

**SAM HOUSTON AREA COUNCIL
BOY SCOUTS OF AMERICA**



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**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE
YEARS ENDED DECEMBER 31, 2022 AND 2021
AND INDEPENDENT AUDITOR'S REPORT**



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

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Sam Houston Area Council Boy Scouts of America and Subsidiary (the "Council"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended December 31, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Council as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 the Council's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Council's 2021 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated May 6, 2022. In our opinion, the summarized comparative information presented in the consolidated statement of functional expenses for the year ended December 31, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Houston, Texas
May 12, 2023

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Total All Funds</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>								
Current Assets:								
Cash	\$ 5,672,026	\$ 5,166,717	\$ -	\$ -	\$ -	\$ -	\$ 5,672,026	\$ 5,166,717
Restricted cash (Note 19)	-	-	-	-	7,968,144	-	7,968,144	-
Short-term investments	-	-	5,465,456	5,526,426	-	-	5,465,456	5,526,426
Accounts receivable	1,923,075	2,072,705	30,000	-	185,781	200,316	2,138,856	2,273,021
Contributions receivable	638,110	1,163,284	25,520	80,520	1,971,298	2,284,098	2,634,928	3,527,902
Inventories	60,655	99,277	-	-	-	-	60,655	99,277
Prepaid expenses	324,521	271,679	-	-	-	-	324,521	271,679
Total current assets	<u>8,618,387</u>	<u>8,773,662</u>	<u>5,520,976</u>	<u>5,606,946</u>	<u>10,125,223</u>	<u>2,484,414</u>	<u>24,264,586</u>	<u>16,865,022</u>
Noncurrent Assets:								
Contributions receivable	27,267	1,600	(460)	(460)	3,260,452	5,539,725	3,287,259	5,540,865
Property, net	-	-	70,854,164	73,294,741	-	-	70,854,164	73,294,741
Property held for sale	-	-	218,729	-	-	-	218,729	-
Intangibles (Note 11)	-	-	600,000	600,000	-	-	600,000	600,000
Right-of-use assets, operating leases	197,803	-	-	-	-	-	197,803	-
Long-term investments	-	-	5,457	11,257	71,588,200	92,664,815	71,593,657	92,676,072
Cash surrender value of life insurance	-	-	-	-	245,059	268,287	245,059	268,287
Total noncurrent assets	<u>225,070</u>	<u>1,600</u>	<u>71,677,890</u>	<u>73,905,538</u>	<u>75,093,711</u>	<u>98,472,827</u>	<u>146,996,671</u>	<u>172,379,965</u>
Total Assets	<u>\$ 8,843,457</u>	<u>\$ 8,775,262</u>	<u>\$ 77,198,866</u>	<u>\$ 79,512,484</u>	<u>\$ 85,218,934</u>	<u>\$ 100,957,241</u>	<u>\$ 171,261,257</u>	<u>\$ 189,244,987</u>
<u>LIABILITIES AND NET ASSETS</u>								
Current Liabilities:								
Current maturities of operating lease liabilities	\$ 113,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,279	\$ -
Accounts payable	249,080	369,782	-	-	-	-	249,080	369,782
Accrued expenses	337,221	617,641	-	-	-	-	337,221	617,641
Custodial accounts	846,992	698,558	-	-	-	-	846,992	698,558
Deferred activity income	123,605	8,257	-	-	-	-	123,605	8,257
Deferred camp income	27,887	46,102	-	-	-	-	27,887	46,102
Deferred other income	108,955	59,442	-	-	-	-	108,955	59,442
Other current liabilities (Note 19)	90,395	84,284	-	-	7,968,144	7,968,144	8,058,539	8,052,428
Total current liabilities	<u>1,897,414</u>	<u>1,884,066</u>	<u>-</u>	<u>-</u>	<u>7,968,144</u>	<u>7,968,144</u>	<u>9,865,558</u>	<u>9,852,210</u>
Long-term Liabilities:								
Operating lease liabilities, net of current maturities	<u>84,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,073</u>	<u>-</u>
Net Assets:								
Without donor restrictions	5,755,100	5,449,704	63,694,272	66,069,577	11,877,308	12,544,240	81,326,680	84,063,521
With donor restrictions	1,106,870	1,441,492	13,504,594	13,442,907	65,373,482	80,444,857	79,984,946	95,329,256
Total net assets	<u>6,861,970</u>	<u>6,891,196</u>	<u>77,198,866</u>	<u>79,512,484</u>	<u>77,250,790</u>	<u>92,989,097</u>	<u>161,311,626</u>	<u>179,392,777</u>
Total Liabilities and Net Assets	<u>\$ 8,843,457</u>	<u>\$ 8,775,262</u>	<u>\$ 77,198,866</u>	<u>\$ 79,512,484</u>	<u>\$ 85,218,934</u>	<u>\$ 100,957,241</u>	<u>\$ 171,261,257</u>	<u>\$ 189,244,987</u>

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
For the Years Ended December 31, 2022 and 2021

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2022	2021	2022	2021	2022	2021	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
Support and revenues:								
Direct support:								
Friends of Scouting	\$ 2,226,853	\$ 1,746,403	\$ -	\$ -	\$ -	\$ -	\$ 2,226,853	\$ 1,746,403
Capital campaign	-	-	-	-	-	-	-	-
Special events, gross	365,212	337,298	-	-	-	-	365,212	337,298
Less: Cost of direct benefit	111,316	101,586	-	-	-	-	111,316	101,586
Net special events	<u>253,896</u>	<u>235,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,896</u>	<u>235,712</u>
Foundations and trusts	591,432	440,750	-	-	-	-	591,432	440,750
Other direct	208,927	294,898	2,070	25,000	-	-	210,997	319,898
Total direct support	<u>3,281,108</u>	<u>2,717,763</u>	<u>2,070</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>3,283,178</u>	<u>2,742,763</u>
Indirect support:								
United Way	43,804	564,977	-	-	-	-	43,804	564,977
Governmental grants (Note 10)	-	3,186,085	-	-	-	-	-	3,186,085
Total indirect support	<u>43,804</u>	<u>3,751,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,804</u>	<u>3,751,062</u>
Total support	<u>3,324,912</u>	<u>6,468,825</u>	<u>2,070</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>3,326,982</u>	<u>6,493,825</u>
Revenues (losses):								
Sale of supplies, gross	4,846	1,638	-	-	-	-	4,846	1,638
Less: Cost of goods sold	2,310	757	-	-	-	-	2,310	757
Net sale of supplies	<u>2,536</u>	<u>881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,536</u>	<u>881</u>
Product sales, gross	2,064,234	1,782,986	-	-	-	-	2,064,234	1,782,986
Less: Cost of goods sold	731,646	642,334	-	-	-	-	731,646	642,334
Less: Commissions paid to units	618,666	544,472	-	-	-	-	618,666	544,472
Net product sales	<u>713,922</u>	<u>596,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>713,922</u>	<u>596,180</u>
Investment return, net	26,263	1,162,490	56,618	14,373	(2,765,787)	720,515	(2,682,906)	1,897,378
Spending policy allocation	2,675,000	15,990	250,000	625,000	(2,925,000)	(640,990)	-	-
Camping	1,337,044	1,280,178	-	-	-	-	1,337,044	1,280,178
Activities	576,010	435,806	-	-	-	-	576,010	435,806
Gain (loss) on sale of property	-	-	83,325	(1,117)	-	-	83,325	(1,117)
Other revenue	584,577	415,247	43,257	119,574	-	-	627,834	534,821
Total revenues (losses)	<u>5,915,352</u>	<u>3,906,772</u>	<u>433,200</u>	<u>757,830</u>	<u>(5,690,787)</u>	<u>79,525</u>	<u>657,765</u>	<u>4,744,127</u>

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND

CHANGES IN NET ASSETS (CONTINUED)

For the Years Ended December 31, 2022 and 2021

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Total All Funds</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net assets released from restrictions (see Note 13):								
Satisfaction of program restrictions	\$ 159,224	\$ 174,752	\$ -	\$ -	\$ -	\$ -	\$ 159,224	\$ 174,752
Expiration of time restrictions	1,208,658	448,474	-	-	-	-	1,208,658	448,474
Satisfaction of property acquisition restrictions	-	-	158,313	1,056,508	-	-	158,313	1,056,508
Satisfaction of investment income restrictions	-	-	-	-	5,113,917	3,990,645	5,113,917	3,990,645
Total net assets released from restrictions	<u>1,367,882</u>	<u>623,226</u>	<u>158,313</u>	<u>1,056,508</u>	<u>5,113,917</u>	<u>3,990,645</u>	<u>6,640,112</u>	<u>5,670,379</u>
Other reclassifications of net assets (see Note 13):								
Restriction of investment income	(36,374)	(22,801)	(200,000)	(300,000)	-	-	(236,374)	(322,801)
Total other reclassifications of net assets	<u>(36,374)</u>	<u>(22,801)</u>	<u>(200,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(236,374)</u>	<u>(322,801)</u>
Total support and revenues	<u>10,571,772</u>	<u>10,976,022</u>	<u>393,583</u>	<u>1,539,338</u>	<u>(576,870)</u>	<u>4,070,170</u>	<u>10,388,485</u>	<u>16,585,530</u>
Expenses:								
Program services	8,429,867	9,151,498	2,686,711	2,590,923	69,545	284,884	11,186,123	12,027,305
Support services:								
Management and general	646,762	457,671	33,008	18,689	8,241	17,163	688,011	493,523
Fundraising	1,091,682	706,462	49,169	28,444	12,276	26,122	1,153,127	761,028
Total functional expenses	<u>10,168,311</u>	<u>10,315,631</u>	<u>2,768,888</u>	<u>2,638,056</u>	<u>90,062</u>	<u>328,169</u>	<u>13,027,261</u>	<u>13,281,856</u>
Charter and national service fees	<u>98,065</u>	<u>85,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,065</u>	<u>85,274</u>
Contribution to settlement trust (Note 19)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,968,144</u>	<u>-</u>	<u>7,968,144</u>
Impairment loss (Note 11)	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
Total expenses	<u>10,266,376</u>	<u>10,400,905</u>	<u>2,768,888</u>	<u>3,238,056</u>	<u>90,062</u>	<u>8,296,313</u>	<u>13,125,326</u>	<u>21,935,274</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>305,396</u>	<u>575,117</u>	<u>(2,375,305)</u>	<u>(1,698,718)</u>	<u>(666,932)</u>	<u>(4,226,143)</u>	<u>(2,736,841)</u>	<u>(5,349,744)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:								
Support and revenues (losses):								
Direct support:								
Friends of Scouting	727,096	464,341	-	-	-	-	727,096	464,341
Capital campaign	-	-	20,000	76,489	-	-	20,000	76,489
Special events, gross	10,000	15,000	-	-	-	-	10,000	15,000
Less: Cost of direct benefit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net special events	<u>10,000</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>15,000</u>
Foundations and trusts	115,000	69,314	-	-	-	-	115,000	69,314
Other direct	19,778	31,350	-	1,035	61,500	426,104	81,278	458,489
Legacies and bequests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(748,508)</u>	<u>2,661,703</u>	<u>(748,508)</u>	<u>2,661,703</u>
Total direct support	<u>871,874</u>	<u>580,005</u>	<u>20,000</u>	<u>77,524</u>	<u>(687,008)</u>	<u>3,087,807</u>	<u>204,866</u>	<u>3,745,336</u>

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended December 31, 2022 and 2021

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2022	2021	2022	2021	2022	2021	2022	2021
Indirect support:								
Investment return, net	\$ -	\$ -	\$ -	\$ -	\$ (9,270,450)	\$ 7,847,177	\$ (9,270,450)	\$ 7,847,177
United Way	125,012	690,170	-	-	-	-	125,012	690,170
Total indirect support	<u>125,012</u>	<u>690,170</u>	<u>-</u>	<u>-</u>	<u>(9,270,450)</u>	<u>7,847,177</u>	<u>(9,145,438)</u>	<u>8,537,347</u>
Net assets released from restrictions (total) (see Note 13)	<u>(1,367,882)</u>	<u>(623,226)</u>	<u>(158,313)</u>	<u>(1,056,508)</u>	<u>(5,113,917)</u>	<u>(3,990,645)</u>	<u>(6,640,112)</u>	<u>(5,670,379)</u>
Other reclassifications of net assets (total) (see Note 13)	<u>36,374</u>	<u>22,801</u>	<u>200,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>236,374</u>	<u>322,801</u>
Total support and revenues (losses)	<u>(334,622)</u>	<u>669,750</u>	<u>61,687</u>	<u>(678,984)</u>	<u>(15,071,375)</u>	<u>6,944,339</u>	<u>(15,344,310)</u>	<u>6,935,105</u>
 INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(334,622)</u>	<u>669,750</u>	<u>61,687</u>	<u>(678,984)</u>	<u>(15,071,375)</u>	<u>6,944,339</u>	<u>(15,344,310)</u>	<u>6,935,105</u>
 INCREASE (DECREASE) IN TOTAL NET ASSETS	<u>(29,226)</u>	<u>1,244,867</u>	<u>(2,313,618)</u>	<u>(2,377,702)</u>	<u>(15,738,307)</u>	<u>2,718,196</u>	<u>(18,081,151)</u>	<u>1,585,361</u>
 NET ASSETS, beginning of year								
Without donor restrictions	5,449,704	6,874,587	66,069,577	67,768,295	12,544,240	14,770,383	84,063,521	89,413,265
With donor restrictions	1,441,492	771,742	13,442,907	14,121,891	80,444,857	73,500,518	95,329,256	88,394,151
Total net assets, beginning of year	<u>6,891,196</u>	<u>7,646,329</u>	<u>79,512,484</u>	<u>81,890,186</u>	<u>92,989,097</u>	<u>88,270,901</u>	<u>179,392,777</u>	<u>177,807,416</u>
 Transfers in (out) of net assets without donor restrictions	-	(2,000,000)	-	-	-	2,000,000	-	-
 NET ASSETS, end of year								
Without donor restrictions	5,755,100	5,449,704	63,694,272	66,069,577	11,877,308	12,544,240	81,326,680	84,063,521
With donor restrictions	<u>1,106,870</u>	<u>1,441,492</u>	<u>13,504,594</u>	<u>13,442,907</u>	<u>65,373,482</u>	<u>80,444,857</u>	<u>79,984,946</u>	<u>95,329,256</u>
Total net assets, end of year	<u>\$ 6,861,970</u>	<u>\$ 6,891,196</u>	<u>\$ 77,198,866</u>	<u>\$ 79,512,484</u>	<u>\$ 77,250,790</u>	<u>\$ 92,989,097</u>	<u>\$ 161,311,626</u>	<u>\$ 179,392,777</u>

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>Support Services</u>				<u>Expenses Included With Support and Revenues</u>			<u>Total Expenses</u>	
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>Special Events: Cost of Direct Benefit</u>	<u>Product Sales: Cost of Goods Sold</u>	<u>Product Sales: Commissions Paid to Units</u>	<u>2022</u>	<u>2021</u>
	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>	<u>2021</u>
Employee Compensation:									
Salaries	\$ 3,770,629	\$ 351,093	\$ 522,996	\$ 874,089	\$ -	\$ -	\$ -	\$ 4,644,718	\$ 4,926,319
Employee benefits	730,001	77,735	115,798	193,533	-	-	-	923,534	979,965
Payroll taxes	271,628	25,457	37,920	63,377	-	-	-	335,005	400,445
Employee related expenses	11,065	1,311	1,953	3,264	-	-	-	14,329	48,016
Total employee compensation	<u>4,783,323</u>	<u>455,596</u>	<u>678,667</u>	<u>1,134,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,917,586</u>	<u>6,354,745</u>
Other Expenses:									
Professional fees	212,902	102,560	147,219	249,779	-	-	-	462,681	764,827
Supplies	1,085,550	4,263	88,331	92,594	-	-	-	1,178,144	1,049,331
Telephone	62,470	4,960	7,390	12,350	-	-	-	74,820	79,405
Postage and shipping	4,894	408	10,032	10,440	-	-	-	15,334	19,471
Occupancy	1,022,186	52,813	78,674	131,487	-	-	-	1,153,673	1,105,106
Rental and maintenance of equipment	301,976	11,147	16,605	27,752	-	-	-	329,728	163,692
Publications and media	43,105	1,138	15,357	16,495	-	-	-	59,600	71,739
Travel	152,888	12,044	30,331	42,375	-	-	-	195,263	179,280
Local conferences and meetings	32,997	2,000	3,110	5,110	-	-	-	38,107	44,294
Specific assistance to individuals	178,255	-	-	-	-	-	-	178,255	158,225
Recognition awards	71,512	4,041	22,291	26,332	-	-	-	97,844	95,873
Cost of products sold and unit commissions	-	-	-	-	-	731,646	618,666	1,350,312	1,186,806
Cost of goods sold - sale of supplies	2,310	-	-	-	-	-	-	2,310	757
Cost of direct benefit to donors	-	-	-	-	111,316	-	-	111,316	101,586
Insurance	414,617	9,759	14,536	24,295	-	-	-	438,912	376,523
Other expenses	262,555	(5,048)	(7,574)	(12,622)	-	-	-	249,933	189,678
Total other expenses	<u>3,848,217</u>	<u>200,085</u>	<u>426,302</u>	<u>626,387</u>	<u>111,316</u>	<u>731,646</u>	<u>618,666</u>	<u>5,936,232</u>	<u>5,586,593</u>
Total expenses before depreciation	8,631,540	655,681	1,104,969	1,760,650	111,316	731,646	618,666	11,853,818	11,941,338
Depreciation expense	<u>2,556,893</u>	<u>32,330</u>	<u>48,158</u>	<u>80,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,637,381</u>	<u>2,629,667</u>
Total Functional Expenses	11,188,433	688,011	1,153,127	1,841,138	111,316	731,646	618,666	14,491,199	14,571,005

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>Support Services</u>				<u>Expenses Included With Support and Revenues</u>			<u>Total Expenses</u>	
	<u>Program Services</u> <u>2022</u>	<u>Management & General</u> <u>2022</u>	<u>Fundraising</u> <u>2022</u>	<u>Total Support Services</u> <u>2022</u>	<u>Special Events: Cost of Direct Benefit</u> <u>2022</u>	<u>Product Sales: Cost of Goods Sold</u> <u>2022</u>	<u>Product Sales: Commissions Paid to Units</u> <u>2022</u>	<u>2022</u>	<u>2021</u>
Expenses Included With Support and Revenues on the Consolidated Statement of Activities and Changes in Net Assets:									
Cost of products sold and unit commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (731,646)	\$ (618,666)	\$ (1,350,312)	\$ (1,186,806)
Cost of goods sold - sale of supplies	(2,310)	-	-	-	-	-	-	(2,310)	(757)
Cost of direct benefit to donors	-	-	-	-	(111,316)	-	-	(111,316)	(101,586)
Total Expenses Included in the Expenses Section on the Consolidated Statement of Activities and Changes in Net Assets	<u>\$ 11,186,123</u>	<u>\$ 688,011</u>	<u>\$ 1,153,127</u>	<u>\$ 1,841,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,027,261</u>	<u>\$ 13,281,856</u>
Percent of Total Expenses by Function *	<u>85.87%</u>	<u>5.28%</u>	<u>8.85%</u>	<u>14.13%</u>					
Time Study Percentages	<u>77.22%</u>	<u>9.15%</u>	<u>13.63%</u>						

* Percentage figures after combining allocated and unallocated expenses

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2022	2021	2022	2021	2022	2021	2022	2021
Cash Flows from Operating Activities:								
Increase (decrease) in total net assets	\$ (29,226)	\$ 1,244,867	\$ (2,313,618)	\$ (2,377,702)	\$ (15,738,307)	\$ 2,718,196	\$ (18,081,151)	\$ 1,585,361
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities:								
Depreciation	-	-	2,637,381	2,629,667	-	-	2,637,381	2,629,667
Operating lease changes	(451)	-	-	-	-	-	(451)	-
Amortization of net discounts on bond investments	-	-	-	-	65,729	134,532	65,729	134,532
(Gain) loss on sale of property	-	-	(83,325)	1,117	-	-	(83,325)	1,117
Impairment loss (Note 11)	-	-	-	600,000	-	-	-	600,000
Realized and unrealized (gain) loss on investments, net	-	-	5,800	(4,066)	14,411,895	(7,372,795)	14,417,695	(7,376,861)
Contributions restricted for long-term purposes	-	-	-	-	687,008	(3,087,807)	687,008	(3,087,807)
Governmental grants (Note 10)	-	(1,302,933)	-	-	-	-	-	(1,302,933)
Change in assets and liabilities:								
Short-term investments	-	452,548	-	-	-	-	-	452,548
Accounts receivable	149,630	(1,956,692)	(30,000)	8,000	14,535	(86,735)	134,165	(2,035,427)
Contributions receivable	499,507	(725,246)	55,000	53,511	2,592,073	(2,661,703)	3,146,580	(3,333,438)
Inventories	38,622	(35,890)	-	-	-	-	38,622	(35,890)
Prepaid expenses	(52,842)	(62,004)	-	-	-	-	(52,842)	(62,004)
Other assets	-	-	-	-	-	-	-	-
Cash surrender value of life insurance	-	-	-	-	23,228	(22,513)	23,228	(22,513)
Accounts payable	(120,702)	133,135	-	(66,125)	-	-	(120,702)	67,010
Accrued expenses	(280,420)	381,511	-	(33,321)	-	(111,456)	(280,420)	236,734
Custodial accounts	148,434	(1,236,217)	-	-	-	-	148,434	(1,236,217)
Deferred activity income	115,348	(847)	-	-	-	-	115,348	(847)
Deferred camp income	(18,215)	(11,554)	-	-	-	-	(18,215)	(11,554)
Deferred other income	49,513	(23,484)	-	-	-	-	49,513	(23,484)
Other current liabilities	6,111	(7)	-	-	-	7,968,144	6,111	7,968,137
Net cash provided by (used in) operating activities	505,309	(3,142,813)	271,238	811,081	2,056,161	(2,522,137)	2,832,708	(4,853,869)

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2022 and 2021

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Investing Activities:								
Purchase of property	\$ -	\$ -	\$ (422,708)	\$ (1,039,968)	\$ -	\$ -	\$ (422,708)	\$ (1,039,968)
Proceeds from sale of property	-	-	90,500	-	-	-	90,500	-
Proceeds from sale of investments	-	-	1,985,205	1,458,733	11,258,759	2,620,819	13,243,964	4,079,552
Purchase of investments	-	-	(1,924,235)	(1,229,846)	(4,659,768)	(5,186,489)	(6,584,003)	(6,416,335)
Net cash provided by (used in) investing activities	-	-	(271,238)	(811,081)	6,598,991	(2,565,670)	6,327,753	(3,376,751)
Cash Flows from Financing Activities:								
Proceeds from contributions restricted for long-term purposes	-	-	-	-	(687,008)	3,087,807	(687,008)	3,087,807
Proceeds from governmental grants (Note 10)	-	1,302,933	-	-	-	-	-	1,302,933
Transfers in (out) of net assets without donor restrictions	-	(2,000,000)	-	-	-	2,000,000	-	-
Net cash provided by (used in) financing activities	-	(697,067)	-	-	(687,008)	5,087,807	(687,008)	4,390,740
Net change in cash and restricted cash	505,309	(3,839,880)	-	-	7,968,144	-	8,473,453	(3,839,880)
Cash and Restricted Cash, beginning of year	<u>5,166,717</u>	<u>9,006,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,166,717</u>	<u>9,006,597</u>
Cash and Restricted Cash, end of year	<u>\$ 5,672,026</u>	<u>\$ 5,166,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,968,144</u>	<u>\$ -</u>	<u>\$ 13,640,170</u>	<u>\$ 5,166,717</u>
The following reconciles cash and restricted cash balances as reported on the consolidated statements of financial position to the combined balances reported above:								
Cash	\$ 5,672,026	\$ 5,166,717	\$ -	\$ -	\$ -	\$ -	\$ 5,672,026	\$ 5,166,717
Restricted cash	-	-	-	-	7,968,144	-	7,968,144	-
	<u>\$ 5,672,026</u>	<u>\$ 5,166,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,968,144</u>	<u>\$ -</u>	<u>\$ 13,640,170</u>	<u>\$ 5,166,717</u>

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The local council, Sam Houston Area Council Boy Scouts of America (the "Council"), headquartered in Houston, Texas, operates in the counties of Austin, Brazos, Burleson, portions of Chambers, Colorado, Fort Bend, Grimes, Harris, Madison, Matagorda, Montgomery, portions of Trinity, Walker, Waller, Washington, and Wharton. The Council has three camping facilities. The Camp Strake Properties Foundation Incorporated (the "Foundation") was established for the benefit of the Council. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys, young men, and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods that are now in common use by the Boy Scouts of America.

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

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

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

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

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

The Council's programs are classified as follows:

Lion Scouts – A fun introduction to the Scouting program for kindergarten-age youth eager to get going. Lions do adventures with their adult partners and other Lions every month. This program introduces youth and their families to Scouting and the outdoors as it builds a foundation of character. A Lion den is part of the Cub Scout pack.

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

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Starting in 2018, families can choose to sign up their sons and daughters who are ages 5 to 10 for Cub Scouts. Chartered organizations may choose to establish a new girl pack, establish a pack that consists of girl dens and boy dens or remain an all-boy pack. Cub Scout dens will be single gender — all boys or all girls.

Scouts BSA – With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts develop an awareness and appreciation of their role in their community and become well-rounded young men and women ages 10 through 17 through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.

Venturing – Provides experiences to help young men and women, ages 14 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.

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

The Council’s website address is www.samhoustonbsa.org.

Principles of Consolidation

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

Prior-Period Information

The consolidated statement of functional expenses includes certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Financial Statement Format

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Also, the Organization prepares its consolidated financial statements in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*.

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

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

Fund Accounting

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

Estimates

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

Restricted Cash

Restricted cash represents cash held by a trustee and subject to withdrawal restrictions. Restricted cash is classified as a current or noncurrent asset based on the terms of the governing agreement.

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded primarily for product sales and are stated at net realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. Receivable balances are charged off against the allowance for doubtful accounts when they are considered uncollectible by management. No allowance for doubtful accounts was considered necessary as of December 31, 2022 and 2021.

Inventories

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

Investments

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

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

Investment and Spending Policies

The Organization's investment policy intends for the Organization to invest in assets that would produce results exceeding the investment's purchase price and incur a reasonable yield of return, while assuming a moderate level of investment risk. The Organization expects its Endowment Fund, over time, to provide a reasonable rate of return. To satisfy this objective, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on mutual funds and debt and equity securities to achieve its long-term return objectives within prudent risk constraints.

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The spending policy of the Organization defines the total funds available from the Endowment Fund in a given year (the distributable income) as up to 5% of the Endowment Fund's average market value over the preceding three years. The Endowment Fund strives to have returns greater than the proposed distribution plus costs that are appropriate and reasonable in relation to the assets, the purposes of the Organization, and the skills available to the Organization. These costs, which are netted out from the market value of the Endowment Fund prior to calculation of a distribution, are related to the audit, investment managers, and the Organization's human resources responsible for the management and growth of the investment fund. If the market value of the Endowment Fund falls to or below the amount of the Endowment Fund's donor-restricted gifts, then the spending policy may be amended in accordance with the guidelines found in the Texas Uniform Prudent Management of Institutional Funds Act ("TXUPMIFA"). The executive committee may amend this spending policy.

Property

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

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

Intangibles

Intangibles are recorded at cost and consist of 6,000 stream mitigation credits acquired from the Houston-Conroe Mitigation Bank to offset the impact from creating an 18-acre lake on certain property.

Impairment of Long-Lived Assets

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

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition from Contracts with Customers (Excluding Contributions)

The Organization accounts for revenue from exchange agreements, i.e., agreements whereby resource providers receive direct commensurate value for assets transferred, in accordance with FASB ASC 606. Under ASC 606, an exchange agreement (contract with a customer) is an agreement which both parties have approved, that creates enforceable rights and obligations, has commercial substance and where payment terms are identified and collectability is probable. Once the Organization has entered into a contract, the contract is evaluated to identify performance obligations. For each performance obligation, revenue is recognized as control of promised goods or services transfers to the customer in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services. The amount of revenue recognized takes into account variable consideration when applicable. The Organization's contracts contained no significant variable consideration in 2022 and 2021.

Performance Obligations

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

Camping and Activity Revenues

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

Special Events

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

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales of Products and Supplies

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

Contract Balances

Contract assets relate to the Organization's right to consideration for products sold or services performed but not billed at the reporting date. There were no contract assets at December 31, 2022 and 2021. Contract liabilities relate to advance consideration received from customers for which revenue has not been recognized. Contract liabilities consist primarily of deferred income from camping and activity and special events and are recorded under current liabilities in the consolidated statements of financial position. Contract liabilities are reduced when the associated revenue from the contract is recognized.

Critical Accounting Estimates

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

Revenue Recognition from Contributions

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

Other Reclassifications of Net Assets

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

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets

Donated property, investments, and other noncash donations are recorded as contributions at their fair value at their date of donation. The Organization reports the donations as net assets 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 donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

Custodial Accounts

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

Functional Allocation of Expenses

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

Fund Balance Transfers

Certain cash transfers between funds are made from time to time to properly report all funds on a basis consistent with board designations and the Organization's accounting policies.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expense for 2022 and 2021 amounted to approximately \$124,000 and \$88,000, respectively, and are included in other expenses in the consolidated statement of functional expenses.

Income Taxes

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

The Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the consolidated financial statements. The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits. With few exceptions, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2019.

Leases

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update (“ASU”) 2016-02, *Leases* (ASC Topic 842) issued by the FASB. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether each contract contains a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of January 1, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. The Organization has also elected the practical expedients to use hindsight in determining the lease term and in assessing impairment of right-of-use (“ROU”) assets, and to apply the option not to assess whether existing or expired land easements that were not previously evaluated are or contain a lease.

As a result of the adoption of the new lease accounting guidance using the cumulative effect transition approach, the Organization recognized on January 1, 2022 (the beginning of the period of adoption) (a) a lease liability of \$325,200, which represents the present value of the remaining lease payments of \$341,015, discounted using the Organization’s incremental borrowing rate of 3.25%, and (b) a ROU asset of \$325,200. Adoption of ASC Topic 842 had no effect on net assets as of January 1, 2022.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under ASC Topic 842, the Organization determines if an arrangement is, or contains, a lease at the inception date. Operating leases are included in operating lease ROU assets and operating lease liabilities in the consolidated statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization’s leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Organization uses the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease costs for operating lease payments are recognized on a straight-line basis over the lease term.

The Organization has also elected not to separate lease components from non-lease components and to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less.

In 2021, prior to its adoption of ASC Topic 842, the Organization accounted for its operating leases under ASC Topic 840, whereby rent expense was recognized as incurred on a straight-line basis over the terms of the leases.

Contributed Nonfinancial Assets

Effective January 1, 2022, the Organization adopted the provisions of ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, (ASC Topic 958). ASU 2020-07 requires the Organization to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities and changes in net assets and disclose the disaggregated amount of received contributions of nonfinancial assets by type. The guidance is applied retrospectively. The Organization had no significant contributions of nonfinancial assets in 2022 and 2021.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash – Operating Fund, net of certain custodial funds	\$ 5,553,014	\$ 4,928,305
Accounts receivable – Operating Fund	1,923,075	2,072,705
Contributions receivable – Operating Fund, net of amounts subject to donor restrictions	<u>501,576</u>	<u>466,762</u>
Total financial assets as of year-end	<u>7,977,665</u>	<u>7,467,772</u>

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NOTE 2 - LIQUIDITY AND AVAILABILITY OF FUNDS (CONTINUED)

	<u>2022</u>	<u>2021</u>
Appropriation from the general endowment for general expenditures in subsequent year	\$ 1,523,165	\$ 1,727,882
Appropriation from quasi-endowment for general expenditures in subsequent year	<u>794,524</u>	<u>833,166</u>
Financial assets available to meet general expenditures within the next 12 months	<u>\$10,295,354</u>	<u>\$10,028,820</u>

The Organization's endowment funds consist of donor-restricted endowments, general endowments, and a quasi-endowment (board-designated funds). Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 1, the endowment has a spending rate of five percent. Appropriations of \$1,523,165 and \$794,524 from the general endowment and the quasi-endowment, respectively, will be available within the next 12 months as of December 31, 2022. Appropriations of \$1,727,882 and \$833,166 from the general endowment and the quasi-endowment, respectively, were available within the next 12 months as of December 31, 2021.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has a quasi-endowment of \$11,691,526 and \$20,346,666 at December 31, 2022 and 2021, respectively. Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following table represents an analysis of revenue by the timing of such revenue recognized during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenue recognized at a point in time:		
Camping and activity	\$1,913,054	\$1,715,984
Special events	111,316	101,586
Sales of products and supplies	<u>2,069,080</u>	<u>1,784,624</u>
	<u>\$4,093,450</u>	<u>\$3,602,194</u>

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NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Accounts Receivable from Contracts with Customers

The following table provides information about accounts receivable from contracts with customers for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of year	<u>\$189,552</u>	<u>\$124,013</u>
Accounts receivable, end of year	<u>\$ 80,597</u>	<u>\$189,552</u>

The Organization recognized no credit losses related to accounts receivable from contracts with customers in 2022 and 2021.

Contract Liabilities

The following table provides information about contract liabilities for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deferred income, beginning of the year	<u>\$113,801</u>	<u>\$149,686</u>
Deferred income, end of the year	<u>\$260,447</u>	<u>\$113,801</u>

All contract liabilities were current at both the beginning and the end of the years ended December 31, 2022 and 2021.

NOTE 4 - INVESTMENTS

Investments, at fair value, as of December 31, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 6,379,379	\$11,389,618
Debt securities	24,717,289	30,824,900
Equity securities	39,632,632	52,930,350
Money market and savings accounts	<u>6,329,813</u>	<u>3,057,630</u>
	<u>\$77,059,113</u>	<u>\$98,202,498</u>

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NOTE 4 - INVESTMENTS (CONTINUED)

	<u>2022</u>	<u>2021</u>
Classified as follows in the consolidated statements of financial position:		
Short-term investments	\$ 5,465,456	\$ 5,526,426
Long-term investments	<u>71,593,657</u>	<u>92,676,072</u>
	<u>\$77,059,113</u>	<u>\$98,202,498</u>

The following schedule summarizes the investment return in the consolidated statements of activities and changes in net assets for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<u>Without donor restrictions:</u>		
Interest and dividend income	\$ 544,472	\$ 539,489
Net realized and unrealized gains (losses)	<u>(3,227,378)</u>	<u>1,357,889</u>
	<u>(2,682,906)</u>	<u>1,897,378</u>
<u>With donor restrictions:</u>		
Interest and dividend income	1,919,867	1,828,205
Net realized and unrealized gains (losses)	<u>(11,190,317)</u>	<u>6,018,972</u>
	<u>(9,270,450)</u>	<u>7,847,177</u>
	<u>\$(11,953,356)</u>	<u>\$9,744,555</u>

Income from interest and dividends on investments and realized and unrealized gains and losses on investments (“Investment Income, Gains, and Losses”) are mostly recognized and initially recorded in the Endowment Fund. Distributions of Investment Income, Gains, and Losses from the Endowment Fund are recorded as income by the Operating and Capital Funds in the period in which the distributions are made in accordance with the Organization’s spending policy (Note 1) and included in the spending policy allocation presented on the consolidated statements of activities and changes in net assets. For 2022 and 2021, investment expenses were \$275,553 and \$273,958, respectively, and are netted against investment return in the consolidated statements of activities and changes in net assets.

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NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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

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NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The inputs and methodologies used for valuing assets and liabilities are not an indication of the risk associated with those assets and liabilities. There have been no changes in the methodologies used at December 31, 2022 or 2021.

The following tables provide fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

<u>Description</u>	<u>December 31, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 6,379,379	\$ -	\$ -	\$ 6,379,379
Debt securities	24,717,289	-	-	24,717,289
Equity securities	39,632,632	-	-	39,632,632
Money market and savings accounts	<u>6,329,813</u>	<u>-</u>	<u>-</u>	<u>6,329,813</u>
Total investments	77,059,113	-	-	77,059,113
Beneficial interest in split-interest agreements (Notes 8 and 15)	<u>-</u>	<u>-</u>	<u>3,024,908</u>	<u>3,024,908</u>
Total recurring fair value measurements	<u>\$77,059,113</u>	<u>\$ -</u>	<u>\$3,024,908</u>	<u>\$80,084,021</u>

<u>Description</u>	<u>December 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$11,389,618	\$ -	\$ -	\$ 11,389,618
Debt securities	30,824,900	-	-	30,824,900
Equity securities	52,930,350	-	-	52,930,350
Money market and savings accounts	<u>3,057,630</u>	<u>-</u>	<u>-</u>	<u>3,057,630</u>
Total investments	98,202,498	-	-	98,202,498
Beneficial interest in split-interest agreements (Notes 8 and 15)	<u>-</u>	<u>-</u>	<u>3,246,315</u>	<u>3,246,315</u>
Total recurring fair value measurements	<u>\$98,202,498</u>	<u>\$ -</u>	<u>\$3,246,315</u>	<u>\$101,448,813</u>

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NOTE 5 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

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

		2022		
<u>Assets</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range</u>
Beneficial Interest in Split Interest Agreements	\$ 3,024,908	Present value of future payments	Life expectancies Discount rates	Various 3.5%-8.6%

		2021		
<u>Assets</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range</u>
Beneficial Interest in Split Interest Agreements	\$ 3,246,315	Present value of future payments	Life expectancies Discount rates	Various 3.5%-8.6%

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

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

NOTE 6 - PROPERTY

Property at December 31, 2022 and 2021 consists of the following:

	<u>Useful Lives</u>	<u>2022</u>	<u>2021</u>
Land		\$13,763,853	\$13,982,582
Building, structures, and land improvements	5 - 50 years	70,975,415	70,676,981
Furniture, fixtures, and equipment	2 - 30 years	8,532,160	8,611,429
Construction in progress		<u>829,933</u>	<u>757,951</u>
		94,101,361	94,028,943
Less: Accumulated depreciation		<u>23,247,197</u>	<u>20,734,202</u>
		<u>\$70,854,164</u>	<u>\$73,294,741</u>

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NOTE 6 - PROPERTY (CONTINUED)

Land in the amount of approximately \$8 million is restricted for use as a camp at December 31, 2022 and 2021. The Organization may sell all or any portion of the land as it deems necessary; however, the sale proceeds must be applied either to acquire replacement property that will be used for the same purpose or for other purposes specifically permitted by the agreement with the donor.

NOTE 7 - PROPERTY HELD FOR SALE

During 2022, the Organization initiated plans to sell a portion of the Bovay Scout Ranch (“Bovay”). The decision to sell a portion of the ranch was based on the usage of that portion of Bovay and the potential revenue to be used for capital improvements.

Property held for sale at December 31, 2022 consists of the following:

	<u>2022</u>
Land	<u>\$218,729</u>

NOTE 8 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
United Way	\$ 125,000	\$ 690,122
Friends of Scouting	505,324	425,764
Foundations	65,000	-
Beneficial interest in split-interest agreements (Note 15)	3,024,908	3,246,315
Other unrestricted promises	14,633	87,884
Restricted to capital campaign	25,520	80,520
Restricted to Endowment Fund	4,516,399	6,795,497
Less: Discount for timing of cash flows	<u>(2,311,050)</u>	<u>(2,218,669)</u>
Subtotal	5,965,734	9,107,433
Less: Allowance for uncollectible contributions receivable	<u>(43,547)</u>	<u>(38,666)</u>
Total contributions receivable	<u>\$ 5,922,187</u>	<u>\$ 9,068,767</u>
Contributions receivable, due in:		
Less than one year	\$ 2,634,928	\$ 3,527,902
One to five years	<u>3,287,259</u>	<u>5,540,865</u>
	<u>\$ 5,922,187</u>	<u>\$ 9,068,767</u>

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NOTE 8 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

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

Allocations from United Way of Greater Houston for \$125,000 and \$690,122 (designated for general operating purposes for 2023 and 2022, respectively) have been recorded in the consolidated financial statements since the amounts were pledged in 2022 and 2021, respectively.

NOTE 9 - CONDITIONAL CONTRIBUTION

In April 2016, a donor changed the terms of its initial \$5 million matching grant, as a result of board-approved changes to the scope of the Organization's Leaders of Tomorrow campaign. The terms of the revised grant no longer retain the matching requirement, but funding is contingent upon meeting mutually agreed-upon metrics. The revised grant further provides the remaining unfunded portion of the grant (\$3,000,000) will be restricted to expanding the Organization's staff to grow Scouting. Through December 31, 2022, the Organization has received \$2.5 million of the grant. There were no funds received in 2022 or 2021. Funds totaling approximately \$57,000 are restricted at December 31, 2021. No funds are restricted at December 31, 2022.

NOTE 10 - GOVERNMENTAL GRANTS

Paycheck Protection Program

In March 2020, the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted. Loans granted pursuant to the PPP may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the loans granted may be forgiven if they are used for qualifying expenses as described in the CARES Act. Qualifying expenses include payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. On December 27, 2020, the Consolidated Appropriations Act, 2021 was enacted and extended several provisions of the CARES Act including additional funding of the PPP. In February 2021, the Organization was granted a loan (the "Loan") in the amount of \$1,302,933, pursuant to the PPP. The Loan matured in February 2027 and bore interest at a rate of 1% per annum. Later in 2021, the Organization applied for loan forgiveness, and in November 2021, the Small Business Administration approved the Organization's loan forgiveness application. The loan proceeds were initially recorded as a refundable governmental grant advance. The Organization determined the conditions of the loan to be met upon the occurrence of eligible expenditures and the submission of the loan forgiveness application, which all occurred in 2021. Accordingly, the full amount of the proceeds, \$1,302,933, is reported as governmental grant indirect support in 2021 in the consolidated statements of activities and changes in net assets.

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NOTE 10 - GOVERNMENTAL GRANTS (CONTINUED)

Employee Retention Credit

The CARES Act also provides for an Employee Retention Credit, a fully refundable payroll tax credit for certain eligible employers. The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, extended the payroll tax credit period to June 30, 2021. The Organization claimed credits of \$1,883,152 for the year ended December 31, 2021 and has reported this amount as governmental grant indirect support in 2021 in the consolidated statements of activities and changes in net assets. The credits are included in accounts receivable at both December 31, 2022 and 2021.

NOTE 11 - INTANGIBLES

Intangibles consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Stream mitigation credits – cost	\$ 1,200,000	\$ 1,200,000
Less: impairment reserve	<u>(600,000)</u>	<u>(600,000)</u>
	<u>\$ 600,000</u>	<u>\$ 600,000</u>

In 2021, after analyzing and assessing market trends and deteriorating economic variables, management determined that the value of the stream mitigation credits held by the Organization as of December 31, 2021 were impaired and that the impairment in value was more than temporary. Accordingly, management recorded an impairment reserve as of December 31, 2021 in the amount of \$600,000. The related loss is reported as impairment loss on the consolidated statements of activities and changes in net assets. No additional impairment loss was recognized in 2022.

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NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022			
	Operating Fund	Capital Fund	Endowment Fund	Total
<i>Subject to expenditures for a specific purpose:</i>				
Special events	\$ 12,000	\$ -	\$ -	\$ 12,000
Uniforms, camperships and scholarships	113,498	-	-	113,498
Other	3,000	-	-	3,000
<i>Building and equipment purchase/ maintenance:</i>				
Bovay Scout Ranch - land acquisition	-	378,213	-	378,213
Camp Strake	-	2,644,088	-	2,644,088
Total purpose restrictions	<u>128,498</u>	<u>3,022,301</u>	<u>-</u>	<u>3,150,799</u>
<i>Subject to passage of time:</i>				
Friends of Scouting	734,376	-	-	734,376
Scouting activities	115,000	-	-	115,000
United Way designation	125,063	-	-	125,063
Legacies and bequests	3,933	-	-	3,933
Total passage of time restrictions	<u>978,372</u>	<u>-</u>	<u>-</u>	<u>978,372</u>
<i>Perpetual in nature:</i>				
Land use restrictions	<u>-</u>	<u>10,482,293</u>	<u>-</u>	<u>10,482,293</u>
<i>Endowment - subject to endowment spending policy and appropriation:</i>				
General use	-	-	40,102,986	40,102,986
Program activities	-	-	25,270,496	25,270,496
Total subject to endowment spending policy and appropriation	<u>-</u>	<u>-</u>	<u>65,373,482</u>	<u>65,373,482</u>
Total net assets with donor restrictions	<u>\$ 1,106,870</u>	<u>\$ 13,504,594</u>	<u>\$ 65,373,482</u>	<u>\$ 79,984,946</u>

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NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2021			
	Operating Fund	Capital Fund	Endowment Fund	Total
<i>Subject to expenditures for a specific purpose:</i>				
Special events	\$ 17,000	\$ -	\$ -	\$ 17,000
Uniforms, camperships and scholarships	62,001	-	-	62,001
Sales and onboarding division	57,124	-	-	57,124
Other	20,449	34,000	-	54,449
<i>Building and equipment purchase/ maintenance:</i>				
Bovay Scout Ranch - land acquisition	-	358,213	-	358,213
Camp Strake	-	2,308,120	-	2,308,120
Leaders of Tomorrow campaign	-	260,281	-	260,281
Total purpose restrictions	<u>156,574</u>	<u>2,960,614</u>	<u>-</u>	<u>3,117,188</u>
<i>Subject to passage of time:</i>				
Friends of Scouting	525,818	-	-	525,818
Scouting activities	65,000	-	-	65,000
United Way designation	690,172	-	-	690,172
Legacies and bequests	3,928	-	-	3,928
Total passage of time restrictions	<u>1,284,918</u>	<u>-</u>	<u>-</u>	<u>1,284,918</u>
<i>Perpetual in nature:</i>				
Land use restrictions	<u>-</u>	<u>10,482,293</u>	<u>-</u>	<u>10,482,293</u>
<i>Endowment - subject to endowment spending policy and appropriation:</i>				
General use	-	-	47,621,066	47,621,066
Program activities	<u>-</u>	<u>-</u>	<u>32,823,791</u>	<u>32,823,791</u>
Total subject to endowment spending policy and appropriation	<u>-</u>	<u>-</u>	<u>80,444,857</u>	<u>80,444,857</u>
Total net assets with donor restrictions	<u>\$ 1,441,492</u>	<u>\$ 13,442,907</u>	<u>\$ 80,444,857</u>	<u>\$ 95,329,256</u>

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NOTE 13 - RECLASSIFICATIONS OF NET ASSETS

Net assets were released from donor restrictions during 2022 and 2021 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Net assets released were related to the following:

	<u>2022</u>	<u>2021</u>
<i>Satisfaction of program restrictions:</i>		
Special events	\$ 15,000	\$ -
Foundations and trusts	65,000	-
Other direct support	79,224	174,752
<i>Expiration of time restrictions:</i>		
Friends of Scouting	518,536	213,713
United Way	690,122	234,761
<i>Satisfaction of property acquisition restrictions</i>	158,313	1,056,508
<i>Satisfaction of investment income restrictions</i>	<u>5,113,917</u>	<u>3,990,645</u>
	<u>\$6,640,112</u>	<u>\$5,670,379</u>

Other reclassifications of net assets, resulting from donor restrictions imposed on net assets otherwise without restrictions, were as follows in 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restriction of investment income	<u>\$236,374</u>	<u>\$322,801</u>

The proceeds from the sale of certain property in a prior year are purpose-restricted as \$34,000,000 in the Endowment Fund and \$28,445,669 in the Capital Fund. In 2014, the agreement with the donor of funds used to acquire the original property was amended to allow the release of approximately \$16,063,000 of net assets with donor restrictions to net assets without donor restrictions in the Endowment Fund. It was further amended to create a new account in the Capital Fund (“Capital Account”) for future use of depreciation and improvements, including long-term major maintenance projects, purchase and replacement of major equipment and vehicles, future permanent improvements, and future additional land acquisitions for expansion of the current acreage. The Capital Account is required to be funded, annually, with at least \$200,000 of the Organization’s spending policy distributable amount from the donor’s related account in the Endowment Fund. In 2022 and 2021, the Organization funded the Capital Account with \$236,374 and \$322,801, respectively, and accordingly, reclassified the funds as net assets with donor restrictions.

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NOTE 14 - ENDOWMENT FUND

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

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

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

Endowment fund net assets consisted of the following at December 31, 2022 and 2021:

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NOTE 14 - ENDOWMENT FUND (CONTINUED)

	2022		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted funds, perpetual in duration - original gift amount	\$ -	\$ 34,290,147	\$ 34,290,147
Donor-restricted capital/program service funds	-	28,605,306	28,605,306
Cash surrender value of life insurance	-	245,059	245,059
Unpaid contributions	-	5,231,750	5,231,750
Accrued interest receivable	185,782	-	185,782
Accumulated investment losses, net	-	(2,998,780)	(2,998,780)
Board-designated funds	<u>11,691,526</u>	<u>-</u>	<u>11,691,526</u>
Total endowment fund net assets	<u>\$ 11,877,308</u>	<u>\$ 65,373,482</u>	<u>\$ 77,250,790</u>
	2021		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted funds, perpetual in duration - original gift amount	\$ -	\$ 32,356,647	\$ 32,356,647
Donor-restricted capital/program service funds	-	28,605,306	28,605,306
Cash surrender value of life insurance	-	268,287	268,287
Unpaid contributions	-	7,823,823	7,823,823
Accrued interest receivable	165,718	34,598	200,316
Other current liabilities	(7,968,144)	-	(7,968,144)
Accumulated investment gains	-	11,356,196	11,356,196
Board-designated funds	<u>20,346,666</u>	<u>-</u>	<u>20,346,666</u>
Total endowment fund net assets	<u>\$ 12,544,240</u>	<u>\$ 80,444,857</u>	<u>\$ 92,989,097</u>

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NOTE 14 - ENDOWMENT FUND (CONTINUED)

Changes in endowment fund net assets consisted of the following for the years ended December 31, 2022 and 2021:

	2022		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<i>Endowment fund net assets:</i>			
Balance, beginning of year	\$ 12,544,240	\$ 80,444,857	\$ 92,989,097
Investment return:			
Investment income (loss)	(2,469,209)	1,919,867	(549,342)
Net realized and unrealized gains (losses)	(3,221,578)	(11,190,317)	(14,411,895)
Donor-restricted funds, perpetual in duration - original gift amount	-	(687,008)	(687,008)
Reclassification of endowment funds	1,938,777	(1,938,777)	-
Appropriation of net assets for expenditure	<u>3,085,078</u>	<u>(3,175,140)</u>	<u>(90,062)</u>
Balance, end of year	<u>\$ 11,877,308</u>	<u>\$ 65,373,482</u>	<u>\$ 77,250,790</u>
	2021		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<i>Endowment fund net assets:</i>			
Balance, beginning of year	\$ 14,770,383	\$ 73,500,518	\$ 88,270,901
Investment return:			
Investment income (loss)	(1,274,298)	1,828,205	553,907
Net realized and unrealized gains (losses)	1,353,823	6,018,972	7,372,795
Donor-restricted funds, perpetual in duration - original gift amount	-	3,087,807	3,087,807
Transfers in	2,000,000	-	2,000,000
Reclassification of endowment funds	1,057,448	(1,057,448)	-
Appropriation of net assets for expenditure	<u>(5,363,116)</u>	<u>(2,933,197)</u>	<u>(8,296,313)</u>
Balance, end of year	<u>\$ 12,544,240</u>	<u>\$ 80,444,857</u>	<u>\$ 92,989,097</u>

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NOTE 14 - ENDOWMENT FUND (CONTINUED)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Organization to retain as funds of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. At December 31, 2021, no funds reported deficiencies in net assets with donor restrictions. At December 31, 2022, funds with original gift values of \$44,746,169, fair values of \$40,313,156 and deficiencies of \$4,433,013 were reported in net assets with donor restrictions. Deficiencies of this nature result from unfavorable market fluctuations and continued appropriations. The Organization has interpreted the TXUPMIFA and applicable state trust laws to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTE 15 - SPLIT-INTEREST AGREEMENTS

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

The Organization is the recipient of various charitable remainder trusts. Under terms of the split-interest agreements, the Organization is to receive a percentage of the trusts' assets upon the death of a beneficiary, as defined in the agreements. Until receipt of the assets from the trusts, the Organization reports the trusts' assets in the Operating or Endowment Fund's net assets with donor restrictions as determined by the Organization's unsolicited gifts policy. Upon receipt of the assets from the trusts, the trusts' assets will be released to net assets without donor restrictions in the applicable fund. Based on the life expectancies of the beneficiaries and the stated rate of return in the agreements or the prime rate in effect on the receipt date of the trust, the present value of the future benefits expected to be received by the Organization from the trusts, combined, was estimated to be approximately \$3,025,000 and \$3,246,000 at December 31, 2022 and 2021, respectively.

In 2022 and 2021, the Organization recorded changes in the value of the split-interest agreements amounting to approximately \$221,000 and \$330,000, respectively.

NOTE 16 - ENDOWED FUND AGREEMENT

Endowment Fund

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

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NOTE 16 - ENDOWED FUND AGREEMENT (CONTINUED)

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

Non-Endowment Grants

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

In March 2019, the grantor restated its original agreement by entering into a new agreement (the "Restated Agreement") with the Organization. The Restated Agreement retains the endowment fund established under the original agreement and the basis for determining the grantor's annual grants. Additionally, the Restated Agreement restricts future additions to the endowment fund, limits the endowment fund to \$10 million, and eliminates non-endowment grants. Future distributions from the endowment fund may be made in an amount determined under the Organization's spending policy (Note 1). In 2021, the Organization received annual endowment grants, under the Revised Agreement, of approximately \$408,000. No annual endowment grants under the Revised Agreement were received in 2022.

NOTE 17 - EMPLOYEE BENEFIT PLANS

Retirement Plan

The National Council has a qualified defined benefit pension plan (the "Plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Organization. The Plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees* and covers all employees who have completed one year of service with a hire date prior to December 31, 2018 and who have agreed to make contributions. Effective December 31, 2018, the Plan was closed to all new hires, and Plan benefits were frozen for non-grandfathered participants. Non-grandfathered participants are employees with less than 15 years of service as of January 1, 2019, and whose age plus years of service is less than or equal to 60 years.

Through January 31, 2021, the Organization contributed 7.75% of the participating employees' compensation to the Plan. Effective February 1, 2021, the Organization's contribution to the Plan increased from 7.75% to 12%. The Organization is invoiced by the National Council on a monthly basis for the difference between the 12% and the employer contribution to the *Boy Scouts of America Match Savings Plan* ("Savings Plan"), see below. Pension expense (excluding the contributions made by employees) was \$351,547 and \$361,962 in 2022 and 2021, respectively, and covered current service cost.

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NOTE 17 - EMPLOYEE BENEFIT PLANS (CONTINUED)

The Plan is a multi-employer plan, and the individual information for each employer is not available. The actuarial information for the multi-employer plan as of February 1, 2022 indicates that it is in compliance with the Employee Retirement Income Security Act regulations regarding funding. The assumed rate of return used in determining actuarial present values of accumulated benefits at December 31, 2022 and 2021 was 6.50%. The actuarial value includes all Plan amendments as of February 1, 2022. Effective August 1, 2020, the Plan was amended to freeze benefits for the remaining grandfathered participants.

Savings Plan

Effective January 1, 2019, the Organization participates in a defined contribution plan established by the National Council for the benefit of all eligible employees of the Organization (the Savings Plan). Eligible employees are automatically enrolled in the Savings Plan with a deferral rate of 3.25% that increases 1% per year up to a maximum of 7.25% of compensation. The Organization matches employee eligible contributions up to 50% of contributions from each participant, limited to 6% of each employee's eligible compensation. The Organization contributed approximately \$115,000 and \$110,000 to the Savings Plan in 2022 and 2021, respectively.

Health Care Plan

The Organization's employees participate in a health care plan provided by the National Council. The Organization pays a portion of the cost for the employees and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2022 and 2021, the Organization remitted approximately \$413,000 and \$460,000, respectively, on behalf of its employees to the National Council related to the health care plan.

NOTE 18 - LEASES

Reported under Topic ASC 842:

The Organization leases certain office equipment and Scout shops for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2026 and do not provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties. The agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

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NOTE 18 - LEASES (CONTINUED)

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2022:

<u>For the Year Ending December 31:</u>	
2023	\$ 124,884
2024	70,224
2025	10,406
2026	<u>5,203</u>
Total lease payments	210,717
Less: Amount representing interest	<u>13,365</u>
Amounts recognized in the consolidated statements of financial position	197,352
Less: Current maturities	<u>113,279</u>
Long-term lease obligations	<u>\$ 84,073</u>

Lease costs, included in rental and maintenance of equipment expense and occupancy expense in the consolidated statement of functional expenses, for 2022 consist of the following:

Operating lease cost	\$ 124,884
Short-term lease cost	<u>93,894</u>
Total lease cost	<u>\$ 218,778</u>

Other quantitative information for the Company's operating leases for 2022 consist of the following:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$125,335
Weighted-average remaining lease term—operating leases	1.88 years
Weighted-average discount rate—operating leases	3.25%

Reported under Topic ASC 840:

Total rent expense amounted to approximately \$310,000 for 2021.

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NOTE 19 - COMMITMENTS AND CONTINGENCIES

Credit Risk

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

Legal Claims

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

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 Organization continues to monitor its investment portfolio and its liquidity. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration of the outbreak and its impact on the Organization's donors, customers, employees, and vendors, all of which cannot be currently determined. Accordingly, the extent to which COVID-19 may impact the Organization'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.

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NOTE 19 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

National Council - Chapter 11 Bankruptcy

The National Council provides the Organization with a charter, program materials and support for administration, as well as sponsoring certain benefit plans for the Organization's employees. Since 1978, the National Council has operated a general liability insurance program ("GLIP") in which the Organization 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 and has received bankruptcy court approval to continue its relationship with the local councils, including the benefit and insurance programs noted above. Neither the Organization nor any other local council are currently parties to the bankruptcy proceeding. The National Council has sought to stay litigation against both the National Council and local councils and has proposed a plan of reorganization that would protect local councils from any further legal exposure for abuse claims arising prior to February 18, 2020, subject to a to-be-determined contribution from local councils. Such plan will require a contribution from local councils. As of December 31, 2022 and 2021, the Organization's contribution is expected to be \$7,968,144; however, that may increase. The ability of the National Council to confirm such a plan and the size of the potential contribution, if any, from the Organization is unknown. However, the Organization has recorded the expected contribution of \$7,968,144 as "contribution to settlement trust" under expenses in the consolidated statement of activities and changes in net assets in 2021. A corresponding liability has been recorded in other current liabilities in the consolidated statements of financial position as of December 31, 2022 and 2021. Management of the Organization is unable to assess the effect, if any, the resolution of these matters by the National Council may have on the Organization's operations or its consolidated financial statements.

In September 2022, the National Council entered into an escrow agreement with a bank. Pursuant to this escrow agreement, the local councils will each deposit the amount of their expected contribution, as discussed above, to an escrow account administered by the bank. The contributed portion of each local council will remain the property of each local council until such time as the funds are released pursuant to the terms of the escrow agreement. In 2022, the Organization transferred cash in the amount of its expected \$7,968,144 contribution above to this escrow account. As of December 31, 2022, the escrowed funds have not been released. The Organization's balance in the escrow account is \$7,968,144 as of December 31, 2022 and is shown as restricted cash in the consolidated statements of financial position. See also Note 21 for subsequent events.

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NOTE 20 - SCOUT SHOPS

The Organization leases to the National Council space for five Scout shops within the Houston area. The lease term is 60 months and is renewable at the end of the lease term. Lease payments by the National Council to the Organization are variable and are calculated as 8% commission of gross sales up to \$750,000 and 13% on sales in excess of \$750,000. The lease income earned (before expenses) by the Organization during 2022 and 2021 are included in other revenue in the consolidated statements of activities and changes in net assets.

	<u>2022</u>	<u>2021</u>
Lease income	<u>\$256,941</u>	<u>\$242,646</u>

NOTE 21 - SUBSEQUENT EVENTS

On September 8, 2022, the United States Bankruptcy Court for the District of Delaware entered an order (the “Confirmation Order”) confirming the plan of reorganization (the “Reorganization Plan”) of the National Council. On March 28, 2023, the United States District Court for the District of Delaware entered an opinion affirming the Confirmation Order on appeal. On April 19, 2023, the effective date of the Reorganization Plan occurred, and, as a result, the Reorganization Plan was substantially consummated.

Management has evaluated subsequent events through May 12, 2023, the date the consolidated financial statements were available to be issued.