

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

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INDEPENDENT AUDITOR'S REPORT

To the Executive Board
South Florida Council, Inc. Boy Scouts of America

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of South Florida Council, Inc. Boy Scouts of America, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits 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 consolidated financial position of South Florida Council, Inc. Boy Scouts of America as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Morrison, Brown, Argitz & Farra

Miami, Florida
May 13, 2019

An independent member of Baker Tilly International

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	Operating Fund		Capital Fund		Endowment and Board Designated		Total All Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
ASSETS								
Cash and cash equivalents	\$ -	\$ 132,448	\$ 250,635	\$ 117,702	\$ 221,938	\$ 140,087	\$ 472,571	\$ 410,237
Accounts and other receivables - net	161,353	66,046	-	-	-	-	161,383	66,646
Pledges receivable - net	99,017	4,000	-	-	3,445	3,445	102,462	7,445
Prepaid expenses	66,373	57,135	-	-	-	-	66,373	37,135
Interfund receivable (payable)	(230,001)	(315,000)	-	-	230,001	315,000	-	-
Contribution receivable from remainder trust	-	-	-	-	512,674	546,498	512,674	548,498
Land, buildings and equipment - net	-	-	13,420,584	13,975,535	-	-	13,420,584	13,975,535
Investments	-	-	1,834,244	1,735,377	4,975,916	5,535,370	6,810,160	7,270,747
Cash value of life insurance - net	-	-	-	-	260,792	251,792	260,792	251,792
TOTAL ASSETS	\$ 96,772	\$ (34,771)	\$ 15,505,443	\$ 15,828,614	\$ 6,204,764	\$ 6,794,190	\$ 21,806,379	\$ 22,588,033
LIABILITIES AND NET (DEFICIT) ASSETS								
LIABILITIES								
Accounts payable	\$ 31,597	\$ 33,733	\$ -	\$ -	\$ -	\$ -	\$ 31,597	\$ 33,733
Accrued expenses and other liabilities	136,583	134,358	-	-	-	-	136,583	134,358
TOTAL LIABILITIES	168,180	168,091	-	-	-	-	168,180	168,091
NET (DEFICIT) ASSETS								
Net assets without donor restrictions, including board designations of \$305,640 and \$338,160 for 2018 and 2017	(137,879)	(212,862)	15,115,396	15,718,996	305,640	364,985	15,223,157	15,861,119
Net assets with donor restrictions	126,471	-	390,047	109,618	5,899,124	8,428,205	6,415,642	6,638,823
TOTAL NET (DEFICIT) ASSETS	(11,408)	(212,862)	15,505,443	15,828,614	6,204,764	6,794,190	\$ 21,806,379	\$ 22,419,942
TOTAL LIABILITIES AND NET (DEFICIT) ASSETS	\$ 96,772	\$ (34,771)	\$ 15,505,443	\$ 15,828,614	\$ 6,204,764	\$ 6,794,190	\$ 21,806,379	\$ 22,588,033

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE 2017 TOTAL FUND AMOUNTS)

	Operating Fund	Capital Fund	Endowment and Board Designated	Total All Funds
	2018	2017	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Public support and revenue:				
Direct -				
Friends of Scouting (less provision for uncollectible accounts of \$1,954 and \$54,901 for 2018 and 2017, respectively)	\$ 334,605	\$ -	\$ -	\$ 334,605
Project sales	9,611	-	-	9,611
Special fundraising events - gross	335,977	-	-	335,977
Less: cost of direct benefit	(38,456)	-	-	(38,456)
Special fundraising events - net	297,519	-	-	297,519
Legacies and bequests	34,840	-	-	34,840
Contributions	319,100	-	-	319,100
Other direct support	26,020	-	-	26,020
TOTAL DIRECT	1,021,895	-	-	1,021,895
Indirect -				
Fees and grants from government and local agencies	100,000	-	-	100,000
Unified Way	67,461	-	-	67,461
TOTAL INDIRECT	167,461	-	-	167,461
Other -				
Scouting product sales	376,905	-	-	376,905
Less: cost of goods sold	(66,193)	-	-	(66,193)
Less: commissions paid to units	(168,202)	-	-	(168,202)
Product sales - net	142,510	-	-	142,510
Investment income (loss) including interest, dividends and realized and unrealized gains and losses (net of fees of approximately \$27,000 and \$25,000 for 2018 and 2017, respectively)	255,600	(152,853)	(56,196)	46,551
Camping	183,364	-	-	183,364
Activities	288,703	-	-	288,703
Other revenue	113,436	-	-	113,436
Insurance proceeds	257,461	285,830	-	543,091
TOTAL OTHER	1,241,074	132,777	(56,196)	1,317,655
Net assets released from restrictions:				
Expiration of time restriction	-	-	-	-
Fulfillment of purpose restriction	-	-	-	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	-	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 2,430,230	\$ 132,777	\$ (56,196)	\$ 2,506,811
	2018	2017	2018	2017
	\$ 417,185	\$ 53,769	\$ 357,782	(\$5,692)
	302,190	2,400	289,030	102,189
	1,176,793	290,035	76,356	366,391
	393,777	(69,666)	(173,237)	150,874
	434,611	169,264	501,346	99,769
	1,355,854	-	21,169	31,960
	53,129	\$ 2,952,147	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE 2017 TOTAL FUND AMOUNTS)

	Operating Fund	Capital Fund	Endowment and Board Designated	Total All Funds
	2018	2017	2018	2017
FUNCTIONAL EXPENSES:				
Program services	\$ 1,826,880	\$ 677,143	\$ -	\$ 2,504,023
Supporting services:				
Management and general	167,207	1,147	3,149	171,503
Fundraising	136,830	548	-	147,132
	2,130,917	678,838	3,149	2,812,904
TOTAL FUNCTIONAL EXPENSES	86,239	-	-	63,023
CHARTER AND NATIONAL SERVICE FEE	2,197,156	678,838	3,149	2,879,143
TOTAL EXPENSES	233,074	(546,061)	(59,345)	(372,332)
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Friends of Scouting direct support (less provision for uncollectible accounts of \$4,748)	64,971	-	-	64,971
Capital campaign	-	280,429	-	280,429
Fund-raising events	36,500	-	-	36,500
Contributions	25,000	-	-	25,000
Investment (loss) income including interest, dividends and realized and unrealized gains and losses	-	-	(530,081)	(530,081)
Other direct support	-	-	-	529,042
Net assets released from restrictions:				
Expiration of time restriction	-	-	-	4,100
Fulfillment of purpose restriction	-	-	-	(21,169)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	126,471	280,429	(530,081)	582,184
INTERFUND TRANSFER OF NET ASSETS (NOTE 3)	57,539	(57,539)	-	-
LOSS ON DISPOSAL OF FIXED ASSETS	(285,630)	-	-	(285,630)
CHANGE IN NET ASSETS	131,454	(323,171)	(589,426)	322,507
NET (DEFICIT) ASSETS – BEGINNING OF YEAR	(202,852)	15,828,614	8,794,190	22,419,942
NET (DEFICIT) ASSETS – END OF YEAR	\$ (71,408)	\$ 15,505,443	\$ 6,204,764	\$ 21,638,799
			\$ 22,419,942	

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Capital Fund	Endowment and Board Designated	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Public support and revenue:				
Direct -				
Friends of Scouting (less provision for uncollectible accounts of \$54,801)	\$ 417,185	-	\$ -	\$ 417,185
Project sales	53,769	-	-	53,769
Special fundraising events - gross	357,782	-	-	357,782
Less: cost of direct benefit	(55,592)	-	-	(55,592)
Special fundraising events - net	302,190	-	-	302,190
Legacies and bequests	2,400	-	-	2,400
Contributions	299,030	-	-	299,030
Other direct support	1,322	1,322	-	102,789
TOTAL DIRECT	1,175,441	1,322	-	1,176,763
Indirect -				
Fees and grants from government and local agencies	280,035	-	-	290,035
United Way	76,356	-	-	76,355
TOTAL INDIRECT	356,391	-	-	366,391
Other -				
Scouting product sales	393,777	-	-	393,777
Less: cost of goods sold	(69,336)	-	-	(69,666)
Less: commissions paid to units	(173,237)	-	-	(173,237)
Product sales - net	150,204	-	-	150,674
Investment income including interest, dividends and realized and unrealized gains and losses (net of fees of approximately \$25,000)	262,117	172,491	-	434,611
Camping	169,264	-	-	169,264
Activity fees	501,346	-	-	501,346
Other revenue	95,769	-	-	99,769
TOTAL OTHER	1,183,370	172,491	-	1,355,861
Net assets released from restrictions:				
Expiration of time restriction	21,169	-	-	21,169
Fulfillment of purpose restriction	31,980	-	-	31,980
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	53,149	-	-	53,149
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 2,778,331	\$ 179,916	\$ -	\$ 2,958,247

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Capital Fund	Endowment and Board Designated	Total
FUNCTIONAL EXPENSES:				
Program services	\$ 2,516,440	\$ 369,993	\$ -	\$ 2,886,433
Supporting services	142,603	1,147	3,382	147,132
Management and general	114,686	543	-	115,236
Fund-raising	2,773,731	371,636	3,382	3,148,801
TOTAL FUNCTIONAL EXPENSES	63,023	-	-	63,023
CHARTER AND NATIONAL SERVICE FEE	2,836,754	371,888	3,382	3,211,924
TOTAL EXPENSES	(58,423)	(187,872)	(3,382)	(259,677)
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	-	102,171	-	102,171
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:				
Capital campaign	-	-	529,042	529,042
Investment income including interest, dividends and realized and unrealized gains and losses	-	-	4,100	4,100
Other direct support	-	-	-	-
Net assets released from restrictions:	(21,169)	-	-	(21,169)
Expiration of time restriction	(31,960)	-	-	(31,960)
Fulfillment of purchase restriction	-	-	-	-
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(53,129)	102,171	533,142	582,184
CHANGE IN NET ASSETS	(111,552)	(85,701)	529,760	322,507
NET (DEFICIT) ASSETS - BEGINNING OF YEAR	(31,310)	15,924,315	6,264,450	22,097,435
NET (DEFICIT) ASSETS - END OF YEAR	\$ (202,862)	\$ 15,828,614	\$ 6,794,180	\$ 22,419,942

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE 2017 TOTAL FUND AMOUNTS)

	Supporting Services				Total Expenses	
	Management and General	Fundraising	Supporting Services	Program Services		2018
PERSONNEL COSTS:						
Professional salaries	\$ 63,465	\$ 27,199	\$ 90,664	\$ 963,097	\$ 1,053,751	\$ 1,159,216
Employee benefits	14,987	6,423	21,410	196,089	217,499	257,240
Payroll taxes	5,634	2,415	8,049	84,983	93,082	89,242
Employee related expenses	2,317	693	3,310	29,793	33,103	142
TOTAL PERSONNEL COSTS	86,403	37,030	123,453	1,273,952	1,397,385	1,505,840
OPERATING EXPENSES AND PROGRAM ACTIVITIES:						
Professional fees	40,583	2,100	42,683	67,672	110,365	146,979
Program materials and supplies	6,747	18,770	25,517	101,886	127,402	136,099
Telephone	2,873	405	3,278	15,269	18,547	25,975
Postage	1,672	5,413	7,085	2,031	9,116	5,955
Occupancy	3,283	3,210	6,493	168,148	174,641	192,835
Rental and maintenance of equipment	9,468	7,079	16,547	150,157	166,704	156,349
Printing and publications	191	609	800	11,983	12,783	13,523
Travel	4,640	6,349	10,989	59,945	70,934	156,955
Conferences and meetings	3,246	543	3,789	35,282	39,071	122,554
Specific assistance to individuals	2	1	3	69,830	69,833	56,916
Recognition awards	671	9,472	10,143	48,662	58,805	67,532
Insurance	7,902	2,037	9,939	104,483	114,422	139,507
Other expenses	2,678	43,870	46,548	36,649	83,197	52,294
Depreciation and amortization	1,144	490	1,634	358,075	359,709	369,468
TOTAL OPERATING EXPENSES AND PROGRAM ACTIVITIES	86,100	100,348	185,448	1,230,071	1,415,519	1,542,961
TOTAL EXPENSES	\$ 171,503	\$ 137,378	\$ 308,881	\$ 2,504,023	\$ 2,812,904	\$ 3,148,801

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Supporting Services			Total	
	Management and General	Fundraising	Supporting Services		Program Services
PERSONNEL COSTS:					
Professional salaries	\$ 53,892	\$ 25,775	\$ 79,667	\$ 1,079,549	\$ 1,159,216
Employee benefits	16,243	7,768	24,011	233,229	257,240
Payroll taxes	4,326	2,069	6,395	82,847	89,242
Employee related expenses	10	4	14	128	142
TOTAL PERSONNEL COSTS	74,471	35,616	110,087	1,395,753	1,505,840
OPERATING EXPENSES AND PROGRAM ACTIVITIES:					
Professional fees	34,440	2,602	37,042	109,937	146,979
Program materials and supplies	5,051	10,506	15,557	120,542	136,099
Telephone	2,971	444	3,415	22,560	25,975
Postage	1,165	4,521	5,686	279	5,965
Occupancy	3,624	8,418	12,042	180,793	192,835
Rental and maintenance of equipment	8,135	8,464	16,599	139,750	156,349
Printing and publications	367	1,087	1,454	12,069	13,523
Travel	4,399	7,199	11,598	145,367	156,965
Conferences and meetings	1,535	215	1,750	120,804	122,554
Specific assistance to individuals	56	27	83	56,833	56,916
Recognition awards	145	9,621	9,766	57,766	67,532
Insurance	7,909	2,166	10,075	129,432	139,507
Other expenses	1,717	23,802	25,519	26,775	52,294
Depreciation and amortization	1,147	548	1,695	367,773	369,468
TOTAL OPERATING EXPENSES AND PROGRAM ACTIVITIES	72,661	79,620	152,281	1,490,680	1,642,961
TOTAL EXPENSES	\$ 147,132	\$ 115,236	\$ 262,368	\$ 2,886,433	\$ 3,148,801

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF CASH FLOWS - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE 2017 TOTAL FUND AMOUNTS)

	Operating Fund	Capital Fund	Endowment and Board Designated	Total All Funds
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 131,454	\$ (323,171)	\$ (589,426)	\$ (781,143)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation and amortization	-	359,709	-	359,709
Net unrealized loss (gain) on investments	-	192,973	645,183	838,162
Increase in cash surrender value of life insurance	-	-	(9,000)	(9,500)
Adjustment to contribution receivable from remainder trust	-	-	35,922	(2,200)
Provision for uncollectible pledges	35,346	-	-	35,346
Loss from disposal of fixed assets	-	285,630	-	285,630
Proceeds from insurance	(257,451)	(255,630)	-	(513,081)
Donation of stock	-	(251,715)	-	(251,715)
Change in operating assets and liabilities:				
Accounts and other receivables and pledges receivable, net	(205,100)	-	-	(205,100)
Prepaid expenses	(29,238)	-	-	(29,238)
Accounts payable, accrued expenses and other liabilities	89	-	-	89
TOTAL ADJUSTMENTS	(456,354)	330,964	673,011	517,611
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(324,910)	(22,207)	83,585	(263,532)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of land, buildings and equipment	-	(90,368)	-	(90,368)
Proceeds from insurance	257,461	285,630	-	543,091
Proceeds from sale of investments	-	115,848	471,002	586,850
Acquisition of investments	-	(155,970)	(55,737)	(713,707)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	257,461	155,140	(86,735)	325,866
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interfund loans	(84,999)	-	84,999	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(84,999)	-	84,999	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(152,448)	132,833	81,849	214,170
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	152,448	117,702	140,087	410,237
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ 250,635	\$ 221,936	\$ 472,571
SUPPLEMENTAL DISCLOSURE OF NON-CASH ITEM:				
Donation of stock	\$ -	\$ 251,718	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

CONSOLIDATED STATEMENT OF CASH FLOWS - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Capital Fund	Endowment and Board Designated	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ (111,552)	\$ (95,701)	\$ 529,760	\$ 322,507
Adjustment to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	-	369,468	-	369,468
Net unrealized gain on investments	-	(132,702)	(503,011)	(635,713)
Increase in cash surrender value of life insurance	-	-	(9,500)	(9,500)
Adjustment to contribution receivable from remainder trust	-	-	(2,200)	(2,200)
Provision for uncollectible pledges	15,200	-	-	15,200
Change in operating assets and liabilities:				
Accounts and other receivables and pledges receivable, net	260,240	-	-	260,240
Prepaid expenses	53,991	-	-	53,991
Accounts payable, accrued expenses and other liabilities	(64,250)	(76)	(3,595)	(67,921)
TOTAL ADJUSTMENTS	265,181	236,690	(518,306)	(16,435)
NET CASH PROVIDED BY OPERATING ACTIVITIES	153,629	140,989	11,454	306,072
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of land, buildings and equipment	-	(10,000)	-	(10,000)
Proceeds from sale of investments	-	138,435	679,523	817,958
Acquisition of investments	-	(203,809)	(696,051)	(899,860)
NET CASH USED IN INVESTING ACTIVITIES	-	(75,374)	(16,528)	(91,902)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interfund loans	(22,001)	-	22,001	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(22,001)	-	22,001	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	131,628	65,615	16,927	214,170
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,820	52,087	123,160	196,067
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 152,448	\$ 117,702	\$ 140,087	\$ 410,237

The accompanying notes are an integral part of these consolidated financial statements.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION

Nature of Organization

The South Florida Council, Inc. Boy Scouts of America (the "Council"), provides service to young men and women ages 5-21 in the Florida counties of Broward, Miami-Dade, and Monroe. Two trust funds were established for the benefit of the Council. The Council is a not-for-profit organization devoted to promoting the ability of boys and young men and women to do things for themselves and others, training them in Scoutcraft and teaching them patriotism, courage, self-reliance, and preparing them to make ethical choices over their lifetime and achieving their full potential using the methods which are now in common use by the Boy Scouts of America. The Boy Scouts of America will prepare every eligible youth in America to become a responsible, participating citizen and leader who is guided by the Scout Oath and Law.

Financial Statement Presentation

Principles of Consolidation

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

Consolidated Financial Statement Presentation

Net assets and revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions or laws and may be expended for any purpose in performing the primary objectives of the Organization.
- **Net Assets With Donor Restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Consolidated Statements of Activities.

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 funds that are in accordance with specified activities or objectives. The accounts of the Organization are maintained in the following funds:

- Operating Fund - The Operating Fund represents revenues and expenses related to the operation and management of the Organization's primary programs and supporting services. The Operating Fund is referred to as "Fund 1."
- Capital Fund - The Capital Fund represents land, buildings and equipment owned and used by the Organization. Included in the Capital Fund are amounts designated for the purchase and improvement of land, buildings and equipment. The Capital Fund is referred to as "Fund 2."
- Endowment and Board Designated - The Endowment Fund includes two separate trust accounts and the proceeds from a beneficial interest in a charitable remainder unitrust. The Board Designated Fund represents net assets set aside by management for board designated purposes. The Endowment and Board Designated Fund is referred to as "Fund 3."

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (CONTINUED)

Financial Statement Presentation (Continued)

Fund Accounting (Continued)

The first trust is managed by a bank as trustee. The second trust is funded by proceeds from life insurance policies and is administered by trustees who are current and prior board members of the Organization. The income from the proceeds of one of the policies is to be used for the maintenance and repair of the Tatham Scout Center and/or maintenance of camp facilities. At least 20% of the income generated from one of the policies is to be used for improvement and repair of camp facilities. The income generated from other assets of the second trust and the first trust is required to be distributed annually to the Organization for its operations unless donor restricted for a specific time or purpose.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("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.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Organization considers all highly liquid investments, not included in Investments, with an initial maturity of three months or less to be cash equivalents.

Accounts and Other Receivables - Net

Accounts and other receivables are recorded primarily for fees and grants from governmental agencies stated at estimated realizable value. An allowance for doubtful accounts is based on management's review of the collectability of receivables. There was no allowance for doubtful accounts at December 31, 2018 and 2017.

Pledges Receivable - Net and Contributions

Contributions received are recorded as support within net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is fulfilled in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires or is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Pledges receivable due in excess of one year are discounted at the present value of their estimated future cash flows. Unconditional promises and other receivables are recorded in the Consolidated Statements of Financial Position at fair value estimated by discounted cash flow analyses, using an average discount rate of 5% for the years ended December 31, 2018 and 2017. An allowance for estimated uncollectible pledges is based on management's review of the collectability of pledge receivables. Pledges are charged off against the allowance after all means of collectability have been exhausted and the potential for recovery is considered remote.

Revenue Recognition

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

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (CONTINUED)

Land, Buildings and Equipment - Net

Land, buildings and equipment are recorded in the Capital Fund at cost or, if donated, at estimated fair market value as of the date acquired. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Buildings, improvements, and equipment are depreciated and amortized on a straight-line basis over their estimated useful lives.

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 (NOTE 6).

Impairment of Long-Lived Assets

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows, or material adverse changes in the business climate indicate that they may be impaired. The Organization performs its review by comparing the carrying amounts of long-lived assets to the estimated undiscounted cash flows relating to such assets. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities and money market accounts. The Organization accounts for investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-320 which requires investments in marketable securities with readily determinable fair values and all investments in debt securities be measured at fair value in the Consolidated Statements of Financial Position. Interest and dividends as well as realized and unrealized gains and losses are included in the accompanying Consolidated Statements of Activities. Investments in money market funds have been included as a component of investments in the accompanying Consolidated Statements of Financial Position.

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.

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. At certain times during the year, there were amounts on deposit with financial institutions in excess of their insurable limits; however, the Organization places its cash and investments with stable, high quality financial institutions and continually monitors its exposure.

Recognition Awards

Recognition awards include items such as trophies, patches, T-shirts, etc. which are given to scouts in recognition of their participation in various events held throughout the year. The cost of the awards is mostly covered by activity fee charges which are included as activities fee income in the accompanying Consolidated Statements of Activities.

Donated Materials, Securities and Services

Donated materials and securities are recorded at their estimated fair market value at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many volunteers provide services throughout the year that are not recognized as contributions in the consolidated financial statements. It is impracticable to determine the fair market value of all donated services by the volunteers of the Organization beyond those required to be recognized as income.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (CONTINUED)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and the State of Florida jurisdiction are the major tax jurisdictions where the Organization files information returns. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2015.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying Consolidated Statements 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 of the Boy Scouts of America (the "National Council"), the payment of the charter fee to the National Council is not allocated as a functional expense.

Functional expenses are those expenses incurred by the Organization in the accomplishment of their mission. The Consolidated Statements of Functional Expenses presents expenses by function and natural classification. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, insurance, maintenance and repairs, rent, and utilities, which are allocated on a square footage basis; salaries and wages, payroll taxes and employee benefits, are allocated on the basis of estimates of time and effort; and other expenses are allocated based on estimated usage.

Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended December 31, 2018, the Organization adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The Organization has applied the update retrospectively to all periods presented and adjusted the presentation of these financial statements accordingly. As a result, the Organization has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Organization's financial position and changes in net assets. In addition, the Organization has elected to continue to present the statements of cash flows using the indirect method.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (CONTINUED)

Recent Accounting Pronouncements

Revenue From Contracts With Customers

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Organization's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The Organization is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on the consolidated financial statements.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (CONTINUED)

Subsequent Events

The Organization has evaluated subsequent events through May 13, 2019, which is the date the consolidated financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statement of Financial Position date for general expenditures as of December 31, 2018 are as follows:

	2018
Cash and cash equivalents	\$ 472,571
Accounts receivable	161,383
Pledge receivable - net	102,462
Interfund receivable	230,001
Contribution receivable from remainder trust	512,674
Investments	6,810,160
Cash value of life insurance - net	280,792
Total financial assets as of year end	8,550,043
Less: amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	451,547
Restricted by donors with time restrictions	64,971
Less: endowed in perpetuity (including unappropriated earnings)	5,899,124
Less: amounts unavailable to management without Board approval	
Board designated endowment funds	305,640
Total financial assets available to management for general expenditures within one year	\$ 1,828,761

3. INTERFUND RECEIVABLE (PAYABLE) AND OTHER INTERFUND ACTIVITY

The interfund receivable (payable) of \$315,000 at December 31, 2017 resulted from the Operating Fund borrowing from the Endowment and Board Designated Fund to fund operations. During 2018, the Operating Fund repaid the \$315,000 interfund balance.

At December 31, 2018, the Operating Fund had a negative cash balance of \$230,001 that was reclassified to interfund receivable (payable). This negative cash balance resulted from the Operating Fund using cash from the Endowment and Board Designated Fund.

During the year ended December 31, 2018, the Capital Fund received proceeds from an insurance settlement (NOTE 6). From the proceeds, the Capital Fund transferred \$257,461 to the Operating Fund. In addition, the Capital Fund transferred net assets of \$57,539 to the Operating Fund so that the Operating Fund could repay the prior interfund payable to the Endowment and Board Designated Fund.

4. CONTRIBUTION RECEIVABLE FROM REMAINDER TRUST

During 2001, the Organization became aware that it had been named as a beneficiary of a charitable trust. The Organization estimated the value of this contribution through the use of mortality tables, present value discount of 6%, estimated investment earnings, scheduled annuity payments and other relevant information provided to the Organization. Upon death of the donor, the Organization will receive a portion of the assets remaining in the trust, which have been restricted through donor stipulations. The Organization estimates the remaining portion of the assets to be worth \$512,674 and \$548,496 as of December 31, 2018 and 2017, respectively, based on the assumptions outlined above.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. PLEDGES RECEIVABLE - NET

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using an interest rate of 5% for the years ended December 31, 2018 and 2017. Amortization of the discount is included in contribution revenue.

Pledges receivable, net include the following unconditional promises at December 31,:

	<u>2018</u>	<u>2017</u>
Years ending December 31,:		
2017	\$ -	\$ 47,314
2018	35,409	-
2019	<u>103,765</u>	<u>-</u>
Total	139,174	47,314
Less: allowance for estimated uncollectible pledges	<u>(36,712)</u>	<u>(39,869)</u>
	<u>\$ 102,462</u>	<u>\$ 7,445</u>

6. LAND, BUILDINGS AND EQUIPMENT - NET

Land, buildings and equipment are summarized as follows at December 31,:

	<u>Estimated Useful Lives</u>	<u>2018</u>	<u>2017</u>
Land	-	\$ 3,185,770	\$ 3,185,770
Land improvements	10 - 40 Years	6,294,576	6,336,759
Building and improvements	5 - 40 Years	7,090,806	7,362,170
Office equipment	10 Years	485,074	488,774
Transportation equipment	3 - 10 Years	20,567	20,567
Outdoor program equipment	3 - 5 Years	61,793	102,510
Construction in progress	-	<u>60,528</u>	<u>10,000</u>
		17,199,114	17,506,550
Less: accumulated depreciation and amortization		<u>3,778,550</u>	<u>3,531,015</u>
		<u>\$ 13,420,564</u>	<u>\$ 13,975,535</u>

Depreciation and amortization expense was \$359,709 and \$369,468 for the years ended December 31, 2018 and 2017, respectively.

During September 2017, the Organization suffered damages due to Hurricane Irma. The Organization filed insurance claims and received insurance proceeds of approximately \$543,000 during the year end December 31, 2018. The net book value of the fixed assets that suffered damages was approximately \$286,000 and has been recorded as a write-off of property and equipment within the Capital Fund during the year ended December 31, 2018.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

7. INVESTMENTS

Investments are stated at fair value and summarized as follows at December 31,:

	<u>2018</u>	<u>2017</u>
Common stock	\$ 1,364,261	\$ 1,531,777
Mutual funds - equity	2,182,228	2,607,684
Real estate investment trusts	344,632	372,573
Mutual funds - fixed income	1,559,083	1,575,880
Money market funds	355,019	95,982
BSA Commingled Fund	1,004,937	1,086,851
	<u>\$ 6,810,160</u>	<u>\$ 7,270,747</u>

The investment expense paid by the Organization for the years ended December 31, 2018 and 2017 was approximately \$27,000 and \$25,000, respectively.

The following schedule summarizes the investment income, net of fees, in the Consolidated Statements of Activities for the years ended December 31,:

	<u>2018</u>	<u>2017</u>
Investment (loss) income	\$ (96,421)	\$ 226,170
Net realized and unrealized (loss) gain	(396,109)	727,983
Increase in cash surrender value of life insurance	9,000	9,500
	<u>\$ (483,530)</u>	<u>\$ 963,653</u>

The above investment (loss) income is classified in the Consolidated Statements of Activities as follows for the years ended December 31,:

	<u>2018</u>	<u>2017</u>
Net assets without donor restrictions	\$ 46,551	\$ 434,611
Net assets with donor restrictions	(530,081)	529,042
	<u>\$ (483,530)</u>	<u>\$ 963,653</u>

8. FAIR VALUE MEASUREMENTS

The FASB establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Common stock and mutual funds-equity - consists of equity securities and mutual funds managed primarily through investments held by independent investment advisors with discretionary investment authority. Equity securities consist primarily of common stocks. Equity investments are valued at the closing price reported in the active market in which the individual securities are traded.

Real estate investment trusts - consist of income-producing and developmental real estate investments held by independent investment advisors. These investments are valued at their current market value determined on the basis of quotations or, if market quotations are not readily available, at fair value based on procedures established by the investment advisors.

Mutual funds-fixed income - consists of investments in securities issued by the U.S. Treasury and corporate bonds through independent investment advisors. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

Money market funds - are held by independent investment advisors and are reflected at market value.

BSA Commingled Endowment Fund LP ("BSA Fund") - Investments held by the BSA Fund are valued at fair value based on the closing price for securities listed on a securities exchange, the closing bid or ask price for over-the-counter securities not listed on a securities exchange, or at cost or at a value obtained from an independent pricing service for securities not listed or traded on any exchange or on the over-the-counter market. The custodian of the investments in the BSA Fund also has the ability to determine the fair value of securities not listed or traded on any exchange or on the over-the-counter market based on available information. The BSA Fund is valued at the number of units held by the Council and the Fund's unit value.

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 values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table represents the Organization's financial instruments measured at fair value on a recurring basis at December 31, 2018 for each of the fair value hierarchy levels:

Description	12/31/2018	Fair Value Measurements at December 31, 2018		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Common stock	\$ 1,364,251	\$ 1,364,251	\$ -	\$ -
Mutual funds - equity	2,182,228	2,182,228	-	-
Real estate investment trusts	344,632	344,632	-	-
Mutual funds - fixed income	1,559,083	1,559,083	-	-
Money market funds	355,019	355,019	-	-
	\$ 5,805,223	\$ 5,805,223	\$ -	\$ -
BSA Commingled Fund ^(a)	1,004,937	-	-	-
	\$ 6,810,160	\$ 5,805,223	\$ -	\$ -

The following table represents the Organization's financial instruments measured at fair value on a recurring basis at December 31, 2017 for each of the fair value hierarchy levels:

Description	12/31/2017	Fair Value Measurements at December 31, 2017		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Common stock	\$ 1,531,777	\$ 1,531,777	\$ -	\$ -
Mutual funds - equity	2,607,684	2,607,684	-	-
Real estate investment trusts	372,573	372,573	-	-
Mutual funds - fixed income	1,575,880	1,575,880	-	-
Money market funds	95,982	95,982	-	-
	\$ 6,183,896	\$ 6,183,896	\$ -	\$ -
BSA Commingled Fund ^(a)	1,086,851	-	-	-
	\$ 7,270,747	\$ 6,183,896	\$ -	\$ -

(a) – Certain investments that are measured at fair value using the net asset value per share (or its equivalent practical expedient), which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying Consolidated Statements of Financial Position.

There were no financial assets or liabilities measured at fair value on a non-recurring basis at December 31, 2018 and 2017.

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. FAIR VALUE MEASUREMENTS (CONTINUED)

Information regarding the Organization's investments in entities that calculate net asset value per share or its equivalent for the years ended December 31, 2018 and 2017 is as follows:

Description	12/31/2018 Fair Value	12/31/2017 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
BSA Commingled Endowment Fund L.P. ^(a)	\$ 1,004,937	\$ 1,036,051	\$ -	Monthly	N/A

(a) BSA Commingled Endowment Fund L.P. – The objective of this fund is to invest in fixed income, equity, and other securities for the purpose of generating investment returns for the partners.

9. CASH VALUE OF LIFE INSURANCE - NET

The Organization is the owner and beneficiary of life insurance policies on the lives of certain past and present board members and benefactors, with face amounts totaling \$500,000 in 2018 and 2017 and cash values of approximately \$261,000 and \$252,000 at December 31, 2018 and 2017, respectively. Certain policies have a dividend option whereby dividends purchase additional insurance. The policies cannot be used as collateral for debt nor can they be redeemed for cash value without the consent of the insured.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following as of December 31, 2018:

	Operating Fund	Capital Fund	Endowment Fund	Total
<u>Subject to expenditure for a specific purpose:</u>				
Fund-raising events	\$ 36,500	\$ -	\$ -	\$ 36,500
Contributions grant	25,000	-	-	25,000
Capital improvements	-	390,047	-	390,047
<i>Total purpose restrictions</i>	<u>61,500</u>	<u>390,047</u>	<u>-</u>	<u>451,547</u>
<u>Subject to the passage of time:</u>				
Friends of Scouting	64,971	-	-	64,971
<u>Endowment:</u>				
Subject to endowment spending policy and appropriation:				
General use	-	-	3,686,070	3,686,070
Maintenance and repair of facilities	-	-	2,121,515	2,121,515
Program activities	-	-	91,539	91,539
Total subject to endowment spending policy and appropriation	<u>-</u>	<u>-</u>	<u>5,899,124</u>	<u>5,899,124</u>
Total net assets with donor restrictions	<u>\$ 126,471</u>	<u>\$ 390,047</u>	<u>\$ 5,899,124</u>	<u>\$ 6,415,642</u>

SOUTH FLORIDA COUNCIL, INC. BOY SCOUTS OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

10. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions consists of the following as of December 31, 2017:

	Operating Fund	Capital Fund	Endowment Fund	Total
<i>Subject to expenditure for a specific purpose:</i>				
Contributions grant	\$ -	\$ -	\$ -	\$ -
Capital improvements	-	109,618	-	109,618
<i>Total purpose restrictions</i>	-	109,618	-	109,618
<i>Endowment:</i>				
Subject to endowment spending policy and appropriation:				
General use	-	-	3,976,453	3,976,453
Maintenance and repair of facilities	-	-	2,350,236	2,350,236
Program activities	-	-	102,516	102,516
<i>Total subject to endowment spending policy and appropriation</i>	-	-	6,429,205	6,429,205
Total net assets with donor restrictions	\$ -	\$ 109,618	\$ 6,429,205	\$ 6,538,823

11. NET ASSETS RELEASED FROM RESTRICTIONS

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 as follows:

	2018	2017
Fulfillment of purpose restriction	\$ -	\$ 31,960
Expiration of time restrictions	-	21,169
Total net assets released from restriction	\$ -	\$ 53,129

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12. ENDOWMENT AND BOARD DESIGNATED FUND

The Organization's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Executive Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Organization has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the FUPMIFA. In accordance with the FUPMIFA, 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

For the years ended December 31, 2018 and 2017, the Organization has elected not to add appreciation for cost of living or other spending policies to its endowment for inflation and other economic conditions.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). There were no such deficiencies in the endowment funds as of December 31, 2018 and 2017.

Return Objectives, Risk Parameters and Strategies Employed for Achieving Objectives

In support of the mission of the Organization, the Endowment is to be invested to provide sufficient distributable earnings in the form of a total return (the "Total Return") from capital appreciation and income (dividends, interest and realized capital gains) in real terms, considering inflation and to regulate the Endowment's long term ability to distribute income. The primary investment mission is to preserve principal and purchasing power in real dollar terms, while supporting current income requirements of the Organization.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The general policy is to allow for (a) distributions from the Endowment Fund ("Fund 3") of up to 5% of the Endowment Fund's average market value over the preceding 3 years; and (b) monthly distributions to Fund 1 of dividends and interest received in Fund 3; the intent being that any distributions under (b) shall be counted toward aggregate distributions under (a).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. ENDOWMENT AND BOARD DESIGNATED FUND (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

Unless otherwise directed by the Executive Board of the Organization, no distributions from Fund 3 shall exceed the Total Return from Fund 3 as reduced by any applicable management and trustee fees charged or chargeable to Fund 3. If the market value of that portion or portions of Fund 3 that consist of donor-restricted gifts falls to or below the amount of said donor-restricted gifts, the distributions with respect to those donor-restricted portions of Fund 3 shall not exceed the actual earnings (dividends, interest and realized capital gains) of those donor-restricted portions of Fund 3.

Subject to the foregoing limitations and policies, by a formal action of the Endowment Trustees, they may adopt, from time to time, a spending plan, consisting of a stated percentage of the principal assets in the Endowment, to be withdrawn periodically from Fund 3 and transferred to Funds 1 or 2. Any such withdrawal percentage shall be consistent with the goals and mission of the Organization as set forth in the statement.

Summary of Endowment Assets:

Endowment assets consist of the following at December 31, 2018:

	2018	2017
Cash and cash equivalents	\$ 221,936	\$ 140,087
Interfund receivable	230,001	315,000
Pledges receivable - net	3,445	3,445
Contribution receivable from remainder trust	512,674	548,496
Investments	4,975,916	5,535,370
Cash value of life insurance - net	260,792	251,792
	\$ 6,204,764	\$ 6,794,190

Summary of Endowment Assets at December 31, 2018:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor restricted endowment fund	\$ -	\$ 5,899,124	\$ 5,899,124
Board designated endowment fund	305,640	-	305,640
Total endowment assets	\$ 305,640	\$ 5,899,124	\$ 6,204,764

Summary of Endowment Assets at December 31, 2017:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor restricted endowment fund	\$ 26,803	\$ 6,429,205	\$ 6,456,008
Board designated endowment fund	338,182	-	338,182
Total endowment assets	\$ 364,985	\$ 6,429,205	\$ 6,794,190

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12. ENDOWMENT AND BOARD DESIGNATED FUND (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2018:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning	\$ 364,985	\$ 3,429,205	\$ 6,794,190
Adjustment to contribution receivable from remainder trust and other contributions	-	(35,822)	(35,822)
Investment loss including interest, dividends and realized and unrealized gains and losses (net of fees)	(56,196)	(484,258)	(550,455)
Amounts appropriated for expenditure	(3,149)	-	(3,149)
Endowment net assets, ending	<u>\$ 305,640</u>	<u>\$ 5,899,124</u>	<u>\$ 6,204,764</u>

Changes in endowment net assets for the year ended December 31, 2017:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning	\$ 368,367	\$ 5,896,063	\$ 6,264,430
Adjustment to contribution receivable from remainder trust and other contributions	-	4,100	4,100
Investment income including interest, dividends and realized and unrealized gains and losses (net of fees)	-	529,042	529,042
Program service expenses	(3,382)	-	(3,382)
Endowment net assets, ending	<u>\$ 364,985</u>	<u>\$ 6,429,205</u>	<u>\$ 6,794,190</u>

13. CUSTODIAL ACCOUNTS

The Organization holds funds as custodian for independent scouting units that are members of the South Florida Council. The funds are used to pay for various expenses of the respective units. The custodial funds amounted to approximately \$8,000 and \$6,000 at December 31, 2018 and 2017, respectively. Such amounts are included in the accompanying Consolidated Statements of Financial Position as accrued expenses and other liabilities.

14. EMPLOYEE BENEFIT PLANS

Retirement Plan

The National Council, Boy Scouts of America, has a qualified defined benefit pension plan (the "Plan") administered at the national office that covers employees of the National Council and local councils, including South Florida Council, Inc. Boy Scouts of America. The plan name is the *Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees*. The Plan covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2% of compensation, and the Organization contributes an additional 6.8% to the Plan. Pension expense (excluding the contributions made by employees) was approximately \$51,000 and \$68,000 for the years ended December 31, 2018 and 2017, respectively, and covered current service cost.

The actuarial information for the multi-employer plan as of February 1, 2016, indicates that it is in compliance with the Employee Retirement Income Security Act regulations regarding funding.

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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 Code of 1986, as amended.

The Organization has elected to match employee contributions to the Thrift Plan up to 50% of contributions from each participant, limited to 6% of each employee's gross pay. The Organization contributed approximately \$20,000 and \$25,000 to the Thrift Plan for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, the Organization remitted approximately \$134,000 and \$152,000, respectively, on behalf of its employees to the National Council related to the health care plan.

15. GOVERNMENT AND LOCAL AGENCY CONTRACTS

During the years ended December 31, 2018 and 2017, the Organization received approximately \$100,000 and \$290,000, respectively, in fees and grants from government and local agencies. The funds received primarily relate to the contracted services provided by the Boy Scouts of America regarding the "Learning for Life" program. The "Learning for Life" program is an educational tool, which is designed to meet the needs of youth and schools.

16. LEASES

The Organization leases certain equipment from third parties under non-cancelable operating leases. Total rent expense relating to these leases for the years ended December 31, 2018 and 2017 was approximately \$87,000 and \$102,000, respectively. Future minimum lease payments under non-cancelable lease agreements with third parties are as follows at December 31, 2018:

Years ending December 31,:	
2019	\$ 44,652
2020	23,658
2021	23,658
2022	23,658
2023	20,598
Thereafter	<u>3,178</u>
	\$ 139,402

17. RELATED PARTIES

An Executive Board member holds a beneficial interest in two companies, which provide promotional products and services to the Organization. The Organization paid the companies approximately \$71,000 and \$73,000 for the years ended December 31, 2018 and 2017, respectively.

All services were provided in the ordinary course of business at prices and on terms and conditions that the Organization believes are the same as those that would result from arm's-length negotiations between unrelated parties.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

18. SCOUT SHOP

The National Council operates a Scout shop within the Organization's main office. The National Council manages the Scout shop and pays the Organization an 8% commission on total net sales up to \$750,000, and 5% on total net sales in excess of \$750,000. The commissions earned (before expenses) by the Organization during the years ended December 31, 2018 and 2017 amounted to approximately \$43,000 and \$50,000, respectively, which is included in other revenue in the accompanying Consolidated Statements of Activities.

19. COMMITMENTS AND CONTINGENCIES

The Organization is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's consolidated financial position or results of operations.