

**CAPITOL AREA COUNCIL, INC. #564  
BOY SCOUTS OF AMERICA  
CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2016 AND 2015**

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**

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## **Independent Auditors' Report**

Board of Directors  
Capitol Area Council, Inc., #564  
Boy Scouts of America  
Austin, Texas

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Capitol Area Council, Inc., #564, Boy Scouts of America (the Council) which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material 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 auditors' 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 auditors consider 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 the Capitol Area Council, Inc., #564, Boy Scouts of America as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Atchley & Associates, LLP*

Austin, Texas

May 9, 2017

**FINANCIAL  
STATEMENTS**

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	Operating Fund		Capital Fund	
	2016	2015	2016	2015
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 1,629,703	\$ 1,661,157	\$ 1,291,098	\$ 1,869,507
Receivables and Other Assets (Note B)	646,403	461,294	126,530	104,331
Inventory	248,304	214,451	-	-
Inter-fund Accounts	-	5,310	-	-
Total Current Assets	2,524,410	2,342,212	1,417,628	1,973,838
Non-Current Assets				
Non-Current Pledges Receivable (Note B)	117,667	131,074	163,833	306,734
Other Non-Current Assets (Note D)	-	-	-	-
Property, Buildings, and Equipment, Net (Note C)	-	-	23,010,694	22,934,208
Long-Term Investments (Notes E and I)	-	-	-	-
Total Non-Current Assets	117,667	131,074	23,174,527	23,240,942
<b>TOTAL ASSETS</b>	<b>\$ 2,642,077</b>	<b>\$ 2,473,286</b>	<b>\$ 24,592,155</b>	<b>\$ 25,214,780</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts and Accrued Liabilities	\$ 263,548	\$ 566,290	\$ 24,156	\$ 52,550
Custodial Funds	665,275	626,491	-	-
Current Portion Long-Term Debt	-	-	126,530	104,025
Deferred Activity Income	315,713	148,614	-	-
Deferred Camp Income	7,245	4,185	-	-
Deferred Other Income	12,179	12,653	-	-
Total Current Liabilities	1,263,960	1,358,233	150,686	156,575
Long-Term Debt, Net of Current Portion (Note K)	-	-	163,833	306,734
Total Liabilities	1,263,960	1,358,233	314,519	463,309
<b>NET ASSETS</b>				
Unrestricted Net Assets, Undesignated	348,511	307,126	23,969,548	24,637,559
Board Designation	-	-	-	-
Temporarily Restricted Net Assets (Note G)	1,029,606	807,927	308,088	113,912
Permanently Restricted Net Assets	-	-	-	-
Total Net Assets	1,378,117	1,115,053	24,277,636	24,751,471
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,642,077</b>	<b>\$ 2,473,286</b>	<b>\$ 24,592,155</b>	<b>\$ 25,214,780</b>

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

Endowment Fund		Total All Funds	
2016	2015	2016	2015
\$ 1,565,054	\$ 2,015,343	\$ 4,485,855	\$ 5,546,007
760	1,008	773,693	566,633
-	-	248,304	214,451
-	(5,310)	-	-
<u>1,565,814</u>	<u>2,011,041</u>	<u>5,507,852</u>	<u>6,327,091</u>
-	-	281,500	437,808
689,757	779,012	689,757	779,012
-	-	23,010,694	22,934,208
<u>18,515,894</u>	<u>17,435,390</u>	<u>18,515,894</u>	<u>17,435,390</u>
<u>19,205,651</u>	<u>18,214,402</u>	<u>42,497,845</u>	<u>41,586,418</u>
<u>\$ 20,771,465</u>	<u>\$ 20,225,443</u>	<u>\$ 48,005,697</u>	<u>\$ 47,913,509</u>
\$ -	\$ -	\$ 287,704	\$ 618,840
-	-	665,275	626,491
-	-	126,530	104,025
-	-	315,713	148,614
-	-	7,245	4,185
-	-	12,179	12,653
<u>-</u>	<u>-</u>	<u>1,414,646</u>	<u>1,514,808</u>
<u>-</u>	<u>-</u>	<u>163,833</u>	<u>306,734</u>
<u>-</u>	<u>-</u>	<u>1,578,479</u>	<u>1,821,542</u>
18,609,277	18,158,367	42,927,336	43,103,052
-	-	-	-
124,921	75,942	1,462,615	997,781
<u>2,037,267</u>	<u>1,991,134</u>	<u>2,037,267</u>	<u>1,991,134</u>
<u>20,771,465</u>	<u>20,225,443</u>	<u>46,427,218</u>	<u>46,091,967</u>
<u>\$ 20,771,465</u>	<u>\$ 20,225,443</u>	<u>\$ 48,005,697</u>	<u>\$ 47,913,509</u>

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015				
	Operating Fund	Capital Fund	Endowment Fund	Total	Operating Fund	Capital Fund	Endowment Fund	Total
<b>UNRESTRICTED NET ASSETS</b>								
Direct Support								
Friends of Scouting	\$ 908,783	\$ -	\$ -	\$ 908,783	\$ 1,276,316	\$ -	\$ -	\$ 1,276,316
Special Events	441,550	-	-	441,550	354,568	-	-	354,568
Less: Cost of Direct Benefit	(180,872)	-	-	(180,872)	(145,564)	-	-	(145,564)
Net Special Events	260,678	-	-	260,678	209,004	-	-	209,004
Capital Campaign (Note B)	-	1,750	-	1,750	-	(26,157)	-	(26,157)
Foundations and Trusts	169,750	5,400	-	175,150	110,776	50,000	-	160,776
Other Direct Contributions	211,944	53,175	-	265,119	130,904	124,759	-	255,663
Total Direct Support	1,551,155	60,325	-	1,611,480	1,727,000	148,602	-	1,875,602
Indirect Support								
United Way	9,696	-	-	9,696	11,350	-	-	11,350
Other Indirect	12,572	-	-	12,572	20,247	-	-	20,247
Total Indirect Support	22,268	-	-	22,268	31,597	-	-	31,597
Revenues								
Supply Sales	1,208,158	-	-	1,208,158	1,178,900	-	-	1,178,900
Less: Cost of Goods Sold	(812,916)	-	-	(812,916)	(789,481)	-	-	(789,481)
Net Supply Sales	395,242	-	-	395,242	389,419	-	-	389,419
Product Sales	1,541,399	-	-	1,541,399	1,442,640	-	-	1,442,640
Less: Cost of Goods Sold	(460,705)	-	-	(460,705)	(421,946)	-	-	(421,946)
Less: Commissions Paid	(536,722)	-	-	(536,722)	(511,279)	-	-	(511,279)
Net Product Sales	543,972	-	-	543,972	509,415	-	-	509,415
Camping	973,793	-	-	973,793	978,697	2,000	-	980,697
Activities	680,441	-	-	680,441	686,920	-	-	686,920
Dividend and Interest Income	449,935	-	-	449,935	285,986	231,755	(5,309)	512,432
Gain or Loss on Investments	-	-	92,132	92,132	-	-	223,025	223,025
Appreciation (Depreciation) of Investments, Net of \$175,423 and \$109,802 of Expenses	-	-	341,147	341,147	-	-	(1,149,738)	(1,149,738)
Other	110,859	24,281	-	135,140	109,865	13,910,841	-	14,020,706
Total Revenues	3,154,242	24,281	433,279	3,611,802	2,960,302	14,144,596	(932,022)	16,172,876
Net Assets Released from Restrictions (Note H)	570,841	112,631	-	683,472	185,840	131,274	-	317,114
Total Support and Revenues	5,298,506	197,237	433,279	5,929,022	4,904,739	14,424,472	(932,022)	18,397,189
Expenses and Losses								
Program Services	4,404,593	797,844	-	5,202,437	4,089,784	853,417	-	4,943,201

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





**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			
	Program Services	Management & General	Fundraising	Combined Totals
Employee Compensation				
Salaries	\$ 2,071,683	\$ 69,762	\$ 267,674	\$ 2,409,119
Employee Benefits	334,543	13,102	45,742	393,387
Payroll Taxes	163,284	5,178	20,111	188,573
Employee Related Expenses	12,568	489	1,708	14,765
Total Employee Compensation	<u>2,582,078</u>	<u>88,531</u>	<u>335,235</u>	<u>3,005,844</u>
Other Expenses				
Conferences and Meetings	41,684	1,288	4,780	47,752
Insurance	154,612	3,651	12,748	171,011
Interest Expense	18,609	-	-	18,609
Occupancy	627,918	4,636	16,186	648,740
Other Expenses	51,385	6,718	19,238	77,341
Postage and Shipping	7,228	125	6,193	13,546
Printing and Publications	28,757	2,284	5,591	36,632
Professional Fees	66,332	47,379	68,638	182,349
Recognition Awards	131,492	291	44,849	176,632
Rent and Maintenance of Equipment	127,386	5,976	8,949	142,311
Specific Assistance to Individuals	112,314	590	2,058	114,962
Supplies	511,649	5,762	75,534	592,945
Telephone	34,824	967	3,376	39,167
Travel	190,075	4,428	17,884	212,387
Total Other Expenses	<u>2,104,265</u>	<u>84,095</u>	<u>286,024</u>	<u>2,474,384</u>
Expenses Before Depreciation and Loss on Disposal of Fixed Assets	4,686,343	172,626	621,259	5,480,228
Depreciation	516,094	10,493	36,634	563,221
Total Functional Expenses	<u>\$ 5,202,437</u>	<u>\$ 183,119</u>	<u>\$ 657,893</u>	<u>\$ 6,043,449</u>

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

2015

<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Combined Totals</u>
\$ 1,930,871	\$ 67,059	\$ 251,469	\$ 2,249,399
325,039	12,952	45,219	383,210
162,356	5,359	20,130	187,845
157	6	23	186
<u>2,418,423</u>	<u>85,376</u>	<u>316,841</u>	<u>2,820,640</u>
38,139	1,066	3,722	42,927
141,156	3,264	11,393	155,813
34,839	1,010	3,528	39,377
597,050	4,988	17,411	619,449
42,104	5,630	12,567	60,301
8,276	135	4,669	13,080
18,077	2,005	4,526	24,608
32,396	45,010	67,150	144,556
111,697	145	41,045	152,887
197,605	5,915	8,010	211,530
64,547	343	1,201	66,091
543,280	1,137	76,413	620,830
43,561	1,175	4,105	48,841
153,432	4,102	15,514	173,048
<u>2,026,159</u>	<u>75,925</u>	<u>271,254</u>	<u>2,373,338</u>
4,444,582	161,301	588,095	5,193,978
498,619	10,154	35,449	544,222
<u>\$ 4,943,201</u>	<u>\$ 171,455</u>	<u>\$ 623,544</u>	<u>\$ 5,738,200</u>

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Operating Fund		Capital Fund	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in Net Assets	\$ 281,567	\$ 414,843	\$ (474,707)	\$ 13,451,214
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities				
Depreciation	-	-	563,221	544,222
Provision for Uncollectible Accounts	93,603	117,476	-	-
Net Unrealized and Realized (Gains) Losses on Investments	-	-	-	-
Donation of Equipment	-	-	(41,250)	-
Contributions of Cash - Permanently Restricted	-	-	-	-
Transfers	(18,503)	(132,551)	872	(9,681,018)
Change in Interfund Accounts	5,310	93,306	-	(98,616)
(Increase) Decrease in Receivables and Other Assets	(265,305)	(402,217)	(22,199)	27,876
(Increase) Decrease in Inventory	(33,853)	45,771	-	-
Increase (Decrease) in Accounts and Other Payables	(133,057)	(10,202)	(28,394)	34,100
Increase (Decrease) in Custodial Funds	38,784	1,213	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(31,454)</u>	<u>127,639</u>	<u>(2,457)</u>	<u>4,277,778</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds From Sales of Investments	-	-	-	-
Purchases of Investments	-	-	-	-
Purchases of Equipment and Improvements	-	-	(598,457)	(285,641)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>(598,457)</u>	<u>(285,641)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Contributions of Cash - Permanently Restricted	-	-	-	-
Provision for Uncollectible Accounts (Note B)	-	-	2,559	26,156
(Increase) Decrease in Receivables and Other Assets	-	-	140,342	73,360
(Repayments) Proceeds from Long-Term Debt	-	-	(120,396)	(2,970,921)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>22,505</u>	<u>(2,871,405)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(31,454)	127,639	(578,409)	1,120,732
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,661,157</u>	<u>1,533,518</u>	<u>1,869,507</u>	<u>748,775</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,629,703</u>	<u>\$ 1,661,157</u>	<u>\$ 1,291,098</u>	<u>\$ 1,869,507</u>
<b>SUPPLEMENTAL DATA</b>				
Interest Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Taxes Paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>				
Donation of Equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,250</u>	<u>\$ -</u>

Endowment Fund		Total All Funds	
2016	2015	2016	2015
\$ 528,391	\$ (885,992)	\$ 335,251	\$ 12,980,065
-	-	563,221	544,222
-	-	93,603	117,476
(662,991)	840,457	(662,991)	840,457
-	-	(41,250)	-
(46,133)	(64,266)	(46,133)	(64,266)
17,631	9,813,569	-	-
(5,310)	5,310	-	-
248	380	(287,256)	(373,961)
-	-	(33,853)	45,771
-	-	(161,451)	23,898
-	-	38,784	1,213
<u>(168,164)</u>	<u>9,709,458</u>	<u>(202,075)</u>	<u>14,114,875</u>
5,940,521	5,973,076	5,940,521	5,973,076
(6,358,034)	(14,730,756)	(6,358,034)	(14,730,756)
-	-	(598,457)	(285,641)
<u>(417,513)</u>	<u>(8,757,680)</u>	<u>(1,015,970)</u>	<u>(9,043,321)</u>
46,133	64,266	46,133	64,266
-	-	2,559	26,156
89,255	96,727	229,597	170,087
-	-	(120,396)	(2,970,921)
<u>135,388</u>	<u>160,993</u>	<u>157,893</u>	<u>(2,710,412)</u>
(450,289)	1,112,771	(1,060,152)	2,361,142
<u>2,015,343</u>	<u>902,572</u>	<u>5,546,007</u>	<u>3,184,865</u>
<u>\$ 1,565,054</u>	<u>\$ 2,015,343</u>	<u>\$ 4,485,855</u>	<u>\$ 5,546,007</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,250</u>	<u>\$ -</u>

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The Capitol Area Council, Inc. #564, Boy Scouts of America (the Council) provides service to young men ages 7 to 21 and young women ages 8 to 21 in the Counties of Bastrop, Blanco, Burnet, Caldwell, DeWitt, Fayette, Gillespie, Gonzales, Hays, Lavaca, Lee, Llano, Mason, Travis, and Williamson. The Council has six camping facilities. 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 program, 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 and self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts.

On December, 19, 1973, the Tom Wooten Trust was created as a Texas nonprofit corporation exempt under Section 501c(3) of the Internal Revenue Code of 1986. The Council has control of the Tom Wooten Trust. The trust was formed to provide support for the operating and capital expenditure needs of Boy Scouts of America, Capitol Area Council youth programs.

On February 19, 2004, the Council organized the CAC/BSA Griffith League Conservation Holdings, Inc. (Holdings) as a subsidiary. Holdings is a Texas nonprofit corporation and is exempt under Section 501c(3) of the Internal Revenue Code of 1986. The Board of Directors of Holdings is composed of officers in the Council. Holdings was formed to sell conservation easements on the Griffith League Ranch, which is a 4,848 acre Bastrop County ranch owned by the Council. At December 31, 2016 and 2015, Holdings did not have any assets, liabilities, net assets, revenues, or expenses.

**Mission and Programs**

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

The Council's programs are classified as follows:

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

Cub Scouts - A 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. Cub Scouts develops ethical decision-making for boys in the second through fifth grades (or who are 8, 9, and 10 years old). Fourth and fifth-grade (or 10-year-old) boys are called Webelos Scouts (We'll BE Loyal Scouts) and participate in more advanced activities that begin to prepare them to become Boy Scouts. Cub Scouting's emphasis is on quality programs at the local level, where boys and families are involved.

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Boy Scouting - A program for boys 11 to 17. 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 rewarding career.

STEM Scouting - This is a program for boys and girls from ages 8 to 20 that uses experiential activities and interaction with science, technology, engineering and mathematics professionals to help young people grow in character and skills as they explore their curiosity about STEM. The program is designed to expose young people to future career opportunities in STEM as well as be challenging, thought-provoking and, most importantly, fun.

Varsity Scouting - Program for young men ages 14 to 17 that provides options for those who are looking for rugged high adventure or challenging sporting activities and still want to be part of a Scouting program that offers the advancement opportunities and values of the Boy Scouts of America. There are five fields of emphasis, including advancement, high adventure sports, personal development, service, and special programs and events.

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

The Council's website address is [www.bsacac.org](http://www.bsacac.org).

**Principles of Consolidation**

Capitol Area Council has voting control over and an economic interest in the Tom Wooten Trust Fund (the Trust), which results in the accounts of the Trust being consolidated with those of the Council in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in this consolidation. Capitol Area Council and the Trust are hereinafter collectively referred to as the "Council."

**CAPITOL AREA COUNCIL, INC. #564**  
**BOY SCOUTS OF AMERICA**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Basis of Accounting**

The consolidated financial statements of the Council have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States. Accordingly, the accounts of the Council are reported in the following net asset categories:

**Unrestricted Net Assets** - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Executive Board.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

**Permanently Restricted Net Assets** - Permanently restricted net assets represent resources that have donor-imposed restrictions requiring that the principal be maintained in perpetuity but permit the nonprofit organization (NPO) to expend the income earned thereon. These permanently restricted net assets are described in Note I.

**Fund Accounting**

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

The Council also prepares consolidated financial statements in accordance with the Financial Accounting Standards Board (FASB) standards for not-for-profit organizations (ASC 958-205 and subsections). Under these standards, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Council is required to present a Statement of Cash Flows.

The consolidated financial statements of the Council have been prepared on the accrual basis using the following fund groups:

*Operating Fund* - funds over which the Executive Board (Board) retains full control to use in achieving any of the Council's purposes.

*Endowment Fund* - funds used to account for the assets, designated by the Board, in the Tom Wooten Trust, the Scott Trust, the Capitol Area Council Boy Scout Trust, and the Dell Endowment. The Board has designated that in perpetuity the principal shall be invested and the income only be used. (See Note E)



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**(Continued)**

*Capital Fund* - funds used to account for properties, fixed assets and related depreciation.

**Revenues**

The Council receives revenue from grants, public support, and various fundraising events. Such revenues are recorded as support as these are considered earned. Expenses are recorded when incurred regardless of when paid. Deferred revenue represents advance receipts for future events and activities.

**Pledges Receivables and Contributions**

Pledges receivable for contributions are recognized upon notification of a donor's unconditional promise to give to the Council. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value in accordance with the *Contributions Received* section of the FASB ASC. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of changes in net assets as assets released from restrictions.

**Donated Materials and Services**

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at the time of donation. The Council reports 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 and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

**Advertising**

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2016 and 2015 amounted to \$21,861 and \$18,865, respectively.

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**(Continued)**

**Accounts Receivable**

Accounts receivable are recorded primarily for product sales stated at estimated realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2016 and 2015.

**Investments**

Investments consist primarily of assets invested in marketable equity and debt securities, and money-market funds. The Council accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations (ASC 958-320 and subsections). This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the Statements of Financial Position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the Consolidated Statements of Changes in Net Assets.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Consolidated Statement of Financial Position. See also Notes E and F.

**Investment Policy**

The Council's board has appointed a standing Investment Committee which meets regularly and oversees the management of the long-term investments in accordance with the Investment Policy Statement. The primary objective of the Investment Policy Statement is long-term capital appreciation to provide for growth and future income. The policy specifies the investment goals, the Council's tolerance for risk, the diversified asset allocation strategy, and the investment monitoring and control procedures.

The Council has determined that it is not subject to the Uniform Prudent Management of Institutional Funds Act of 2006.

A summary of investments as of December 31, 2016 and 2015, is presented in Notes E and I.

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**(Continued)**

The following schedule summarizes the investment return in the Consolidated Statements of Changes in Net Assets for the years ended December 31, 2016 and 2015:

	2016	2015
Interest and dividend income	\$ 449,935	\$ 517,742
Net gains (losses)	657,681	(835,147)
Investment fees	(175,423)	(109,802)
	\$ 932,193	\$ (427,207)

The above investment return is classified in the Consolidated Statements of Changes in Net Assets as follows:

	2016	2015
Unrestricted	\$ 883,214	\$ (414,281)
Temporarily restricted	48,979	(12,926)
	\$ 932,193	\$ (427,207)

**Investment Earnings Spending Policy**

The Council has a board-approved total return spending policy that allows the Operating Fund to receive and recognize investment earnings originating from the Endowment Fund. As of December 31, 2016, the board-approved spending policy was 5.85% of the prior 12 quarters average market value.

In early 2015, the Council received funds from the sale of water rights at Griffith League Ranch and from litigation related to fires in the Bastrop area. These funds were invested over the course of 2015 into diversified non-trust investments following the Council's Investment Policy. The Council's board approved a spending policy for the new funds based on 3% of their average quarterly market value, specifying that after the accounts have been in existence for 12 quarters, the value will be measured as of the prior 12 quarters. From that distribution amount, 55% is to go to the Operating Fund and 45% to the Capital Fund.

The Council did not have any interfund loans as of December 31, 2016. The interfund loan at December 31, 2015, resulted from the Operating Fund making scholarship payments from Endowment Funds restricted for that purpose in excess of the amounts transferred from the Endowment Fund, and that loan was repaid in 2016.

**Inventory**

Inventory consists of Scouting and other items available for resale and is stated at the lower of cost or market. Cost is determined using the average method.

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**(Continued)**

**Property, Buildings, and Equipment**

Property, buildings, and equipment acquired by purchase are stated at cost, and donated assets are recorded at the estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. The Council's capitalization policy is to capitalize all fixed assets greater than \$1,000. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Land, buildings, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	30-40 years
Furniture and equipment	5-10 years
Vehicles and aquatics	4 years

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.

Impairment of Long-Lived Assets - The Council reviews long-lived assets, including property and equipment and intangible 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 Council has not recognized any impairment of long-lived assets during 2016 and 2015.

**Estimates**

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

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**(Continued)**

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the 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 Council providing these services. In accordance with the policy of the National Council of the Boy Scouts of America (the National Council), the payment of the charter and national service fees to the National Council are not allocated as a functional expense.

**Income Taxes**

The Council is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Council currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Council adopted the provisions of the FASB standard on Accounting for Uncertainty in Income Taxes (ASC 740-10-25). Under this standard, an organization shall initially recognize the consolidated financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Council does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2016, there were no interest or penalties recorded or included in the consolidated financial statements. The Council's income tax returns are subject to examination by federal and local authorities. The tax returns for the years ended December 31, 2013, and thereafter remain subject to examination by the Internal Revenue Service.

**Cash Equivalents**

Cash equivalents consist of short-term, highly liquid investments which are convertible into cash within ninety days of purchase.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Council to credit risk consist principally of cash at financial institutions and investments. At times, the balance in cash accounts may be in excess of FDIC insurance limits. Management continuously monitors the Council's balances at financial institutions and invests excess operating cash in short-term investments. At December 31, 2016, there was \$3,235,334 in funds in excess of FDIC insured limits.

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**(Continued)**

**Recent Accounting Pronouncements**

New accounting standards are now issued by the Financial Accounting Standards Board (FASB) through Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification (ASC). The FASB does not consider the updates authoritative on a standalone basis; they become authoritative when incorporated into the ASC. The ASUs will be in a six-digit, two-segment format (20YY-XX) where YY is the year issued and XX is the sequential number of each update. So, ASU 2016-01 would be the first update issued in 2016, and so forth. There were no new accounting pronouncements that impacted these statements.

**Fair Value Measurement**

Generally accepted accounting principles establish 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 are described below:

- Level 1 Quoted prices in active markets for identical securities.
- Level 2 Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).
- Level 3 Significant unobservable inputs (including the Council's own assumptions) in determining the fair value of investments.

The inputs and methodologies used for valuing the Council's financial assets and liabilities are not indicators of the risks associated with those instruments.

The following methods and assumptions were used to estimate the fair values of the assets in the tables in Note F:

**Level 1: Fair Value Measurements**

*Investments in Securities*

The fair value of the Council's investments in marketable equity and debt securities is based on quoted market prices.

**Level 2: Fair Value Measurements**

*Charitable Remainder Trust & Life Insurance/IRA Donation*

The fair value of the Council's interest in the Charitable Remainder Trust and the designation as a beneficiary in the life insurance and IRA accounts have been estimated by discounting expected cash inflows to their present value. The discount rate used is the Applicable Federal Rate of 2.2 percent.

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**(Continued)**

**Level 2: Fair Value Measurements**

*Real Estate*

The fair value of the real estate is based on current assessed values for property tax purposes.

**Subsequent Events**

Management of the Council has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the consolidated financial statements were available to be issued.

**NOTE B - PLEDGES RECEIVABLE**

Late in 2012, the Council contracted to purchase the Smilin' V Ranch, a property in Liberty Hill which will be suitable for camping and activities. The property was acquired in April 2013 in exchange for Wolf Mountain Scout Ranch, \$100,000 down payment, a note for \$500,000, and closing costs. Total pledges receivable for Smilin' V Ranch during 2016 and 2015 were \$290,363 and \$410,759, respectively. As of December 31, 2016, \$126,530 of these pledges receivable are listed under Current Assets in the Capital Fund and \$163,833 is listed under Non-Current Pledges Receivable.

During 2015, the Friends of Scouting fundraising campaign created a new category of larger donations, giving donors who pledged \$25,000 or more to the Council over a three-year period membership in the Tom Wooten Society. These donors will receive complimentary invitations to fundraising events and to events specifically for Tom Wooten Society donors. Because some pledges are scheduled for payment in 2017, those pledges are listed in the Statement of Financial Position under Non-Current Pledges Receivable, Operating Fund.

Pledges Receivable at December 31, 2016 and 2015, consisted of the following:

<u>2016</u>	Pledges Receivables	Discounts	Allowances for Uncollectible Pledges	Net Pledges
Smilin' V Ranch	\$ 290,363	\$ -	\$ -	\$ 290,363
Friends of Scouting 2016	56,000	-	(35,000)	21,000
Special Events	14,500	-	(9,500)	5,000
Friends of Scouting 2017	92,950	-	(17,000)	75,950
Tom Wooten Society	380,345	-	(70,000)	310,345
James E. West (Endowment)	1,388	-	(628)	760
Total	<u>\$ 835,546</u>	<u>\$ -</u>	<u>\$ (132,128)</u>	<u>\$ 703,418</u>

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**NOTE B - PLEDGES RECEIVABLE (Continued)**

<u>2015</u>	<u>Pledges Receivables</u>	<u>Discounts</u>	<u>Allowances for Uncollectible Pledges</u>	<u>Net Pledges</u>
Smilin' V Ranch	\$ 410,759	\$ -	\$ -	\$ 410,759
Tom Wooten Society	523,183	-	(129,569)	393,614
James E. West (Endowment)	1,008	-	-	1,008
Total	<u>\$ 934,950</u>	<u>\$ -</u>	<u>\$ (129,569)</u>	<u>\$ 805,381</u>
		<u>2016</u>	<u>2015</u>	
Estimated due in:				
Less than one year		\$ 554,046	\$ 497,142	
One to five years		281,500	437,808	
Total		<u>\$ 835,546</u>	<u>\$ 934,950</u>	

**NOTE C - PROPERTY, BUILDINGS AND EQUIPMENT**

Property, buildings and equipment at December 31, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 12,847,427	\$ 12,847,427
Buildings and improvements	13,347,298	13,152,058
Donated land usage	99,728	99,728
Equipment and furniture	2,388,394	1,990,928
Construction in progress	70,041	23,040
	<u>28,752,888</u>	<u>28,113,181</u>
Less accumulated depreciation	(5,742,194)	(5,178,973)
Total	<u>\$ 23,010,694</u>	<u>\$ 22,934,208</u>

**NOTE D - OTHER NON-CURRENT ASSETS**

**Split Interest Agreement**

In 2002, the Council was named the beneficiary of two irrevocable charitable remainder trusts, one revocable charitable trust and a contingent beneficiary of a fourth charitable remainder trust. The amounts recorded for the irrevocable charitable remainder trusts at December 31, 2016 and 2015 are \$689,757 and \$779,012, respectively, which is the Council's share of the fair value of the investments less the present value of remaining payments made to others. Assumptions for the 2016 and 2015 calculations of present value were a return of 2.2% and monthly payments equal to 7.3% of the fund value for the remaining four-year period.



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**NOTE E - UNRESTRICTED ENDOWMENT FUNDS**

The Council's operations and capital development activities are funded in part by Endowment Fund earnings. The amount transferred from the Endowment Fund trust accounts has been calculated and disbursed in April of each year using a formula developed by the Board, 5.85% of twelve quarters average of market valuation, which stabilizes the transfer amount and limits the amount to protect the investment corpus. The Endowment Fund trust accounts are comprised of the Scott, Wooten, and Capitol Area Council Boy Scout Trusts. Of amounts transferred from the Wooten and Scott Trusts, 55% is used for operations and transferred to the Operating Fund, and 45% is used for capital development and transferred to the Capital Fund. In 2016, the Board elected not to make an endowment distribution to the Capital Fund but made the usual distribution to the Operating Fund.

Unrestricted endowment funds are board-designated endowment funds set aside for the following purposes:

Capitol Area Council Boy Scout Trust, the corpus of which consists of donations received by the Council.

Tom Wooten Trust, the corpus of which was obtained as a result of a sale of a portion of Camp Tom Wooten. The corpus of this trust has been designated by the Board.

Scott Trust, Scott Fixed Income Management, Scott Growth Management, and Scott International Management Funds, the corpus of which was obtained as a result of the sale of the remainder of Camp Tom Wooten. The corpus of this trust has been designated by the Board, but is subject to change by a four-fifths vote of the executive board.

The Lockhart Real Estate Trust, which holds a half interest in a piece of real property and some funds for the administration of that property, which consists of residential rental units in Austin. The property interest and assets were obtained when the Nina Lockhart Charitable Remainder Trust was dissolved.

In 2015, the Council received and invested \$9,811,610 in additional funds from the sale of Griffith League Ranch groundwater and a litigation settlement from fire damage. The money was invested under the supervision of the Investment Committee into a diversified portfolio held at Stephens, Inc. The proceeds of the investment fund will be distributed at a rate not to exceed 3% based on the average value of the twelve preceding fiscal quarters. The distributions will be allocated 55% to the Operating Fund and 45% to the Capital Fund. Before the funds have been invested for twelve quarters, funds may be dispersed at the annual rate of 3% using an average of all the existing quarters. In 2016, the Board elected to make the usual distribution to the Operating Fund but not to make a distribution to the Capital Fund.

The assets held by each trust at December 31, 2016 and 2015, consist of the following:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Scott Fixed Income Management:				
Cash	\$ (7,219)	\$ (7,219)	\$ 8,739	\$ 8,739
Fixed income	529,825	528,528	705,142	700,375
Government and agency issued	336,875	330,732	136,424	137,789
Total	<u>859,481</u>	<u>852,041</u>	<u>850,305</u>	<u>846,903</u>

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	2016		2015	
	Cost	Fair Value	Cost	Fair Value
<b>Tom Wooten Trust:</b>				
Cash	\$ 59,124	\$ 59,124	\$ 10,109	\$ 10,109
Common stocks	806,999	1,215,905	771,510	1,246,353
Total	<u>866,123</u>	<u>1,275,029</u>	<u>781,619</u>	<u>1,256,462</u>
<b>Capitol Area Council Boy Scout Trust:</b>				
Cash	65,949	65,949	9,815	9,815
Common stocks	566,384	497,644	589,710	467,704
Total	<u>632,333</u>	<u>563,593</u>	<u>599,525</u>	<u>477,519</u>
<b>Scott/Luther King Capital Management:</b>				
Cash	10,790	10,790	66,882	66,882
Common stocks	841,100	1,097,931	814,459	1,026,621
Total	<u>851,890</u>	<u>1,108,721</u>	<u>881,341</u>	<u>1,093,503</u>
<b>Scott Growth Management/Riverbridge:</b>				
Cash	25,405	25,405	10,658	10,658
Common stocks	451,781	687,046	417,517	665,037
Total	<u>477,186</u>	<u>712,451</u>	<u>428,175</u>	<u>675,695</u>
<b>Scott/Mutual Funds</b>				
Cash	28,663	28,663	8,473	8,473
Mutual Funds	2,353,282	2,067,221	2,292,903	2,160,214
Total	<u>2,381,945</u>	<u>2,095,884</u>	<u>2,301,376</u>	<u>2,168,687</u>
<b>Scott/CD and Fixed Income</b>				
Cash	491,333	491,333	50	50
Mutual Funds	-	-	551,491	465,031
Total	<u>491,333</u>	<u>491,333</u>	<u>551,541</u>	<u>465,081</u>
<b>Scott/Schafer Cullen Mgmt</b>				
Cash	56,883	56,883	92,730	92,730
Common stock	851,189	1,178,959	823,660	1,137,625
Total	<u>908,072</u>	<u>1,235,842</u>	<u>916,390</u>	<u>1,230,355</u>
<b>Grand Total</b>	<u>\$ 7,468,363</u>	<u>\$ 8,334,894</u>	<u>\$ 7,310,272</u>	<u>\$ 8,214,205</u>

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**NOTE E - UNRESTRICTED ENDOWMENT FUNDS (Continued)**

The trust assets above are presented in the accompanying consolidated financial statements with:

	2016	2015
Cash and cash equivalents	\$ 730,928	\$ 207,456
Long-term investments	7,603,966	8,006,749
Total	<u>\$ 8,334,894</u>	<u>\$ 8,214,205</u>

As of December, 31, 2016 and December 31, 2015, the non-trust Endowment investment assets held at Stephens, Inc., consisted of the following:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
162200306 Oppenheimer International Fund				
Cash and cash equivalents	\$ 1,638	\$ 1,638	\$ 43,332	\$ 43,332
Mutual funds	-	-	393,807	378,714
	<u>1,638</u>	<u>1,638</u>	<u>437,139</u>	<u>422,046</u>
162207449 Master Limited Partnerships				
Cash and cash equivalents	-	-	1,926	1,926
Mutual funds	1,022,163	806,447	1,006,080	623,235
	<u>1,022,163</u>	<u>806,447</u>	<u>1,008,006</u>	<u>625,161</u>
162208471 Thornburg International Growth				
Cash and cash equivalents	-	-	72,373	72,373
Mutual funds	869,295	841,621	652,149	658,336
	<u>869,295</u>	<u>841,621</u>	<u>724,522</u>	<u>730,709</u>
162213605 REMS Real Estate Investment Trusts				
Cash and cash equivalents	-	-	42,249	42,249
Mutual funds	615,781	563,010	412,443	383,954
	<u>615,781</u>	<u>563,010</u>	<u>454,692</u>	<u>426,203</u>
162218045 Shafer Collen High Dividend				
Cash and cash equivalents	93,312	93,312	62,380	62,380
Equities	1,243,867	1,349,558	973,440	962,965
	<u>1,337,179</u>	<u>1,442,870</u>	<u>1,035,820</u>	<u>1,025,345</u>
162218070 Riverbridge Growth				
Cash and cash equivalents	87,978	87,978	32,445	32,445
Equities	2,344,284	2,451,917	1,754,355	1,734,207
	<u>2,432,262</u>	<u>2,539,895</u>	<u>1,786,800</u>	<u>1,766,652</u>

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**NOTE E - UNRESTRICTED ENDOWMENT FUNDS (Continued)**

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
162219070 Luther King Fixed Income				
Cash and cash equivalents	\$ 62,069	\$ 62,069	\$ 14,237	\$ 14,237
Corporate bonds	884,366	883,129	688,261	683,261
	<u>946,435</u>	<u>945,198</u>	<u>702,498</u>	<u>697,498</u>
162224877 Luther King Equity				
Cash and cash equivalents	233,316	233,316	598,918	598,918
Equities	1,002,496	1,079,510	386,244	368,411
	<u>1,235,812</u>	<u>1,312,826</u>	<u>985,162</u>	<u>967,329</u>
162225772 Henderson Europe				
Cash and cash equivalents	-	-	79,164	79,164
Mutual funds	978,555	865,882	717,770	684,460
	<u>978,555</u>	<u>865,882</u>	<u>796,934</u>	<u>763,624</u>
162226450 Money Market/CDARs				
Cash and cash equivalents	4,203	4,202	763,273	763,273
Fixed income	279,106	279,106	1,212,739	1,212,738
	<u>283,309</u>	<u>283,308</u>	<u>1,976,012</u>	<u>1,976,011</u>
Total All Stephens Accounts	<u>\$ 9,722,429</u>	<u>\$ 9,602,695</u>	<u>\$ 9,907,585</u>	<u>\$ 9,400,578</u>

The non-trust Endowment investment assets are presented in the accompanying consolidated financial statements with:

	2016	2015
Cash and cash equivalents	\$ 482,515	\$ 1,710,297
Long-term investments	9,120,180	7,690,281
Total	<u>\$ 9,602,695</u>	<u>\$ 9,400,578</u>

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments ("investment income, gains and losses") are recorded initially in the Endowment Fund. Distributions of investment income, gains and losses from the Endowment Fund are recorded as income by the Operating and Capital Funds in the period in which the distributions are made in accordance with the Council's spending policy (Note A, Investment Earnings Spending Policy). For 2016 and 2015, investment expenses were \$175,423 and \$109,802, respectively, and are netted with appreciation (depreciation) of investments in the Statements of Changes in Net Assets. In 2016, disbursements were made from both the trusts and the non-trust (Stephens) accounts to the Operating Fund only; the Board having directed that disbursements to the Capital Fund would not be made in 2016. In 2015, the trusts distributed to the Operating and Capital Funds, and the Stephens investments did not make a distribution.

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**NOTE F - SUMMARY OF FAIR VALUE EXPOSURE**

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015:

	2016			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 5,707,191	\$ -	\$ -	\$ 5,707,191
Common & preferred stocks	10,611,175	-	-	10,611,175
Corporate bonds	1,589,716	-	-	1,589,716
Government securities	330,732	-	-	330,732
CDARS	279,106	-	-	279,106
Charitable remainder trust, Net of expected payments	-	689,757	-	689,757
Real estate	-	560,983	-	560,983
	<u>\$ 18,517,920</u>	<u>\$ 1,250,740</u>	<u>\$ -</u>	<u>\$ 19,768,660</u>

  

	2015			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 5,549,257	\$ -	\$ -	\$ 5,549,257
Common & preferred stocks	8,411,578	-	-	8,411,578
Corporate bonds	2,775,783	-	-	2,775,783
Government securities	137,789	-	-	137,789
Charitable remainder trust, Net of expected payments	-	779,012	-	779,012
Real estate	-	560,983	-	560,983
	<u>\$ 16,874,407</u>	<u>\$ 1,339,995</u>	<u>\$ -</u>	<u>\$ 18,214,402</u>

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**NOTE G - TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2016 and 2015, temporarily restricted net assets are restricted for:

	<u>2016</u>	<u>2015</u>
Friends of Scouting - Tom Wooten Society	\$ 497,720	\$ 237,574
Smilin' V Ranch	283,087	-
Staffing	191,656	86,000
Friends of Scouting - Other Donors	148,088	175,317
Science & Technology Programs	127,308	219,664
Endowment Restricted for Purpose	124,921	75,942
Exploring Program/Learning for Life	31,183	30,799
Pavilion at Camp Green Dickson	25,000	92,508
Scoutreach and In-School Scouting	22,152	23,573
100th Anniversary & Related Events	10,000	10,000
Other	1,500	21,404
Fundraising Specialist	-	20,000
Eagle Scout Scholarship	-	5,000
Total	<u>\$ 1,462,615</u>	<u>\$ 997,781</u>

**NOTE H - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions during 2016 and 2015 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. The amounts released during the year are as follows:

	<u>2016</u>	<u>2015</u>
Purpose restriction accomplished:		
Science and Technology Programs	\$ 109,733	\$ 182,289
Capital Projects Completed	99,128	3,723
Exploring Program/Learning for Life	32,799	32,878
Fundraising Specialist	20,000	-
Eagle Scholarships	5,000	10,000
Scoutreach and In-School Scouting	3,921	10,319
Time restriction accomplished:		
Friends of Scouting	412,891	77,905
Total net assets released from restrictions	<u>\$ 683,472</u>	<u>\$ 317,114</u>

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**NOTE I - PERMANENTLY RESTRICTED INVESTMENTS**

The Council's Endowment Fund includes donor restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted net assets, identified by the Council's Board of Directors to be used for future investment and growth, are included in unrestricted net assets.

The Council was named in the will of Byron Lockhart, which established two charitable remainder trusts. The principal of the two trusts was set up as a perpetual education trust known as the Eagle Scout Education Trust and a portion of the income was allocated to two individuals for their lifetimes. The Council became the income beneficiary of one the trusts upon the death of one of the two income beneficiaries. Those assets, which passed to the Council, were split into two portions. One portion, consisting of an interest in rental real estate and \$14,822 in working capital at December 31, 2016, is held in the Lockhart Real Estate Trust, which was established to administer the rental real estate interest. The other portion was invested in the Capitol Area Trust, and the principal is restricted for Eagle Scout scholarships. The trustee, Frost Bank, manages the property and administers all these Lockhart trusts.

At December 31, 2016, the remaining non-Council Lockhart trust was recorded at a fair value of \$677,243; the Lockhart Real Estate trust was recorded at a fair value of \$295,314, which consists of cash held for managing the real estate of \$14,822 and an estimated value for the real estate interest of \$280,492. The invested Eagle Scout Education restricted funds in the Capitol Area Trust were valued at \$415,156 at December 31, 2016.

Also included in permanently restricted investments were funds with income restricted for at-risk youth or the COPE program, recorded at a fair value of \$79,352 and 73,424, at December 31, 2016 and 2015, respectively. Additionally, there are amounts with income restricted for at-risk youth, recorded at a fair value of \$355,813 and \$329,231 at December 31, 2016 and 2015, respectively.

The assets held in the permanent trusts at December 31, 2016, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Cash	\$ 31,131	\$ 31,131	\$ 31,131
Common stock & equities	909,492	1,052,705	1,052,705
Bond and income funds	177,914	178,059	178,059
Real estate	196,135	560,983	560,983
Total	<u>\$ 1,314,672</u>	<u>\$ 1,822,878</u>	<u>\$ 1,822,878</u>

The assets held in the permanent trusts at December 31, 2015, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Cash	\$ 35,539	\$ 35,539	\$ 35,539
Common stock & equities	908,405	997,999	997,999
Bond and income funds	184,382	179,378	179,378
Real estate	193,378	560,983	560,983
Total	<u>\$ 1,321,705</u>	<u>\$ 1,773,899</u>	<u>\$ 1,773,899</u>

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**NOTE I - PERMANENTLY RESTRICTED INVESTMENTS (Continued)**

The trust assets above are presented in the accompanying consolidated financial statements with:

	2016	2015
Cash	\$ 31,131	\$ 35,539
Investments	1,791,747	1,738,360
Total	\$ 1,822,878	\$ 1,773,899

**NOTE J - LINE OF CREDIT**

The Council has entered into a line of credit agreement with a local bank for up to \$250,000. Interest is payable monthly at the bank's prime rate. The line of credit expires on May 4, 2019, and at December 31, 2016, there was no outstanding balance.

**NOTE K - NOTES PAYABLE**

When the Council purchased the Smilin' V Ranch in April 2013, the Council entered into a note payable for \$500,000. The seller agreed to an interest-free note until April 5, 2015, when interest began to accrue at 5%. Quarterly principal and interest payments commenced July 5, 2015. The balance of this loan was \$290,363 and \$410,759 at December 31, 2016 and 2015, respectively.

The remaining quarterly principal and interest payments are scheduled on the 5th day of January, April, July, and October at \$34,675 per quarter through April 5, 2019.

**NOTE L - EMPLOYEE BENEFIT PLANS**

**Healthcare Plan**

The Council's employees participate in a healthcare plan provided by the National Council. The Council 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, 2016 and 2015, the Council remitted approximately \$216,830 and \$215,630, respectively, on behalf of its employees to the National Council related to the healthcare plan.

**Retirement Plan**

The Boy Scouts of America has a qualified defined benefit multiemployer contributory retirement plan (the Plan) administered at the national office that covers eligible employees of the National Council and local Councils, including this Council. The plan name is the Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees, and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2 percent of compensation, and the Council contributes an additional 7 percent to the Plan. Pension expense (excluding the contributions made by employees) was approximately \$107,382 and \$107,022 in 2016 and 2015, respectively, and covered current service cost. The actuarial information for the Plan as of February 1, 2016, indicates that it is in compliance with ERISA regulations regarding funding.



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**NOTE L - EMPLOYEE BENEFIT PLANS (Continued)**

**Thrift Plan**

The Council has established a 403(b) Tax Deferred Annuity Thrift Plan (the "Thrift Plan") covering substantially all of the employees of the Council. 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 of 1986, as amended. The Council has elected to match employee contributions to the Thrift Plan up to 50 percent of contributions from each participant, limited to the lesser of 6 percent of the employee's gross pay. In 2016 and 2015, the Council contributed approximately \$33,204 and \$26,753, respectively, to the Thrift Plan.

**NOTE M - RELATED PARTY TRANSACTIONS**

Certain members of the Board of Directors of the Council contributed \$574,809 and \$293,500 to the Council during the years ended December 31, 2016 and 2015, respectively.