

Catalina Council, Inc. Boy Scouts of America

Consolidated Financial Statements

Years Ended December 31, 2021 and 2020



WIPFLI

Independent Auditor's Report

Board of Directors
Catalina Council Inc., Boy Scouts of America
Tucson, Arizona

Opinion

We have audited the consolidated financial statements of Catalina Council Inc., Boy Scouts of America (the "Council"), a nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catalina Council Inc., Boy Scouts of America as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Wipfli LLP

Wipfli LLP

Duluth, Minnesota

June 17, 2022

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Financial Position

December 31, 2021

Assets	Operating Fund	Capital Fund	Endowment Fund	2021 Total
Current assets:				
Cash	\$ 193,358	\$ 32,000	\$ 9,050	\$ 234,408
Short-term investments	-	315	1,069,332	1,069,647
Accounts receivable	7,724	-	775	8,499
Contributions receivable - net	24,045	300	1,000	25,345
Inventories	3,308	-	-	3,308
Prepaid expenses	31,768	-	-	31,768
Total current assets	260,203	32,615	1,080,157	1,372,975
Other assets:				
Property held for sale	17,500	48,908	442	66,850
Property and equipment - net	-	1,540,265	-	1,540,265
Investments	-	-	1,532,389	1,532,389
Total other assets	17,500	1,589,173	1,532,831	3,139,504
TOTAL ASSETS	\$ 277,703	\$ 1,621,788	\$ 2,612,988	\$ 4,512,479
Liabilities and Net Assets	Operating Fund	Capital Fund	Endowment Fund	2021 Total
Current liabilities:				
Accounts payable	\$ 10,310	\$ -	\$ -	\$ 10,310
Accrued expenses	22,510	-	1,080,484	1,102,994
Custodial accounts	209,710	-	-	209,710
Deferred revenue	2,825	-	-	2,825
Total current liabilities	245,355	-	1,080,484	1,325,839
Long-term debt	149,900	-	-	149,900
Total liabilities	395,255	-	1,080,484	1,475,739
Net assets:				
Without donor restrictions	(147,028)	1,590,014	738,170	2,181,156
With donor restrictions	29,476	31,774	794,334	855,584
Total net assets	(117,552)	1,621,788	1,532,504	3,036,740
TOTAL LIABILITIES AND NET ASSETS	\$ 277,703	\$ 1,621,788	\$ 2,612,988	\$ 4,512,479

See accompanying notes to financial statements.

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Financial Position

December 31, 2020

Assets	Operating Fund	Capital Fund	Endowment Fund	2020 Total
Current assets:				
Cash	\$ 135,306	\$ 17,694	\$ 10,709	\$ 163,709
Short-term investments	-	-	98,455	98,455
Accounts receivable	27,564	-	1,127	28,691
Contributions receivable - net	27,007	300	-	27,307
Inventories	2,910	-	-	2,910
Prepaid expenses	22,684	-	2,396	25,080
Interfund loans	(82,547)	-	82,547	-
Total current assets	132,924	17,994	195,234	346,152
Other assets:				
Property held for sale	17,500	13,451	442	31,393
Property and equipment - net	-	1,522,018	-	1,522,018
Investments	-	-	2,324,578	2,324,578
Total other assets	17,500	1,535,469	2,325,020	3,877,989
TOTAL ASSETS	\$ 150,424	\$ 1,553,463	\$ 2,520,254	\$ 4,224,141
Liabilities and Net Assets	Operating Fund	Capital Fund	Endowment Fund	2020 Total
Current liabilities:				
Accounts payable	\$ 13,861	\$ -	\$ -	\$ 13,861
Accrued expenses	39,458	-	-	39,458
Custodial accounts	201,832	-	-	201,832
Current portion of long-term debt	-	55,000	-	55,000
Total current liabilities	255,151	55,000	-	310,151
Long-term debt, net of current maturities	149,900	-	-	149,900
Total liabilities	405,051	55,000	-	460,051
Net assets:				
Without donor restrictions	(284,627)	1,493,663	1,738,347	2,947,383
With donor restrictions	30,000	4,800	781,907	816,707
Total net assets	(254,627)	1,498,463	2,520,254	3,764,090
TOTAL LIABILITIES AND NET ASSETS	\$ 150,424	\$ 1,553,463	\$ 2,520,254	\$ 4,224,141

See accompanying notes to financial statements.

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Operating Fund	Capital Fund	Endowment Fund	2021 Total
Changes in net assets without donor restrictions:				
Direct support:				
Friends of Scouting	\$ 79,654	\$ -	\$ -	\$ 79,654
Capital Campaign	-	611	-	611
Special events	102,191	-	-	102,191
Less: Direct cost of special events	(14,552)	-	-	(14,552)
Special events - Net	87,639	-	-	87,639
Foundations and trusts	61,357	-	-	61,357
Legacies and bequests	-	-	210	210
Government grants	127,141	-	-	127,141
Other direct support	56,446	160,857	-	217,303
Total direct support	412,237	161,468	210	573,915
Indirect support:				
United Way and other indirect support	11,466	-	-	11,466
Net assets released from restriction	30,000	2,700	-	32,700
Revenue:				
Sales of supplies - Gross	2,972	-	-	2,972
Less: Cost of goods sold	-	-	-	-
Net sale of supplies	2,972	-	-	2,972
Product sales - Gross	162,261	-	-	162,261
Less: Cost of goods sold	(57,583)	-	-	(57,583)
Less: Commissions paid to units	(52,261)	-	-	(52,261)
Net product sales	52,417	-	-	52,417
Camping revenue	58,429	-	-	58,429
Activity revenue	25,715	-	-	25,715
Interest and dividend income - net	106,500	-	(106,275)	225
Realized gain on investments	-	-	300,796	300,796
Unrealized gain on investments	-	315	39,298	39,613
Other	80,861	552	1,890	83,303
Total revenue	326,894	867	235,709	563,470
Total support and revenue	780,597	165,035	235,919	1,181,551

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Activities and Changes in Net Assets (Continued)
Year Ended December 31, 2021

	Operating Fund	Capital Fund	Endowment Fund	2021 Total
Expenses:				
Program services	\$ 637,368	\$ 79,537	\$ -	\$ 716,905
Support services:				
Management and general	52,830	1,222	-	54,052
Fund-raising	71,487	2,510	6,590	80,587
Total support services	124,317	3,732	6,590	134,639
Total functional expenses	761,685	83,269	6,590	851,544
Contribution to settlement trust	-	-	1,080,484	1,080,484
Charter and National service fees	15,750	-	-	15,750
Total expenses	777,435	83,269	1,087,074	1,947,778
Increase (decrease) in net assets without donor restrictions	3,162	81,766	(851,155)	(766,227)
Changes in net assets with donor restrictions:				
Direct support:				
Friends of Scouting	26,023	-	-	26,023
Capital campaign	-	29,000	-	29,000
Legacies and bequests	-	674	-	674
Other direct support	3,453	-	12,427	15,880
Total direct support	29,476	29,674	12,427	71,577
Net assets released from restriction	(30,000)	(2,700)	-	(32,700)
Increase (decrease) in net assets with donor restrictions	(524)	26,974	12,427	38,877
Increase (decrease) in total net assets	2,638	108,740	(838,728)	(727,350)

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Activities and Changes in Net Assets (Continued)
Year Ended December 31, 2021

	Operating Fund	Capital Fund	Endowment Fund	2021 Total
Net assets, beginning of the year				
Without donor restrictions	\$ (284,627)	\$ 1,493,663	\$ 1,738,347	\$ 2,947,383
With donor restrictions	30,000	4,800	781,907	816,707
Total net assets, beginning of the year	(254,627)	1,498,463	2,520,254	3,764,090
Interfund transfers	134,437	14,585	(149,022)	-
Net assets, end of the year				
Without donor restrictions	(147,028)	1,590,014	738,170	2,181,156
With donor restrictions	29,476	31,774	794,334	855,584
Total net assets, end of the year	\$ (117,552)	\$ 1,621,788	\$ 1,532,504	\$ 3,036,740

See accompanying notes to financial statements.

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	Operating Fund	Capital Fund	Endowment Fund	2020 Total
Changes in net assets without donor restrictions:				
Direct support:				
Friends of Scouting	\$ 103,788	\$ -	\$ -	\$ 103,788
Project sales	1,500	-	-	1,500
Special events	52,059	-	-	52,059
Less: Direct cost of special events	(10,079)	-	-	(10,079)
Special events - Net	41,980	-	-	41,980
Foundations and trusts	53,809	-	-	53,809
Legacies and bequests	-	-	500	500
Government grants	133,193	-	-	133,193
Other direct support	49,124	150,000	-	199,124
Total direct support	383,394	150,000	500	533,894
Indirect support:				
United Way and other indirect support	14,183	-	-	14,183
Net assets released from restriction	145,411	30,000	-	175,411
Revenue:				
Sales of supplies - Gross	1,267	-	-	1,267
Less: Cost of goods sold	-	-	-	-
Net sale of supplies	1,267	-	-	1,267
Product sales - Gross	57,738	-	-	57,738
Less: Cost of goods sold	(21,244)	-	-	(21,244)
Less: Commissions paid to units	(24,690)	-	-	(24,690)
Net product sales	11,804	-	-	11,804
Camping revenue	39,259	-	-	39,259
Activity revenue	12,339	-	-	12,339
Interest and dividend income - net	109,000	39	(109,164)	(125)
Realized gain (loss) on investments	-	(947)	49,831	48,884
Unrealized gain (loss) on investments	-	(416)	228,521	228,105
Other	108,861	2,183	547	111,591
Total revenue	282,530	859	169,735	453,124
Total support and revenue	825,518	180,859	170,235	1,176,612

Catalina Council, Inc.
Boy Scouts of America

Consolidated Statement of Activities and Changes in Net Assets (Continued)

Year Ended December 31, 2020

	Operating Fund	Capital Fund	Endowment Fund	2020 Total
Expenses:				
Program services	\$ 684,542	\$ 72,569	\$ -	\$ 757,111
Support services:				
Management and general	68,854	1,258	-	70,112
Fund-raising	79,302	2,175	-	81,477
Total support services	148,156	3,433	-	151,589
Total functional expenses	832,698	76,002	-	908,700
Charter and National service fees	17,050	-	-	17,050
Total expenses	849,748	76,002	-	925,750
Increase (decrease) in net assets without donor restrictions	(24,230)	104,857	170,235	250,862
Changes in net assets with donor restrictions:				
Direct support:				
Friends of Scouting	27,500	-	-	27,500
Other direct support	2,500	-	5,902	8,402
Total direct support	30,000	-	5,902	35,902
Net assets released from restriction	(145,411)	(30,000)	-	(175,411)
Increase (decrease) in net assets with donor restrictions	(115,411)	(30,000)	5,902	(139,509)
Increase (decrease) in total net assets	(139,641)	74,857	176,137	111,353

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Activities and Changes in Net Assets (Continued)
Year Ended December 31, 2020

	Operating Fund	Capital Fund	Endowment Fund	2020 Total
Net assets, beginning of the year				
Without donor restrictions	\$ (256,695)	\$ 1,388,806	\$ 1,568,112	\$ 2,700,223
With donor restrictions	141,709	34,800	776,005	952,514
Total net assets, beginning of the year	(114,986)	1,423,606	2,344,117	3,652,737
Adjustments to net assets				
Without donor restrictions	(3,702)	-	-	(3,702)
With donor restrictions	3,702	-	-	3,702
Net assets, end of the year				
Without donor restrictions	(284,627)	1,493,663	1,738,347	2,947,383
With donor restrictions	30,000	4,800	781,907	816,707
Total net assets, end of the year	\$ (254,627)	\$ 1,498,463	\$ 2,520,254	\$ 3,764,090

See accompanying notes to financial statements.

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Support Services				2021 Total
	Program Services	Management and General	Fund - Raising	Total Support Services	
Employee compensation:					
Salaries	\$ 292,203	\$ 15,307	\$ 26,469	\$ 41,776	\$ 333,979
Employee benefits	54,990	3,033	5,244	8,277	63,267
Payroll taxes	23,734	1,308	2,262	3,570	27,304
Employee related	4,062	224	388	612	4,674
Total employee compensation	374,989	19,872	34,363	54,235	429,224
Other expenses:					
Professional fees	72,647	(4,437)	25,861	21,424	94,071
Supplies	31,314	113	2,838	2,951	34,265
Supplies and other for special events	-	-	14,552	14,552	14,552
Popcorn expenses	57,583	-	-	-	57,583
Commissions paid to units	52,261	-	-	-	52,261
Telephone	14,145	466	807	1,273	15,418
Postage and shipping	713	42	3,403	3,445	4,158
Occupancy	88,857	776	2,055	2,831	91,688
Rent and maintenance of equipment	13,659	651	1,125	1,776	15,435
Printing and publications	980	-	360	360	1,340
Travel	11,729	271	470	741	12,470
Conferences and meetings	2,393	63	108	171	2,564
Specific assistance to individuals	4,551	-	-	-	4,551
Recognition awards	18,670	314	2,788	3,102	21,772
Interest expense	5,858	324	559	883	6,741
Insurance	7,224	33,574	416	33,990	41,214
Other expenses	5,072	801	3,322	4,123	9,195
Total other expenses	387,656	32,958	58,664	91,622	479,278
Expenses before depreciation	762,645	52,830	93,027	145,857	908,502
Depreciation	64,104	1,222	2,112	3,334	67,438
Total expenses	826,749	54,052	95,139	149,191	975,940
Less expenses included with revenue on the consolidated statement of activities:					
Direct cost of special events	-	-	(14,552)	(14,552)	(14,552)
Cost of goods sold - popcorn	(57,583)	-	-	-	(57,583)
Commissions paid to units	(52,261)	-	-	-	(52,261)
Total functional expenses	\$ 716,905	\$ 54,052	\$ 80,587	\$ 134,639	\$ 851,544

See accompanying notes to financial statements.

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	Support Services				2020 Total
	Program Services	Management and General	Fund - Raising	Total Support Services	
Employee compensation:					
Salaries	\$ 367,826	\$ 20,191	\$ 34,915	\$ 55,106	\$ 422,932
Employee benefits	56,422	3,117	5,389	8,506	64,928
Payroll taxes	29,370	1,622	2,805	4,427	33,797
Total employee compensation	453,618	24,930	43,109	68,039	521,657
Other expenses:					
Professional fees	66,960	7,879	13,475	21,354	88,314
Supplies	7,363	92	235	327	7,690
Supplies and other for special events	-	-	10,079	10,079	10,079
Popcorn expenses	21,244	-	-	-	21,244
Commissions paid to units	24,690	-	-	-	24,690
Telephone	14,423	459	794	1,253	15,676
Postage and shipping	4,519	30	8,795	8,825	13,344
Occupancy	71,243	862	1,489	2,351	73,594
Rent and maintenance of equipment	22,946	1,089	1,882	2,971	25,917
Printing and publications	85	-	1,430	1,430	1,515
Travel	14,284	422	732	1,154	15,438
Conferences and meetings	3,887	184	319	503	4,390
Specific assistance to individuals	7,120	-	-	-	7,120
Recognition awards	3,442	-	4,556	4,556	7,998
Interest expense	4,758	198	344	542	5,300
Insurance	7,390	30,237	300	30,537	37,927
Other expenses	14,633	2,472	1,843	4,315	18,948
Total other expenses	288,987	43,924	46,273	90,197	379,184
Expenses before depreciation	742,605	68,854	89,382	158,236	900,841
Depreciation	60,440	1,258	2,174	3,432	63,872
Total expenses	803,045	70,112	91,556	161,668	964,713
Less expenses included with revenue on the consolidated statement of activities:					
Direct cost of special events	-	-	(10,079)	(10,079)	(10,079)
Cost of goods sold	(21,244)	-	-	-	(21,244)
Commissions paid to units	(24,690)	-	-	-	(24,690)
Total functional expenses	\$ 757,111	\$ 70,112	\$ 81,477	\$ 151,589	\$ 908,700

See accompanying notes to financial statements.

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

	Operating Fund	Capital Fund	Endowment Fund	2021 Total
Cash flows from operating activities:				
Change in net assets	\$ 2,638	\$ 108,740	\$ (838,728)	\$ (727,350)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	-	67,438	-	67,438
Realized gain on investments	-	-	(300,796)	(300,796)
Unrealized gain on investments	-	(315)	(39,298)	(39,613)
Change in allowance for doubtful accounts	10,538	-	-	10,538
Contributions restricted in perpetuity	-	-	12,427	12,427
Forgiveness of debt	-	(55,000)	-	(55,000)
Changes in assets and liabilities:				
Accounts receivable	19,840	-	352	20,192
Contributions receivable	(7,576)	-	(1,000)	(8,576)
Inventories	(398)	-	-	(398)
Prepaid expenses	(9,084)	-	2,396	(6,688)
Interfund loans	(82,547)	-	82,547	-
Accounts payable	(3,551)	-	-	(3,551)
Accrued expenses	(16,948)	-	1,080,484	1,063,536
Custodial accounts	7,878	-	-	7,878
Deferred revenue	2,825	-	-	2,825
Net cash provided by (used in) operating activities	(76,385)	120,863	(1,616)	42,862
Cash flows from investing activities:				
Purchases of property and equipment	-	(85,685)	-	(85,685)
Purchase of asset held for resale	-	(35,457)	-	(35,457)
Purchases of investments	-	-	(198,417)	(198,417)
Proceeds from sales of investments	-	315	1,330,700	1,331,015
Net cash provided by (used in) investing activities	-	(120,827)	1,132,283	1,011,456
Cash flows from financing activities:				
Contributions restricted in perpetuity	-	-	(12,427)	(12,427)
Transfers	134,437	14,585	(149,022)	-
Net cash provided by (used in) financing activities	134,437	14,585	(161,449)	(12,427)
Net increase in cash and short-term investments	58,052	14,621	969,218	1,041,891
Cash and short-term investments at beginning of year	135,306	17,694	109,164	262,164
Cash and short-term investments at end of year	\$ 193,358	\$ 32,315	\$ 1,078,382	\$ 1,304,055

See accompanying notes to financial statements.

Catalina Council, Inc.
Boy Scouts of America
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

	Operating Fund	Capital Fund	Endowment Fund	2020 Total
Cash flows from operating activities:				
Change in net assets	\$ (139,641)	\$ 74,857	\$ 176,137	\$ 111,353
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	-	63,872	-	63,872
Realized (gain) loss on investments	-	947	(49,831)	(48,884)
Unrealized (gain) loss on investments	-	416	(228,521)	(228,105)
Change in allowance for doubtful accounts	2,711	-	-	2,711
Contributions restricted in perpetuity	-	-	5,902	5,902
Forgiveness of debt	-	(55,000)	-	(55,000)
Changes in assets and liabilities:				
Accounts receivable	(24,471)	-	(168)	(24,639)
Contributions receivable	21,852	-	1,200	23,052
Inventories	(1,959)	-	-	(1,959)
Prepaid expenses	(10,802)	-	-	(10,802)
Interfund loans	82,547	-	(82,547)	-
Accounts payable	(13,492)	-	-	(13,492)
Accrued expenses	2,904	-	-	2,904
Custodial accounts	(127,346)	-	-	(127,346)
Deferred revenue	(4,340)	-	-	(4,340)
Net cash provided by (used in) operating activities	(212,037)	85,092	(177,828)	(304,773)
Cash flows from investing activities:				
Purchases of property and equipment	-	(86,801)	-	(86,801)
Purchases of investments	-	-	(163,934)	(163,934)
Proceeds from sales of investments	-	7,700	176,016	183,716
Net cash provided by (used in) investing activities	-	(79,101)	12,082	(67,019)
Cash flows from financing activities:				
Contributions restricted in perpetuity	-	-	(5,902)	(5,902)
Proceeds from long-term debt	149,900	-	-	149,900
Net cash provided by (used in) financing activities	149,900	-	(5,902)	143,998
Net increase in cash and short-term investments	(62,137)	5,991	(171,648)	(227,794)
Cash and short-term investments at beginning of year	197,443	11,703	280,812	489,958
Cash and short-term investments at end of year	\$ 135,306	\$ 17,694	\$ 109,164	\$ 262,164

See accompanying notes to financial statements.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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. 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 6,239 youth members in 2021. 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’s programs are classified as follows:

Lion Scouts – 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.

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.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

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.

The Council's website address 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.

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.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Consolidated Financial Statements

The accompanying consolidated financial statements present the accounts of the Council, Scoutreach, and the Trust. All intercompany balances and transactions have been eliminated in the consolidation. The Council, Scoutreach, and the Trust Fund are hereinafter collectively referred to as the "Council."

Basis of Accounting

The consolidated financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions* - The part of net assets of the Council that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).
- *Net Assets with Donor Restrictions* - The part of net assets of the Council that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Stipulations may be met, either by actions of the Council and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.
- *Board-Designated Net Assets* - Net assets without donor restrictions subject to self-imposed limits by action of the Council's Board of Directors. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Accounting and Description of Funds

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 established according to their nature and purposes. The Council segregates and reports assets, liabilities, net assets, income, and expenses in three self-balancing funds as follows:

Operating Fund - The operating fund consists of expendable funds that are available for support of the Council's general operations.

Capital Fund - The Council's net undepreciated investment in property and equipment less related debt and expenses for its campgrounds and service centers, and investments designated for capital additions.

Endowment Fund - Gifts, memorials, and bequests subject to donor stipulations that require the principal to be invested for perpetuity in donor-restricted endowment funds and amounts designated by the Board to be invested in Board-designated endowment funds. Investment income available for distribution is presented as net assets without donor restrictions.

Cash and short-term investments

The Council considers all short-term cash accounts to be cash equivalents. The Council considers short-term investments with an original maturity of three months or less to be cash equivalents. Short-term investments consist of bank sweep accounts held in brokerage accounts.

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, 2021 and 2020. It is the Council's policy to charge off uncollectible accounts receivable when management determines that the receivable will not be collected.

Contributions Receivable

Contributions receivable consists of Friends of Scouting, special events and other promises to give. Unconditional promises to give are recorded as receivables in the year promised. Conditional promises are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Promises to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions Receivable (Continued)

Contributions receivable expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the promise.

Management individually reviews all past due contribution receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of contribution receivable are reduced by allowances that reflect management's estimate of uncollectible amounts. As of December 31, 2021 and 2020, an allowance for uncollectible contributions of \$0 and \$10,538 was reported.

Inventories

Inventories consist of Scouting supplies and other items available for resale. Cost is determined using the first in first out method. Inventories as of December 31, 2021 and 2020 are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated investments are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investments are exposed to various risks such as significant world events, and interest rate, credit, and overall market volatility. 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 financial statements.

Property and Equipment

Land, buildings, and equipment purchased are recorded at cost. 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

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

and with a useful life greater than one year.

Construction in progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

Custodial Accounts

The Council acts as the fiscal sponsor for various other scouting units. As the fiscal sponsor, the Council coordinates the financial activities, through the receipt and disbursement of funds, on behalf of the various units. Revenue and expenses are not recognized in the accompanying consolidated statements of activities. Cash receipts in excess of disbursements are reflected in the custodial accounts liability in the consolidated statements of financial position.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. 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.

Donated Materials, Facilities, 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 support without donor restrictions, 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 net assets with donor restrictions. Absent explicit

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Donated Materials, Facilities, and Services (Continued)

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 either 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.

Revenue Recognition

Revenue from Exchange Transactions: The Council recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Council records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2021 and 2020:

Trading Post sales - The Council's Service Center sells select Scouting-related items, primarily patches. The Council also operates a Trading Post at its summer camp, which sells 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, 2021 and 2020.

Product sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of 38% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many 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.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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 (retained by or paid to the unit). Scout units have the right to return to the Council any unsold product, subject to a return-by date of November 12th. As of December 31, 2021 and 2020, minimal popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

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

Special event revenue - 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— the exchange component, and a portion represents a contribution to the Council. 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 contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Council separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Other Revenue - Other revenue consists of rent revenue and other miscellaneous revenue. Rent revenue is recognized on a monthly basis as earned. Other revenue is insignificant and is recognized when received.

Sales and other taxes the Council collects concurrent with revenue-producing activities are excluded from revenue.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Held for Sale

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

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Functional Allocation of Expenses

The costs of providing the Scouting program and supporting services have been summarized on the consolidated statement of activities and changes in net assets on a functional basis. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits and travel costs, which are allocated on the basis of estimates of time and effort. The basis of allocation of these expenses is the result of a time study of staff performed every 3 years. 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.

Income Taxes

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Council is classified as a public charity. The Council is also exempt from state income taxes under similar provisions of the State of Arizona. The Council currently has no unrelated business income.

The Council assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Council recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Council has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 17, 2022, which is the date the consolidated financial statements were available to be issued.

Accounting Standards Update

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 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 statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, 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 financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets* (Topic 958). The amendments in this update will require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The amendments in this update are effective for annual consolidated financial statements issued for fiscal years beginning after June 15, 2021, applied on a retrospective basis. Early adoption is permitted. The Council is currently evaluating the impact this standard will have on its consolidated financial statements.

Advertising and Promotion

Advertising costs are charged to operations in the period the advertising is placed. Advertising expense was \$1,944 and \$5,570 for the years ended December 31, 2021 and 2020, respectively.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

<i>As of December 31,</i>	2021	2020
Friends of Scouting	\$ 23,520	\$ 37,545
Capital campaign	300	300
Special events	25	-
Other direct	1,500	-
Total	\$ 25,345	\$ 37,845

Contributions receivable are expected to be collected as follows:

<i>As of December 31,</i>	2021	2020
Less than one year	\$ 25,345	\$ 37,845
Less allowance for doubtful accounts	-	(10,538)
Contributions receivable - net	\$ 25,345	\$ 27,307

Note 3: Property and Equipment

A summary of property and equipment is as follows:

<i>As of December 31, 2021</i>	Estimated Life	Cost	Accumulated Depreciation	Net
Land		\$ 65,799	\$ -	\$ 65,799
Land improvements	5 - 30 yrs	304,435	181,145	123,290
Buildings	5 - 50 yrs	2,026,689	998,223	1,028,466
Leasehold improvements	20 yrs	508,028	290,048	217,980
Camp equipment	5 - 40 yrs	141,065	86,516	54,549
Office equipment	3 - 10 yrs	181,768	160,522	21,246
Vehicles	2 - 6 yrs	56,243	50,326	5,917
Construction in progress		23,018	-	23,018
Total		\$ 3,307,045	\$ 1,766,780	\$ 1,540,265

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 3: Property and Equipment (Continued)

<i>As of December 31, 2020</i>	Estimated Life	Cost	Accumulated Depreciation	Net
Land		\$ 65,799	\$ -	\$ 65,799
Land improvements	5 - 30 yrs	290,235	178,405	111,830
Buildings	5 - 50 yrs	1,991,039	961,613	1,029,426
Leasehold improvements	20 yrs	508,028	275,610	232,418
Camp equipment	5 - 40 yrs	133,770	77,983	55,787
Office equipment	3 - 10 yrs	181,768	156,404	25,364
Vehicles	2 - 6 yrs	51,243	49,849	1,394
Total		\$ 3,221,882	\$ 1,699,864	\$ 1,522,018

Depreciation expense totaled \$67,438 and \$63,872 for the years ending December 31, 2021 and 2020, respectively.

Note 4: Investments

Investments consisted of the following:

<i>As of December 31,</i>	2021	2020
Equities	\$ 1,241,792	\$ 2,060,472
Mutual funds:		
Bond funds	10,329	9,000
Equity funds	239,703	213,608
Real estate investment trusts (REITs)	40,565	41,498
Total	\$ 1,532,389	\$ 2,324,578

Net investment income consisted of the following:

<i>Years Ended December 31,</i>	2021	2020
Interest and dividends	\$ 35,664	\$ 32,792
Realized gain	300,796	48,884
Unrealized gain	39,613	228,105
Fees	(35,439)	(32,917)
Total investment income	\$ 340,634	\$ 276,864

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Investments (Continued)

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments (“Investment Income, Gains, and Losses”) are recorded initially in the Endowment Fund. Distributions of Investment Income, Gains, and Losses from the Endowment Fund are recorded as income by the Operating and Capital Funds in the period in which the distributions are made in accordance with the Council’s spending policy. For 2021 and 2020, investment expenses were \$35,439 and \$32,917 and were included in interest and dividend income-net in the consolidated statements of activities and changes in net assets.

Note 5: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value.

- Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Council are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Council are deemed to be actively traded.
- Common stock and real estate investment trusts (REITs) are valued based on quoted market prices from active markets.
- Properties held for sale are valued by reference to property tax assessed values and other relevant information generated by market transactions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 5: Fair Value Measurements (Continued)

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

	Fair Value of Assets as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Equities	\$ 1,241,792	\$ -	\$ -	\$ 1,241,792
Mutual funds:				
Bond funds	10,329	-	-	10,329
Equity funds	239,703	-	-	239,703
Real estate investment trusts (REITs)	40,565	-	-	40,565
Properties held for sale	-	-	66,850	66,850
Total	\$ 1,532,389	\$ -	\$ 66,850	\$ 1,599,239

	Fair Value of Assets as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equities	\$ 2,060,472	\$ -	\$ -	\$ 2,060,472
Mutual funds:				
Bond funds	9,000	-	-	9,000
Equity funds	213,608	-	-	213,608
Real estate investment trusts (REITs)	41,498	-	-	41,498
Properties held for sale	-	-	31,393	31,393
Total	\$ 2,324,578	\$ -	\$ 31,393	\$ 2,355,971

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2021 and 2020.

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, 2021 and 2020:

<i>Years Ended December 31,</i>	2021	2020
Beginning balance	\$ 31,393	\$ 31,393
Curly Horn Ranches, Lot 21	35,457	-
Ending balance	\$ 66,850	\$ 31,393

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 6: Endowments

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

The Council is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted SPMIFA as not requiring the maintenance of the purchasing power of the original gift amount that was contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Council considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Council has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the 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

Return Objectives and Risk Parameters

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations of the Council by its endowment while seeking to maintain 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

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 6: Endowments (Continued)

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 adopted a 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.

Composition of endowment net assets for the year ended December 31, 2021, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 794,334	\$ 794,334
Board-designated endowment funds	738,170	-	738,170
Total	\$ 738,170	\$ 794,334	\$ 1,532,504

Composition of endowment net assets for the year ended December 31, 2020, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 781,907	\$ 781,907
Board-designated endowment funds	1,738,347	-	1,738,347
Total	\$ 1,738,347	\$ 781,907	\$ 2,520,254

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 6: Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 1,738,347	\$ 781,907	\$ 2,520,254
Contributions	210	12,427	12,637
Interest and dividends	35,664	-	35,664
Realized and unrealized gains	340,094	-	340,094
Investment fees	(35,439)	-	(35,439)
Trustee fees	(6,590)	-	(6,590)
Contribution to settlement trust	(1,080,484)	-	(1,080,484)
Miscellaneous income	1,890	-	1,890
Transfer	(149,022)	-	(149,022)
Appropriation of endowment net assets for expenditure pursuant to spending policy	(106,500)	-	(106,500)
Endowment net assets, end of year	\$ 738,170	\$ 794,334	\$ 1,532,504

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 1,568,112	\$ 776,005	\$ 2,344,117
Contributions	500	5,902	6,402
Investment income	32,752	-	32,752
Realized and unrealized gains	278,352	-	278,352
Investment fees	(33,747)	-	(33,747)
Trustee fees	(5,769)	-	(5,769)
Accounting fees	(1,400)	-	(1,400)
Miscellaneous income	547	-	547
Appropriation of endowment net assets for expenditure pursuant to spending policy	(101,000)	-	(101,000)
Endowment net assets, end of year	\$ 1,738,347	\$ 781,907	\$ 2,520,254

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or SPMIFA requires the Council to retain as a fund of perpetual duration. Deficiencies of this nature result from unfavorable market fluctuations and would be included in net assets with donor restrictions. As of December 31, 2021 and 2020, there were no such deficiencies.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 7: Long-Term Debt

The Council has the following long-term debt:

<i>December 31,</i>	2021	2020
Note to Angel Charity, no monthly payments and 0% interest, forgiven evenly over a period of 5 years.	\$ -	\$ 55,000
Note dated July 15, 2020 to Small Business Administration for \$150,000, due in monthly payments of \$641 including interest at 2.75%, beginning December 2022 (payment of accrued interest only in 2022 and 2023) until July 2050 when remaining principal and interest is due. Secured by inventory, equipment, deposit accounts and accounts receivable.	149,900	149,900
Total long-term debt	149,900	204,900
Less current portion	-	(55,000)
Long-term debt, net of current maturities	\$ 149,900	\$ 149,900

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.

Future maturities on long-term debt are as follows:

<i>Year Ended December 31,</i>	2021
2022	\$ 0
2023	0
2024	491
2025	3,517
2026	3,614
Thereafter	142,278
Total	\$ 149,900

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 8: Net Assets and Restrictions

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

<i>December 31, 2021</i>	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specified purpose:				
Building and equipment maintenance	\$ -	\$ 2,100	\$ -	\$ 2,100
Lawton Scout Summer Adventure	476	-	-	476
Cub Scout resident camp	476	-	-	476
General operations	-	674	-	674
Capital campaign	-	29,000	-	29,000
Total subject to expenditure for specified purpose	952	31,774	-	32,726
Subject to passage of time:				
Friends of Scouting	26,023	-	-	26,023
Good Scout lunch	2,501	-	-	2,501
Total subject to passage of time	28,524	-	-	28,524
Subject to endowment spending policy and appropriation:				
General use	-	-	794,334	794,334
Total subject to endowment spending policy and appropriation	-	-	794,334	794,334
Total net assets with donor restrictions	\$ 29,476	\$ 31,774	\$ 794,334	\$ 855,584

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 8: Net Assets and Restrictions (Continued)

<i>December 31, 2020</i>	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specified purpose:				
Building and equipment maintenance	\$ -	\$ 4,800	\$ -	\$ 4,800
Subject to passage of time:				
Friends of Scouting	27,500	-	-	27,500
Eagle dinner	2,500	-	-	2,500
Total subject to passage of time	30,000	-	-	30,000
Subject to endowment spending policy and appropriation:				
General use	-	-	781,907	781,907
Total subject to endowment spending policy and appropriation	-	-	781,907	781,907
Total net assets with donor restrictions	\$ 30,000	\$ 4,800	\$ 781,907	\$ 816,707

Net assets were released from donor restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows as of December 31:

<i>Years Ended December 31,</i>	2021	2020
Satisfaction of program restrictions:		
Building and equipment maintenance	\$ 2,700	\$ -
Capital campaign	-	30,000
Satisfaction of time restrictions:		
Friends of Scouting	27,500	145,411
Eagle dinner	2,500	-
Total net assets released from restriction	\$ 32,700	\$ 175,411

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 10: Board Designated Net Assets

The Catalina Council's Board of Directors has designated, from net assets without donor restrictions, net assets for the following purposes as of December 31, 2021, and 2020:

<i>As of December 31,</i>	2021	2020
Board-designated endowment fund	\$ 738,170	\$ 1,738,347
Capital fund	197,898	197,898
Total	\$ 936,068	\$ 1,936,245

Note 11: Paycheck Protection Program

In 2020, the Council was granted and received a \$120,412 award under the Paycheck Protection Program ("PPP") administered by a Small Business Administration ("SBA") approved partner. The Council initially recorded the award as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP award no longer existed. The Council has recognized \$120,412 as grant revenue for the year ended December 31, 2021, which represents 100% of the award.

Note 12: Special event revenue

Gross receipts from special fundraising events recorded by the Council consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09 during 2019, the Council is required to separately present the components of this revenue.

<i>For the Years Ended December 31,</i>	2021	2020
Contribution revenue	\$ 87,639	\$ 41,980
Exchange transaction revenue (benefit to customer)	14,552	10,079
Total special event revenue	\$ 102,191	\$ 52,059

Note 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 2021 and 2020 amounted to \$16,515 and \$11,043, respectively, which are included in other revenue in the Statements of Activities and Changes in Net Assets.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 14: Retirement Plans

The National Council has a qualified defined benefit pension plan (the “Plan”) administered at the national office that covers employees of the National Council and local Councils including this local area council. The Plan name is *the Boy Scouts of America Master Pension Trust-Boy Scouts of America Retirement Plan for Employees* and covers all employees who have completed one year of service and who have agreed to make contributions. Effective August 1, 2020, the plan was frozen to all employees. The Council contributes 12 percent of eligible employees' compensation to the Plan. Pension expense (excluding the contributions made by employees) for the years ended December 31, 2021 and 2020 was \$21,858 and \$11,975, respectively, and covered current service cost. The actuarial information for the plan as of February 1, 2021, indicates that it is in compliance with ERISA regulations regarding funding.

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 \$7,926 and \$14,870, respectively, to the 401(k) Plan during the years ended December 31, 2021 and 2020.

Note 15: 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. The Council did not make contributions to the plan during the years ended December 31, 2021 or 2020.

Note 16: Related Parties

The Council pays a national service fee to the Boy Scouts of America, Inc. (BSA), a related party, annually. The BSA oversees the Council’s program and sets rules and regulations that the Council must follow. For the years ended December 31, 2021 and 2020 this fee totaled \$15,750 and \$17,050, respectively.

Note 17: Concentration of Credit Risk

The Council maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. The Council has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 18: Operating Leases

The Council has a non-cancelable operating lease for a copier through October 2025. Rent expense on this lease for the years ended December 31, 2021 and 2020 was \$5,246 and \$6,870, respectively. As of December 31, 2021, future minimum lease payments are as follows:

2022	\$	5,246
2023		5,246
2024		5,246
2025		5,246
Total		\$ 20,984

Note 19: Liquidity

The Council's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

<i>As of December 31,</i>	2021	2020
Cash - Operating Fund	\$ 193,358	\$ 135,306
Accounts receivable - Operating Fund	7,724	27,564
Contributions receivable - Operating Fund	24,045	27,007
Total financial assets as of end of year	225,127	189,877
Appropriation from board-designated endowment for general expenditure in subsequent year	98,739	106,500
Less: Net assets with donor restrictions	(29,476)	(30,000)
Less: Custodial accounts	(209,710)	(201,832)
Financial assets available to meet cash needs for general expenditures within one year	\$ 84,680	\$ 64,545

The Council's endowment funds consist of donor-restricted endowments and a Board-designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The Board designated endowment has a spending rate 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, \$98,739 and \$106,500 of appropriations from the endowment will be available within the next 12 months as of December 31, 2021 and 2020, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 19: Liquidity (Continued)

general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. Additionally, the Council has a Board-designated endowment of \$738,170. Although the Council does not intend to spend from its Board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Note 20: Commitments and Contingencies

COVID-19 Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Council is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Council's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Council's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Council's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

Litigation and Contingencies and Contribution to Settlement Trust Liability

The Council has been named as a defendant or has been made aware of personal injury claims against it. The Council has and will continue to vigorously defend these actions. These claims are covered by the National Council, Boy Scouts of America's general liability insurance program ("GLIP"). At the present time, management is unable to estimate a probable outcome of these matters and accordingly no provision for liabilities, if any, has been made in the accompanying financial statements. Changes in state law could result in additional claims being asserted against the Council.

The National Council has been named as a defendant in lawsuits alleging sexual abuse, including claims for compensatory and punitive damages. Some of these claims arise out of conduct occurring on Council property and/or were committed by Council employees or volunteers, and in some cases the Council is named as a co-defendant with the National Council. The National Council has disclosed that in the event that its GLIP or its reserves are insufficient to resolve such claims, it is their opinion that the total amount of payments to resolve current and future claims could have a significant impact on the financial position or results of operations of the National Council.

The National Council provides the Council with a charter, program materials and support for administration as well as sponsoring certain benefit plans for Council employees. Since 1978 the National Council has operated a GLIP in which the Council participates. On February 18, 2020, the National Council filed for protection under chapter 11 of the United States Bankruptcy Code. The National Council continues to operate its business in the ordinary course and has received bankruptcy court approval to continue its relationship with the Councils including the benefit and insurance programs noted above. Neither the Council nor any other local council are

Catalina Council Inc., Boy Scouts of America

Notes to Consolidated Financial Statements

Note 20: Commitments and Contingencies (Continued)

currently parties to the bankruptcy proceeding. The court has granted a stay on litigation against both the National Council and local councils and the National Council has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020. Such plan will require a contribution from local councils. As of this date, the Council's contribution is expected to be \$1,080,484, however that may increase. Accordingly, the Council has recorded as an accrued expense in the Endowment Fund at December 31, 2021 for \$1,080,484 in the statement of financial position and a corresponding expense (contribution to settlement trust) in the statement of activities for the year ended December 31, 2021. The Council plans to pay for this liability from endowment net assets without donor restrictions and through sales of various Council properties.