SAM HOUSTON AREA COUNCIL
BOY SCOUTS OF AMERICA

Prepared. For Life.™

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE

YEARS ENDED DECEMBER 31, 2018 AND 2017

AND INDEPENDENT AUDITOR'S REPORT

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

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Sam Houston Area Council Boy Scouts of America and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sam Houston Area Council Boy Scouts of America and Subsidiary as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Report on Summarized Comparative Information

We have previously audited the Sam Houston Area Council Boy Scouts of America and Subsidiary's 2017 consolidated financial statements, and our report dated May 7, 2018 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented in the consolidated statement of functional expenses for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Melton & Melton, L.L.P.

Houston, Texas
May 14, 2019

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
ASSETS								
Current Assets:								
Cash	$ 6,166,338	$ 7,035,429	$ -	$ -	$ -	$ -	$ 6,166,338	$ 7,035,429
Short-term investments	-	-	13,075,525	19,672,941	-	-	13,075,525	19,672,941
Accounts receivable	254,877	384,238	-	-	114,598	149,435	369,475	533,673
Contributions receivable	1,421,563	590,705	852,114	858,804	2,387,921	1,765,175	4,661,598	3,214,684
Inventories	44,859	55,904	-	-	-	-	44,859	55,904
Prepaid expenses	105,597	157,543	91,268	69,030	-	-	196,865	226,573
Total current assets	7,993,234	8,223,819	14,018,907	20,600,775	2,502,519	1,914,610	24,514,660	30,739,204
Noncurrent Assets:								
Contributions receivable	-	-	705,443	1,210,207	2,161,780	2,058,701	2,867,223	3,268,908
Property, net	-	-	47,720,043	39,152,554	-	-	47,720,043	39,152,554
Property held for sale	-	-	4,995,467	4,995,467	-	-	4,995,467	4,995,467
Long-term investments	-	-	18,970	28,229	70,565,225	75,617,088	70,584,195	75,645,317
Cash surrender value of life insurance	-	-	-	-	199,055	212,591	199,055	212,591
Other assets	26,000	-	-	-	-	-	26,000	-
Total noncurrent assets	26,000	-	53,439,923	45,386,457	72,926,060	77,888,380	126,391,983	123,274,837
Total Assets	**$ 8,019,234**	**$ 8,223,819**	**$ 67,458,830**	**$ 65,987,232**	**$ 75,428,579**	**$ 79,802,990**	**$ 150,906,643**	**$ 154,014,041**
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Accounts payable	$ 201,736	$ 217,461	$ 814,340	$ 54,032	$ -	$ -	$ 1,016,076	$ 271,493
Accrued expenses	488,448	891,124	-	-	-	-	488,448	891,124
Payroll taxes withheld	309	24	-	-	-	-	309	24
Custodial accounts	1,448,909	1,671,408	140,585	140,585	-	-	1,589,494	1,811,993
Deferred activity income	31,465	20,905	-	-	-	-	31,465	20,905
Deferred camp income	9,898	8,690	-	-	-	-	9,898	8,690
Deferred other income	41,717	35,338	10,000	-	-	-	51,717	35,338
Other current liabilities	28,496	28,552	-	-	-	-	28,496	28,552
Total current liabilities	2,250,978	2,873,502	964,925	194,617	-	-	3,215,903	3,068,119
Net Assets:								
Without donor restrictions	4,473,762	4,271,287	48,883,341	40,673,748	18,287,679	19,164,426	71,644,782	64,109,461
With donor restrictions	1,294,494	1,079,030	17,610,564	25,118,867	57,140,900	60,638,564	76,045,958	86,836,461
Total net assets	5,768,256	5,350,317	66,493,905	65,792,615	75,428,579	79,802,990	147,690,740	150,945,922
Total Liabilities and Net Assets	**$ 8,019,234**	**$ 8,223,819**	**$ 67,458,830**	**$ 65,987,232**	**$ 75,428,579**	**$ 79,802,990**	**$ 150,906,643**	**$ 154,014,041**

(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, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
Support and revenues (losses):								
Direct support:								
Friends of Scouting	$ 2,033,864	$ 1,705,243	$ -	$ -	$ -	$ -	$ 2,033,864	$ 1,705,243
Capital campaign	-	-	815,493	145,140	-	-	815,493	145,140
Special events, gross	1,135,724	1,360,880	-	-	-	-	1,135,724	1,360,880
Less: Cost of direct benefit	337,935	391,963	-	-	-	-	337,935	391,963
Net special events	797,789	968,917	-	-	-	-	797,789	968,917
Foundations and trusts	481,920	594,332	-	-	-	-	481,920	594,332
Other direct	172,931	243,947	83,355	63,119	12,838	18,725	269,124	325,791
Legacies and bequests	-	-	-	111,159	-	-	-	111,159
Total direct support	3,486,504	3,512,439	898,848	319,418	12,838	18,725	4,398,190	3,850,582
Indirect support:								
United Way	888,514	919,716	-	-	-	-	888,514	919,716
Total indirect support	888,514	919,716	-	-	-	-	888,514	919,716
Total support	4,375,018	4,432,155	898,848	319,418	12,838	18,725	5,286,704	4,770,298
Revenues (losses):								
Sale of supplies, gross	3,863	4,246	-	-	-	-	3,863	4,246
Less: Cost of goods sold	1,938	2,104	-	-	-	-	1,938	2,104
Net sale of supplies	1,925	2,142	-	-	-	-	1,925	2,142
Product sales, gross	4,056,013	4,082,613	-	-	-	-	4,056,013	4,082,613
Less: Cost of goods sold	1,061,608	1,046,774	-	-	-	-	1,061,608	1,046,774
Less: Commissions paid to units	1,399,065	1,313,226	-	-	-	-	1,399,065	1,313,226
Net product sales	1,595,340	1,722,613	-	-	-	-	1,595,340	1,722,613
Investment return, net	4,922	15,365	285,877	198,340	178,660	646,090	469,459	859,795
Spending policy allocation	2,395,414	1,627,622	1,206,734	1,596,378	(3,602,148)	(3,224,000)	-	-
Camping	559,870	1,040,527	-	-	-	-	559,870	1,040,527
Activities	713,265	1,333,098	-	-	-	-	713,265	1,333,098
Gain on sale of property	-	-	-	1,594,608	-	-	-	1,594,608
Other revenue	638,886	584,644	11,977	50,300	-	-	650,863	634,944
Total revenues (losses)	5,909,622	6,326,011	1,504,588	3,439,626	(3,423,488)	(2,577,910)	3,990,722	7,187,727

(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, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
Net assets released from restrictions (see Note 10):								
Satisfaction of program restrictions	$ 689,873	$ 946,936	$ -	$ -	$ -	$ -	$ 689,873	$ 946,936
Expiration of time restrictions	374,725	863,148	-	-	-	-	374,725	863,148
Satisfaction of property acquisition restrictions	-	-	8,528,046	7,590,598	-	-	8,528,046	7,590,598
Satisfaction of investment income restrictions	-	-	-	-	2,606,504	2,241,412	2,606,504	2,241,412
Total net assets released from restrictions	1,064,598	1,810,084	8,528,046	7,590,598	2,606,504	2,241,412	12,199,148	11,642,094
Other reclassifications of net assets (see Note 10):								
Restriction of other direct support	-	-	-	-	(169,768)	-	(169,768)	-
Restriction of investment income	-	-	(982,224)	(1,111,378)	-	-	(982,224)	(1,111,378)
Total other reclassifications of net assets	-	-	(982,224)	(1,111,378)	(169,768)	-	(1,151,992)	(1,111,378)
Total support and revenues (losses)	11,349,238	12,568,250	9,949,258	10,238,264	(973,914)	(317,773)	20,324,582	22,488,741
Expenses:								
Program services	9,493,100	10,696,781	1,368,598	1,426,160	49,501	49,501	10,911,199	12,172,442
Support services:								
Management and general	566,107	571,069	39,258	36,030	16,314	13,014	621,679	620,113
Fundraising	1,005,528	1,014,604	162,041	81,996	6,786	6,786	1,174,355	1,103,386
Total functional expenses	11,064,735	12,282,454	1,569,897	1,544,186	72,601	69,301	12,707,233	13,895,941
Charter and national service fees	82,028	82,028	-	-	-	-	82,028	82,028
Total expenses	11,146,763	12,364,482	1,569,897	1,544,186	72,601	69,301	12,789,261	13,977,969
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	202,475	203,768	8,379,361	8,694,078	(1,046,515)	(387,074)	7,535,321	8,510,772
CHANGES NET ASSETS WITH DONOR RESTRICTIONS:								
Support and revenues (losses):								
Direct support:								
Friends of Scouting	468,253	54,375	-	-	-	-	468,253	54,375
Capital campaign	-	-	12,519	3,118,394	-	-	12,519	3,118,394
Special events, gross	15,000	31,500	-	-	-	-	15,000	31,500
Less: Cost of direct benefit	-	-	-	-	-	-	-	-
Net special events	15,000	31,500	-	-	-	-	15,000	31,500
Foundations and trusts	830	7,765	-	-	-	-	830	7,765
Other direct	503,022	517,564	25,000	-	466,530	564,295	994,552	1,081,859
Change in split-interest agreement	142	-	-	-	-	-	142	-
Legacies and bequests	-	-	-	-	855,473	919,376	855,473	919,376
Total direct support	987,247	611,204	37,519	3,118,394	1,322,003	1,483,671	2,346,769	5,213,269

(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, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
Indirect support:								
Investment return, net	$ -	$ -	$ -	$ -	$ (2,382,931)	$ 4,500,671	$ (2,382,931)	$ 4,500,671
United Way	292,815	320,350	-	-	-	-	292,815	320,350
Total indirect support	292,815	320,350	-	-	(2,382,931)	4,500,671	(2,090,116)	4,821,021
Net assets released from restrictions (total) (see Note 10)	(1,064,598)	(1,810,084)	(8,528,046)	(7,590,598)	(2,606,504)	(2,241,412)	(12,199,148)	(11,642,094)
Other reclassifications of net assets (total) (see Note 10)	-	-	982,224	1,111,378	169,768	-	1,151,992	1,111,378
Total support and revenues (losses)	215,464	(878,530)	(7,508,303)	(3,360,826)	(3,497,664)	3,742,930	(10,790,503)	(496,426)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	215,464	(878,530)	(7,508,303)	(3,360,826)	(3,497,664)	3,742,930	(10,790,503)	(496,426)
INCREASE (DECREASE) IN TOTAL NET ASSETS	417,939	(674,762)	871,058	5,333,252	(4,544,179)	3,355,856	(3,255,182)	8,014,346
NET ASSETS, beginning of year								
Without donor restrictions:								
Balances, as originally reported	4,271,287	4,064,626	40,673,748	32,136,833	19,164,426	16,619,061	64,109,461	52,820,520
Add: Cumulative retrospective adjustment for change in accounting principle (Notes 1 and 11)	-	-	-	-	-	2,778,169	-	2,778,169
Balances, as restated	4,271,287	4,064,626	40,673,748	32,136,833	19,164,426	19,397,230	64,109,461	55,598,689
With donor restrictions:								
Balances, as originally reported	1,079,030	1,957,560	25,118,867	28,479,693	60,638,564	59,673,803	86,836,461	90,111,056
Less: Cumulative retrospective adjustment for change in accounting principle (Notes 1 and 11)	-	-	-	-	-	(2,778,169)	-	(2,778,169)
Balances, as restated	1,079,030	1,957,560	25,118,867	28,479,693	60,638,564	56,895,634	86,836,461	87,332,887
Total net assets, beginning of year	5,350,317	6,022,186	65,792,615	60,616,526	79,802,990	76,292,864	150,945,922	142,931,576
Transfers in (out) of net assets without donor restrictions	-	2,893	(169,768)	(157,163)	169,768	154,270	-	-
NET ASSETS, end of year								
Without donor restrictions	4,473,762	4,271,287	48,883,341	40,673,748	18,287,679	19,164,426	71,644,782	64,109,461
With donor restrictions	1,294,494	1,079,030	17,610,564	25,118,867	57,140,900	60,638,564	76,045,958	86,836,461
Total net assets, end of year	$ 5,768,256	$ 5,350,317	$ 66,493,905	$ 65,792,615	$ 75,428,579	$ 79,802,990	$ 147,690,740	$ 150,945,922

(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, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Program Services 2018	Support Services: Management & General 2018	Support Services: Fundraising 2018	Support Services: Total Support Services 2018	Total Expenses 2018	Total Expenses 2017
Employee Compensation:						
Salaries	$ 5,121,884	$ 310,540	$ 567,400	$ 877,940	$ 5,999,824	$ 6,113,917
Employee benefits	933,255	66,669	122,228	188,897	1,122,152	1,187,303
Payroll taxes	443,225	30,079	54,958	85,037	528,262	504,894
Employee related expenses	21,083	1,582	2,890	4,472	25,555	36,654
Total employee compensation	6,519,447	408,870	747,476	1,156,346	7,675,793	7,842,768
Other Expenses:						
Professional fees	506,598	115,610	136,089	251,699	758,297	481,415
Supplies	657,541	2,708	37,495	40,203	697,744	1,078,952
Telephone	62,008	3,183	5,817	9,000	71,008	71,041
Postage and shipping	10,179	546	19,467	20,013	30,192	32,006
Occupancy	875,617	36,885	67,734	104,619	980,236	1,121,211
Rental and maintenance of equipment	134,657	5,316	9,861	15,177	149,834	183,722
Publications and media	57,882	3,313	25,108	28,421	86,303	110,929
Travel	275,109	16,675	50,111	66,786	341,895	539,246
Local conferences and meetings	64,712	3,676	20,451	24,127	88,839	317,533
Specific assistance to individuals	278,739	-	-	-	278,739	404,515
Recognition awards	45,629	1,212	11,471	12,683	58,312	111,645
Insurance	339,531	2,775	5,070	7,845	347,376	384,926
Other expenses	181,828	(1,322)	(2,415)	(3,737)	178,091	227,416
Total other expenses	3,490,030	190,577	386,259	576,836	4,066,866	5,064,557
Total expenses before depreciation	10,009,477	599,447	1,133,735	1,733,182	11,742,659	12,907,325
Depreciation expense	901,722	22,232	40,620	62,852	964,574	988,616
Total Functional Expenses	**$ 10,911,199**	**$ 621,679**	**$ 1,174,355**	**$ 1,796,034**	**$ 12,707,233**	**$ 13,895,941**
Percent of Total Expenses by Function *	**85.87%**	**4.89%**	**9.24%**	**14.13%**		
Time Study Percentages	**82.50%**	**6.19%**	**11.31%**			

* 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, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Cash Flows from Operating Activities:								
Increase (decrease) in total net assets	$ 417,939	$ (674,762)	$ 871,058	$ 5,333,252	$ (4,544,179)	$ 3,355,856	$ (3,255,182)	$ 8,014,346
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities:								
Depreciation	-	-	964,574	988,616	-	-	964,574	988,616
Amortization of net discounts on bond investments	-	-	-	-	(40,010)	-	(40,010)	-
Gain on sale of property	-	-	-	(1,594,608)	-	-	-	(1,594,608)
Realized and unrealized (gain) loss on investments, net	-	-	11,746	9,300	4,274,506	(3,781,969)	4,286,252	(3,772,669)
Contributions restricted for long-term purposes	-	-	-	-	(1,322,003)	(1,483,671)	(1,322,003)	(1,483,671)
Change in assets and liabilities:								
Accounts receivable	129,361	(95,659)	-	8,000	34,837	(5,850)	164,198	(93,509)
Contributions receivable	(830,858)	509,856	511,454	(658,095)	(725,825)	(389,071)	(1,045,229)	(537,310)
Inventories	11,045	8,062	-	-	-	-	11,045	8,062
Prepaid expenses	51,946	128,791	(22,238)	18,108	-	-	29,708	146,899
Other assets	(26,000)	1,095	-	-	-	-	(26,000)	1,095
Cash surrender value of life insurance	-	-	-	-	13,536	(26,125)	13,536	(26,125)
Accounts payable	(15,725)	(256,842)	760,308	(251,283)	-	-	744,583	(508,125)
Accrued expenses	(402,676)	514,887	-	-	-	-	(402,676)	514,887
Payroll taxes withheld	285	-	-	-	-	-	285	-
Custodial accounts	(222,499)	194,222	-	-	-	-	(222,499)	194,222
Deferred activity income	10,560	(280,507)	-	-	-	-	10,560	(280,507)
Deferred camp income	1,208	(15,203)	-	-	-	-	1,208	(15,203)
Deferred other income	6,379	(9,419)	-	-	-	-	6,379	(9,419)
Other current liabilities	(56)	2,163	10,000	(33,100)	-	-	9,944	(30,937)
Net cash provided by (used in) operating activities	(869,091)	26,684	3,106,902	3,820,190	(2,309,138)	(2,330,830)	(71,327)	1,516,044

(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, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Cash Flows from Investing Activities:								
Proceeds from sale of property	$ -	$ -	$ -	$ 2,943,550	$ -	$ -	$ -	$ 2,943,550
Purchase of property	-	-	(9,532,063)	(8,786,626)	-	-	(9,532,063)	(8,786,626)
Proceeds from sale of investments	-	-	9,451,155	9,663,305	3,881,341	3,294,951	13,332,496	12,958,256
Purchase of investments	-	-	(2,856,226)	(7,483,256)	(3,063,974)	(2,602,062)	(5,920,200)	(10,085,318)
Net cash provided by (used in) investing activities	-	-	(2,937,134)	(3,663,027)	817,367	692,889	(2,119,767)	(2,970,138)
Cash Flows from Financing Activities:								
Proceeds from contributions restricted for long-term purposes	-	-	-	-	1,322,003	1,483,671	1,322,003	1,483,671
Transfers in (out) net assets without donor restrictions	-	2,893	(169,768)	(157,163)	169,768	154,270	-	-
Net cash provided by (used in) financing activities	-	2,893	(169,768)	(157,163)	1,491,771	1,637,941	1,322,003	1,483,671
Net change in cash	(869,091)	29,577	-	-	-	-	(869,091)	29,577
Cash, beginning of year	7,035,429	7,005,852	-	-	-	-	7,035,429	7,005,852
Cash, end of year	**$ 6,166,338**	**$ 7,035,429**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 6,166,338**	**$ 7,035,429**

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

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

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

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

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

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

The Council's programs are classified as follows:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Principles of Consolidation

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

Prior-Period Information

The consolidated statement of functional expenses includes certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Change in Accounting Principle

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Also, the Organization prepares its consolidated financial statements in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies the current net asset classification requirements and improves the information presented in the consolidated financial statements and notes about the Organization's liquidity, financial performance, and cash flows. Total net assets did not change as a result of the adoption of ASU 2016-14. However, certain balances in the 2017 consolidated financial statements have been retroactively restated to conform to the requirements of the ASU.

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.

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, 2018 and 2017.

Inventories

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

Investments

Investments consist primarily of assets invested in mutual funds, debt and equity securities, a limited partnership, and money market and savings accounts. The Organization accounts for investments in accordance with the FASB standard for investments held by not-for-profit entities. This standard requires that investments be measured at fair value in the consolidated statements of financial position. See Note 4 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.

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") and may not exceed the actual earnings of the Endowment Fund. The executive committee may amend this spending policy.

Property

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

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

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long-lived assets during 2018 and 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the 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.

Sales of products and supplies are recognized in the period in which title to the items are transferred to the buyer. Other revenue consists primarily of rent revenue and is recognized on a monthly basis as earned.

Contributions

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

Other Reclassifications of Net Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

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

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

Custodial Accounts

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

Functional Allocation of Expenses

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

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expense for 2018 and 2017 amounted to approximately $82,000 and $100,000, respectively, and are included in other expenses in the consolidated statement of functional expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The 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 2015.

Recent Accounting Pronouncements

Adopted:

As described more fully above, the Organization adopted the provisions of ASU 2016-14 in 2018.

Pending:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the ASC. ASU 2014-09, as further amended by ASU 2015-14, is effective for annual reporting periods beginning after December 15, 2018.

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

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

ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for operating or financing lease arrangements exceeding a twelve-month term, a right-of-use asset, and a lease obligation will be recognized on the statement of financial position of the lessee while the statement of activities and changes in net assets will reflect lease expense for operating leases and amortization/ interest expense for financing leases. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted.

Management is currently evaluating the impact the above pending ASUs will have on the Organization's consolidated financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FUNDS

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

Cash – Operating Fund, net of custodial funds	$ 5,707,752
Accounts receivable – Operating Fund	254,877
Contributions receivable – Operating Fund, net of amounts subject to donor restrictions	595,747
Total financial assets as of year-end	6,558,376
Appropriation from the general endowment for general expenditures in subsequent year	1,328,186
Appropriation from quasi-endowment for general expenditures in subsequent year	995,645
Financial assets available to meet general expenditures within the next 12 months	$ 8,882,207

The Organization's endowment funds consist of donor-restricted endowments, general endowments, and a quasi-endowment (board-designated funds). Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 1, the endowment has a spending rate of five percent. Appropriations of $1,328,186 and $995,645 from the general endowments and the quasi-endowment, respectively, will be available within the next 12 months as of December 31, 2018.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FUNDS (CONTINUED)

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has a quasi-endowment of $18,173,081 at December 31, 2018. Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

NOTE 3 - INVESTMENTS

Investments at December 31, 2018 and 2017 are comprised of the following:

	2018 Fair Value	2017 Fair Value
Limited partnership - Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ 560,421	$ 734,316
Mutual funds	39,740,875	41,041,141
Debt securities	15,669,283	26,918,882
Equity securities	24,087,056	21,541,210
Money market and savings accounts	3,602,085	5,082,709
	$ 83,659,720	$ 95,318,258
Classified as follows in the consolidated statements of financial position:		
Short-term investments	$ 13,075,525	$ 19,672,941
Long-term investments	70,584,195	75,645,317
	$ 83,659,720	$ 95,318,258

NOTE 3 - INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return in the consolidated statements of activities and changes in net assets for the years ended December 31, 2018 and 2017:

	2018	2017
Without donor restrictions:		
Interest and dividend income	$ 1,034,905	$ 711,910
Net realized and unrealized gains (losses)	(565,446)	147,885
	469,459	859,795
With donor restrictions:		
Interest and dividend income	1,337,875	875,887
Net realized and unrealized gains (losses)	(3,720,806)	3,624,784
	(2,382,931)	4,500,671
	$(1,913,472)	$ 5,360,466

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 2018 and 2017, investment expenses were $204,943 and $227,965, respectively, and are netted against investment return in the consolidated statements of activities and changes in net assets.

NOTE 4 - 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.

NOTE 4 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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

NOTE 4 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The inputs and methodologies used for valuing assets and liabilities are not an indication of the risk associated with those assets and liabilities. There have been no changes in the methodologies used at December 31, 2018 or 2017.

The following tables provide fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	2018			
Description	Level 1	Level 2	Level 3	Total
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ -	$ -	$ 560,421	$ 560,421
Mutual funds	39,740,875	-	-	39,740,875
Debt securities	15,669,283	-	-	15,669,283
Equity securities	24,087,056	-	-	24,087,056
Money market and savings accounts	3,602,085	-	-	3,602,085
Total investments	83,099,299	-	560,421	83,659,720
Beneficial interest in split-interest agreements (Notes 7 and 12)	-	-	2,323,277	2,323,277
Total recurring fair value measurements	$83,099,299	$ -	$2,883,698	$85,982,997

NOTE 4 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

	2017			
Description	Level 1	Level 2	Level 3	Total
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ -	$ -	$ 734,316	$ 734,316
Mutual funds	41,041,141	-	-	41,041,141
Debt securities	26,918,882	-	-	26,918,882
Equity securities	21,541,210	-	-	21,541,210
Money market and savings accounts	5,082,709	-	-	5,082,709
Total investments	94,583,942	-	734,316	95,318,258
Beneficial interest in split-interest agreements (Notes 7 and 12)	-	-	1,587,087	1,587,087
Total recurring fair value measurements	$94,583,942	$ -	$2,321,403	$96,905,345

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2018 and 2017:

	2018		
	Investments	Beneficial Interest In Split-Interest Agreements	Total
Balance, beginning of year	$ 734,316	$ 1,587,087	$ 2,321,403
Sales	(231,250)	-	(231,250)
Net realized and unrealized gains on investments in the consolidated statements of activities and changes in net assets	57,355	-	57,355
Change in value of split-interest agreements (Note 12)	-	736,190	736,190
Balance, end of year	$ 560,421	$ 2,323,277	$ 2,883,698
Total gain included in the increase (decrease) in total net assets due to the change in unrealized gain (loss) on investments that relate to assets held at the reporting date and are included in investment return in the consolidated statements of activities and changes in net assets	$ 82,502	$ -	$ 82,502

NOTE 4 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

2017			
	Investments	Beneficial Interest In Split-Interest Agreements	Total
Balance, beginning of year	$ 943,687	$ 1,472,015	$ 2,415,702
Sales	(250,000)	-	(250,000)
Net realized and unrealized gains on investments in the consolidated statements of activities and changes in net assets	40,629	-	40,629
Change in value of split-interest agreements (Note 12)	-	115,072	115,072
Balance, end of year	$ 734,316	$ 1,587,087	$ 2,321,403
Total loss included in the increase (decrease) in total net assets due to the change in unrealized gain (loss) on investments that relate to assets held at the reporting date and are included in investment return in the consolidated statements of activities and changes in net assets	$ (58,092)	$ -	$ (58,092)

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.

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

NOTE 4 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

	2017			
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial Interest in Split-Interest Agreements	$ 1,587,087	Present value of future payments	Life expectancies Discount rates	Various 3.4%-6%
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ 734,316	Fair value of underlying assets	Closing prices, pricing models, discounted cash flows	Unknown

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

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 5 - PROPERTY

Property at December 31, 2018 and 2017 consists of the following:

	Useful Lives	2018	2017
Land		$13,978,570	$13,978,570
Building, structures, and land improvements	5 - 50 years	22,964,477	22,550,786
Furniture, fixtures, and equipment	2 - 30 years	5,098,232	5,069,060
Construction in progress		21,348,047	12,298,339
		63,389,326	53,896,755
Less: Accumulated depreciation		15,669,283	14,744,201
		$47,720,043	$39,152,554

Land in the amount of approximately $8 million is restricted for use as a camp at December 31, 2018 and 2017. 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 6 - PROPERTY HELD FOR SALE

During 2016, the Organization initiated plans to sell the El Rancho Cima Scout Ranch ("Cima"). The decision to sell the camp was based on the financial performance of the camp and significant expenditures required to repair the flooding damages incurred at the camp. In April 2019, the Cima property was sold for a sales price in excess of net carrying value (see Note 17).

Property held for sale at December 31, 2018 and 2017 consists of the following:

	2018	2017
Land	$3,195,000	$3,195,000
Building, structures, and land improvements	4,364,207	4,364,207
Furniture, fixtures, and equipment	404,908	404,908
	7,964,115	7,964,115
Less: Accumulated depreciation	2,968,648	2,968,648
	$4,995,467	$4,995,467

NOTE 7 - CONTRIBUTIONS RECEIVABLE

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

	2018	2017
United Way	$ 292,815	$ 320,350
Friends of Scouting	505,753	114,246
Beneficial interest in split-interest agreements (Note 12)	2,323,277	1,587,087
Foundations	25,000	10,265
Other unrestricted promises	635,521	154,529
Restricted to capital campaign	1,685,346	2,240,553
Restricted to Endowment Fund	4,576,043	4,564,487
Less: Discount for timing of cash flows	(2,477,408)	(2,499,240)
Subtotal	7,566,347	6,492,277
Less: Allowance for uncollectible contributions receivable	(37,526)	(8,685)
	$ 7,528,821	$ 6,483,592

NOTE 7 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

	2018	2017
Contributions receivable, due in:		
Less than one year	$ 4,661,598	$ 3,214,684
One to five years	2,867,223	3,268,908
	$ 7,528,821	$ 6,483,592

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 0.63.

Allocations from United Way of Greater Houston for $279,264 and $299,962 (designated for general operating purposes for the first three months of 2019 and 2018, respectively) have been recorded in the consolidated financial statements since the amounts were pledged in 2018 and 2017, respectively. The Organization has been notified of an additional allocation from United Way of Greater Houston in 2019 for approximately $804,000. The revenue from the additional allocation will be recorded in 2019 when the firm commitment is received.

NOTE 8 - CONDITIONAL CONTRIBUTIONS

Through April 2016, the Organization had a $5,000,000 matching grant with a donor, contingent upon meeting certain restrictions. The grant was to be paid over five years, and income from the grant was to be used by the Organization, as agreed upon with the donor. The purpose of the grant was to maximize board giving, in which the donor would match the first $250,000 of all gifts from members of the Organization's board of directors. In April 2016, the donor changed the terms of the grant as a result of board-approved changes to the scope of the Organization's Leaders of Tomorrow campaign. The terms of the revised grant no longer retain a matching requirement and provide that the remaining unfunded portion of the grant ($3,000,000) will be restricted to expanding the Organization's staff to grow Scouting. The Organization received $500,000 in both 2018 and 2017 from the donor. Funds totaling approximately $508,000 and $639,000 were restricted at December 31, 2018 and 2017, respectively.

In October 2016, a donor awarded a $1 million challenge grant for a construction project to construct certain facilities at Camp Strake. In accordance with the grant terms, the Organization is required to raise approximately $4.2 million, restricted for the construction project, from third-party sources by October 2017. In December 2017, the Organization received $1 million from the challenge grant, which remains restricted at December 31, 2018. There were no challenge grant funds received in 2018.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

2018	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Special events	$ 15,000	$ -	$ -	$ 15,000
Staff recognition	4,292	-	-	4,292
Sales and onboarding division	507,981	-	-	507,981
Other	3,189	27,717	-	30,906
Building and equipment purchase/ maintenance:				
Order of the Arrow	-	140,585	-	140,585
Bovay Scout ranch - land acquisition	-	358,213	-	358,213
Camp Strake	-	3,312,781	-	3,312,781
Fleming Cub World	-	80,292	-	80,292
Leaders of Tomorrow campaign	-	5,516,328	-	5,516,328
Total purpose restrictions	530,462	9,435,916	-	9,966,378
Subject to the passage of time:				
Friends of Scouting	468,253	-	-	468,253
Scouting activities	252,933	-	-	252,933
Exploring activities	26,331	-	-	26,331
United Way designation	13,551	-	-	13,551
Legacies and bequests	2,964	-	-	2,964
Total passage of time restrictions	764,032	-	-	764,032
Perpetual in nature:				
Land use restrictions	-	8,174,648	-	8,174,648

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

2018

	Operating Fund	Capital Fund	Endowment Fund	Total
Endowment - subject to endowment spending policy and appropriation:				
General use	$ -	$ -	$ 31,695,141	$ 31,695,141
Program activities	-	-	25,445,759	25,445,759
Total subject to endowment spending policy and appropriation	-	-	57,140,900	57,140,900
Total net assets with donor restrictions	$ 1,294,494	$ 17,610,564	$ 57,140,900	$ 76,045,958

2017

	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Special events	$ 31,500	$ -	$ -	$ 31,500
Staff recognition	10,000	-	-	10,000
Sales and onboarding division	639,187	-	-	639,187
Hispanic marketing campaign	-	212,533	-	212,533
Other	20,797	27,715	-	48,512
Building and equipment purchase/ maintenance:				
Order of the Arrow	-	140,585	-	140,585
Bovay Scout ranch - land acquisition	-	358,213	-	358,213
Camp Strake	-	10,561,563	-	10,561,563
Fleming Cub World	-	82,124	-	82,124
Leaders of Tomorrow campaign	-	5,561,486	-	5,561,486
Total purpose restrictions	701,484	16,944,219	-	17,645,703

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

2017

	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to passage of time:				
Friends of Scouting	$ 54,375	$ -	$ -	$ 54,375
Scouting activities	271,679	-	-	271,679
Exploring activities	28,282	-	-	28,282
United Way designation	20,388	-	-	20,388
Legacies and bequests	2,822	-	-	2,822
Total passage of time restrictions	377,546	-	-	377,546
Perpetual in nature:				
Land use restrictions	-	8,174,648	-	8,174,648
Endowment - subject to endowment spending policy and appropriation:				
General use	-	-	32,932,243	32,932,243
Program activities	-	-	27,706,321	27,706,321
Total subject to endowment spending policy and appropriation	-	-	60,638,564	60,638,564
Total net assets with donor restrictions	$ 1,079,030	$ 25,118,867	$ 60,638,564	$ 86,836,461

NOTE 10 - RECLASSIFICATIONS OF NET ASSETS

Net assets were released from donor restrictions during 2018 and 2017 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:

	2018	2017
Satisfaction of program restrictions:		
Special events	$ 31,500	$ 210,705
Foundations and trusts	7,765	77,000
Other direct support	650,608	649,231
Expiration of time restrictions:		
Friends of Scouting	54,375	514,972
United Way	320,350	348,176
Legacies and bequests	-	10,000
Satisfaction of property acquisition restrictions	8,528,046	7,590,598
Satisfaction of investment income restrictions	2,606,504	2,241,412
	$12,199,148	$11,642,094

NOTE 10 - RECLASSIFICATIONS OF NET ASSETS (CONTINUED)

Other reclassifications of net assets, resulting from donor restrictions imposed on net assets otherwise without restrictions, were as follows in 2018 and 2017:

	2018	2017
Restriction of other direct support	$ 169,768	$ -
Restriction of investment income	982,224	1,111,378
	$ 1,151,992	$ 1,111,378

The proceeds from the sale of certain property in a prior year are purpose-restricted as $34,000,000 in the Endowment Fund and $28,445,669 in the Capital Fund. In 2014, the agreement with the donor of funds used to acquire the original property was amended to allow the release of approximately $16,063,000 of net assets with donor restrictions to net assets without restrictions in the Endowment Fund. It was further amended to create a new account in the Capital Fund (“Capital Account”) for future use of depreciation and improvements, including long-term major maintenance projects, purchase and replacement of major equipment and vehicles, future permanent improvements, and future additional land acquisitions for expansion of the current acreage. The Capital Account is required to be funded, annually, with at least $200,000 of the Organization’s spending policy distributable amount from the donor’s related account in the Endowment Fund. In 2018 and 2017, the Organization funded the Capital Account with $982,224 and $1,111,378, respectively, and accordingly, reclassified the funds as net assets with donor restrictions.

NOTE 11 - ENDOWMENT FUND

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

NOTE 11 - ENDOWMENT FUND (CONTINUED)

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

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

Endowment fund net assets consisted of the following at December 31, 2018 and 2017:

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

NOTE 11 - ENDOWMENT FUND (CONTINUED)

2017

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds, perpetual in duration - original gift amount	$ -	$ 29,262,725	$ 29,262,725
Donor-restricted capital/program services funds	-	28,360,990	28,360,990
Cash surrender value of life insurance	-	212,591	212,591
Unpaid contributions	-	3,823,876	3,823,876
Accrued interest receivable	149,435	-	149,435
Accumulated investment gains	-	843,301	843,301
Accumulated investment losses	-	(1,864,919)	(1,864,919)
Board-designated funds	19,014,991	-	19,014,991
Total endowment fund net assets	$ 19,164,426	$ 60,638,564	$ 79,802,990

Changes in endowment fund net assets consisted of the following for the years ended December 31, 2018 and 2017:

2018

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

NOTE 11 - ENDOWMENT FUND (CONTINUED)

2017	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets:			
Balance, beginning of year, as originally stated	$ 16,619,061	$ 59,673,803	$ 76,292,864
Cumulative retrospective adjustment for change in accounting principle - adoption of ASU 2016-14 (Note 1)	2,778,169	(2,778,169)	-
Balance, beginning of year, as restated	19,397,230	56,895,634	76,292,864
Investment return:			
Investment income	499,855	864,937	1,364,792
Net realized and unrealized gains (losses)	147,885	3,634,084	3,781,969
Donor-restricted funds, perpetual in duration - original gift amount	-	1,483,671	1,483,671
Board-designated funds - original gift amount	18,725	-	18,725
Transfers in	154,270	-	154,270
Appropriation of net assets for expenditure	(1,053,539)	(2,239,762)	(3,293,301)
Balance, end of year	$ 19,164,426	$ 60,638,564	$ 79,802,990

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, 2018, funds with original gift values of $55,479,497, fair values of $49,447,003 and deficiencies of $6,032,494 were reported in net assets with donor restrictions. At December 31, 2017, funds with original gift values of $44,314,078, fair values of $42,449,159 and deficiencies of $1,864,919 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 12 - SPLIT-INTEREST AGREEMENTS

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

The Organization is the recipient of various charitable remainder trusts. Under terms of the split-interest agreements, the Organization is to receive a percentage of the trusts' assets upon the death of a beneficiary, as defined in the agreements. Until receipt of the assets from the trusts, the Organization reports the trusts' assets in the Operating or Endowment Fund's net assets with donor restrictions as determined by the Organization's unsolicited gifts policy. Upon receipt of the assets from the trusts, the trusts' assets will be released to net assets without donor restrictions in the applicable fund. Based on the life expectancies of the beneficiaries and the stated rate of return in the agreements or the prime rate in effect on the receipt date of the trust, the present value of the future benefits expected to be received by the Organization from the trusts, combined, was estimated to be approximately $2,323,000 and $1,587,000 at December 31, 2018 and 2017, respectively.

In 2018 and 2017, the Organization recorded changes in the value of the split-interest agreements amounting to approximately $736,000 and 115,000, respectively.

NOTE 13 - ENDOWED FUND AGREEMENT

The Organization entered into an endowed fund agreement with a grantor that provided for the establishment of a permanent endowment fund as well as the payment of annual non-endowment grants. See Note 17 for a description of the restatement of this agreement effective in March 2019.

Endowment Fund

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

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

NOTE 13 - ENDOWED FUND AGREEMENT (CONTINUED)

Non-Endowment Grants

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

For 2018 and 2017, the Organization received endowment and non-endowment grants under the above agreement totaling approximately $466,000 and $762,000, respectively.

NOTE 14 - EMPLOYEE BENEFIT PLANS

Retirement Plan

The National Council has a qualified defined benefit pension plan (the "Plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Organization. The Plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees* and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contributed 2% of compensation, and the Organization contributed an additional 7% in both 2018 and 2017 to the Plan. Pension expense (excluding the contributions made by employees) was $289,403 and $308,337 in 2018 and 2017, respectively, and covered current service cost.

The Plan is a multi-employer plan, and the individual information for each employer is not available. The actuarial information for the multi-employer plan as of February 1, 2018 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 both December 31, 2018 and 2017 was 7.00%. The actuarial value includes all Plan amendments as of February 1, 2018.

NOTE 14 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Thrift Plan

The Organization has established a thrift plan covering substantially all of the employees of the Organization. Participants in the thrift plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code. The Organization has elected to match employee contributions to the thrift plan up to 50% of contributions from each participant, limited to 3% of each employee's gross pay. The Organization contributed approximately $98,000 and $99,000 to the thrift plan in 2018 and 2017, respectively. Effective December 31, 2018, the assets within the thrift plan were frozen and no further employee or employer contributions shall be made to the current plan that relate to compensation earned by the current plan participants after December 31, 2018. See also Note 17.

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, 2018 and 2017, the Organization remitted approximately $670,000 and $713,000, respectively, on behalf of its employees to the National Council related to the health care plan.

NOTE 15 - 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.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

The Organization accounts for the lease of office equipment and Scout shops as operating leases. Total rent expense amounted to approximately $306,000 and $320,000 for 2018 and 2017, respectively. These leases will expire on various dates through 2023. As of December 31, 2018, the minimum required future lease payments under these leases are as follows:

For the Year Ending December 31:	
2019	$127,312
2020	110,139
2021	88,521
2022	81,096
2023	33,790
	$440,858

NOTE 16 - SCOUT SHOPS

The National Council operates five Scout shops within the Houston area. The National Council manages the Scout shops and pays the Organization an 8% commission on gross sales up to $750,000 and 13% on sales in excess of $750,000. The commissions earned (before expenses) by the Organization during 2018 and 2017 amounted to approximately $463,000 and $449,000, respectively, which are included in other revenue in the consolidated statements of activities and changes in net assets.

NOTE 17 - SUBSEQUENT EVENTS

Effective January 1, 2019, the Organization adopted the Boy Scouts of America Match Savings Plan ("Savings Plan") for the benefit of all eligible employees of the Organization. All net assets of the thrift plan will be transferred to the Savings Plan.

Effective in March 2019, the grantor under the endowed fund agreement described in Note 13 entered into a new agreement with the Organization (the "Restated Agreement") restating the previous agreement ("Original Agreement"). The Restated Agreement retains the endowment fund established under the Original Agreement. All future additions to the endowment fund shall be considered permanent in nature. The grantor intends to make annual grants to the endowment fund equal to 25% of the annual qualifying distributions made by the grantor within the meaning of Section 4942 of the Internal Revenue Code and as reported in its annual Form 990 until the endowment fund has reached $10,000,000. Future distributions from the endowment fund shall be made in an amount determined under the Organization's Endowment Fund spending policy (Note 1). No future non-endowment grants will be made.

NOTE 17 - SUBSEQUENT EVENTS (CONTINUED)

In April 2019, the Organization sold the Cima property (see Note 6) for a price in excess of its net carrying value.

The Organization has evaluated subsequent events through May 14, 2019, the date the consolidated financial statements were available to be issued.