capital Fund	Endowment Fund	Total
Net assets without donor restrictions	$ 99,000	$ 1,036	$ 425,304	$ 525,340
Net assets with donor restrictions	-	-	(99,000)	(99,000)
Total	$ 99,000	$ 1,036	$ 326,304	$ 426,340

(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, 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)

7. **NOTES PAYABLE**

The following is a summary of notes payable:

Note Holder	Collateral	Monthly Payment	Interest Rate	Maturity Date	Balance 2019	Balance 2018
Angel Charity	DOT	$ -	0%	6/2021	$ 110,000	$ 165,000
Wells Fargo Dealer	Vehicle	$ 233.52	3.99%	3/2024	-	12,447
Total notes payable					110,000	177,447
Less current portion					(55,000)	(55,026)
Total long-term notes payable					$ 55,000	$ 122,421

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

Year Ending December 31,	
2020	$ 55,000
2021	55,000
Total	$ 110,000

(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.

Wells Fargo Dealer

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%. During the year ended December 31, 2019, the Scout Executive purchased the vehicle from the Council and assumed the balance of the note payable.

8. LINE OF CREDIT

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% (5.250% at December 31, 2019.) The outstanding principal balance and any accrued interest are due June 2019. In June 2019, the line of credit maturity date was extended to June 12, 2020. There was no outstanding balance on the line of credit at December 31, 2019.

(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, mutual funds, and REITs 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, 2019.

Fair values of assets measured on a nonrecurring basis at December 31, 2019 and 2018 were as follows:

	2019	2018
Level 1 - publicly traded securities	$ 2,067,371	$ 1,875,358
Level 3 - properties held for sale	31,393	141,393
Total	$ 2,098,764	$ 2,016,751

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, 2019 and 2018:

	2019	2018
Beginning fair value	$ 141,393	$ 161,393
Sales	(110,000)	(20,000)
Ending fair value	$ 31,393	$ 141,393

(continued)

10. 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 of all Funds
Subject to Expenditure for a Specific Purpose:				
Building and equipment maintenance:	$ -	$ 34,800	$ -	$ 34,800
Total purpose restrictions	-	34,800	-	34,800
Subject to the Passage of Time:				
Friends of Scouting	141,709	-	-	141,709
Endowment:				
Subject to endowment spending policy and appropriation:				
General use	-	-	538,756	538,756
Program activities	-	-	237,249	237,249
Total subject to endowment spending policy and appropriation	-	-	776,005	776,005
Total net assets with donor restrictions	$ 141,709	$ 34,800	$ 776,005	$ 952,514

(continued)

10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

11. NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

The Board has designated a portion of total net assets without donor restrictions at December 31, 2019 and 2018 as follows:

	2019	2018
Quasi-endowment fund, Note 12	$ 1,568,112	$ 1,239,749
Capital fund	197,898	197,898
Total designated net assets	$ 1,766,010	$ 1,437,647

(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. See Note 22 for disclosure of new spending policy enacted in 2020.

(continued)

12. **ENDOWMENTS** (continued)

Endowment Fund Net Assets

Net assets in the endowment fund consisted of the following at December 31, 2019:

	Board Designated	Restricted by Donor	Total
Beginning balance	$ 1,239,749	$ 742,907	$ 1,982,656
Contributions	2,059	33,098	35,157
Investment income, net of fees	326,304	-	326,304
Appropriations and expenditures	-	-	-
Ending balance	$ 1,568,112	$ 776,005	$ 2,344,117

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

(continued)

13. RENTAL INCOME

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 2019 and 2018 amounted to $29,787 and $37,761, respectively, which are included in other revenue 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. During 2019, the Council began placing a flat 6% contribution of staff salaries and an additional matching amount for staff that choose to defer pay. The Council made contributions of $20,387 and $2,107, respectively, to the 401(k) Plan during the years ended December 31, 2019 and 2018.

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, 2019 and 2018 was $11,035 and $17,580, 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, 2019, 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 6.5%. At February 1, 2019, the actuarial information stated that there were changes from the prior year in the discount rate, actuarial assumptions related to mortality assumptions, and the decrement timing model used to value the plan liabilities for the Plan year ended December 31, 2019. 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 year ended December 31, 2018, the Council made contributions of $2,478 to the Deferred Compensation Plan. The Council did not make contributions to the plan during the year ended December 31, 2019.

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. Additional items are sold at the Tucson office. Gross sales, costs of goods sold and net sales were as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Sales	$ 12,741	$ 10,012
Cost of goods sold	(6,468)	(11,775)
Net sales	$ 6,273	$ (1,763)

(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 $18,781 and $22,229 for the years ended December 31, 2019 and 2018, 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, 2019 are:

Year Ending December 31,	
2020	$ 5,018
2021	1,785
2022	892
Total	$ 7,695

19. SUPPLEMENTAL CASH FLOW INFORMATION

	2019	2018
Cash paid for interest	$ 2,082	$ 1,802

20. RELATED PARTY TRANSACTIONS

A Board member is an executive of the insurance company providing insurance to the Council. The insurance company was paid $6,792 and $6,879 in premiums for the years ended December 31, 2019 and 2018, 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 $2,265 and $2,741 during the years ended December 31, 2019 and 2018, respectively.

A board member is an account representative at a media company from which the Council has purchased advertising. The Council paid the media company $4,800 during the year ended December 31, 2018. The Council did not make any payments to the company during the year ended December 31, 2019.

The Council owed $1,479 and $8,106 to National Boy Scouts of America at December 31, 2019 and 2018, respectively. These amounts are included in accounts payable.

(continued)

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 currently directly involved in these legal proceedings and claims. However, management of the Council is unable to determine at this time whether they will be directly impacted by these matters.

22. SUBSEQUENT EVENTS

Management's Review

Subsequent events have been evaluated through June 2, 2020, which is the date the consolidated financial statements were available to be issued.

Subsequent to year end 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from federal, state, and local authorities requiring forced closures of many businesses and organizations. These forced closures could negatively impact the Council's revenue. While the closures and limitations on movement are expected to be temporary, the duration of the disruption and related financial impact, cannot be estimated at this time. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread, the impact could have a material adverse effect on the Council's financial position, activities and cash flow.

In April of 2020, the Council received a Paycheck Protection Program loan from the U.S. Small Business Administration. The loan may be forgivable in whole or in part. The loan proceeds received were $120,412. For any portion that is not forgiven, the Council will have to repay it over a three-year period beginning in December 2020. The loan is unsecured and bears interest at 1%.

Additionally, subsequent to year end 2019, the Council adopted a new Board-approved spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. The policy allows an income withdrawal of up to 5% of the three year average balance of the endowment fund at the end of the second quarter of the previous budget year. In the event that two successive years of withdrawals result in a diminished current value of the endowment fund, the payout rate must be reviewed.