

National Capital Area Council,  
Boy Scouts of America

Audited Financial Statements  
and Other Financial Information

*Years ended December 31, 2016 and 2015  
with Report of Independent Auditors*

National Capital Area Council,  
Boy Scouts of America

Audited Financial Statements  
and Other Financial Information

Years ended December 31, 2016 and 2015

Contents

Report of Independent Auditors.....	1 - 2
Audited Financial Statements	
Statements of Financial Position with Other Financial Information .....	3
Statements of Activities with Other Financial Information.....	4 - 5
Statements of Changes in Net Assets with Other Financial Information.....	6
Statements of Cash Flows with Other Financial Information.....	7 - 8
Statements of Functional Expenses .....	9 - 10
Notes to Financial Statements.....	11 - 23

## Report of Independent Auditors

Board of Directors  
National Capital Area Council, Boy Scouts of America  
Bethesda, Maryland

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

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

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 over financial reporting. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of National Capital Area Council, Boy Scouts of America as of December 31, 2016 and 2015 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.

***Other Matters***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2016 fund detail consisting of the Operating fund, the Capital fund and the Endowment fund presented on pages 3-8 is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual funds and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style with large loops and flourishes.

Vienna, Virginia  
May 31, 2017

National Capital Area Council, Boy Scouts of America  
Statements of Financial Position with Other Financial Information

As of December 31, 2016 and 2015

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2016	2015
<b>Assets</b>					
Cash and cash equivalents	\$ 3,817,903	\$ 660,729	\$ 173,685	\$ 4,652,317	\$ 5,682,889
Restricted cash	994,172	-	-	994,172	1,082,070
Pledges receivable, net	292,816	515,069	696,428	1,504,313	3,755,924
Accounts receivable	207,699	-	-	207,699	160,398
Inventories	196,111	-	-	196,111	168,393
Prepaid expenses and other assets	490,016	-	249,820	739,836	409,261
Investments	-	-	9,619,542	9,619,542	7,841,572
Debt issuance cost, net	-	129,131	-	129,131	135,926
Donated land held for sale	-	213,582	-	213,582	213,582
Land, buildings and equipment, net	-	30,106,606	-	30,106,606	30,323,859
<b>Total assets</b>	<b>\$ 5,998,717</b>	<b>\$ 31,625,117</b>	<b>\$ 10,739,475</b>	<b>\$ 48,363,309</b>	<b>\$ 49,773,874</b>
<b>Liabilities and net assets</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 717,244	\$ 93,968	\$ 88	\$ 811,300	\$ 489,964
Custodian accounts	994,172	-	-	994,172	1,082,070
Deferred revenue:					
Activity revenue	613,545	-	-	613,545	112,115
Camping program	69,911	-	-	69,911	78,818
Other	17,802	-	-	17,802	21,635
Notes payable and line of credit	-	1,529,770	-	1,529,770	2,826,100
<b>Total liabilities</b>	<b>2,412,674</b>	<b>1,623,738</b>	<b>88</b>	<b>4,036,500</b>	<b>4,610,702</b>
Net assets:					
Unrestricted	2,862,436	24,008,891	2,405,437	29,276,764	28,999,512
Temporarily restricted	723,607	5,992,488	1,434,147	8,150,242	9,398,486
Permanently restricted	-	-	6,899,803	6,899,803	6,765,174
<b>Total net assets</b>	<b>3,586,043</b>	<b>30,001,379</b>	<b>10,739,387</b>	<b>44,326,809</b>	<b>45,163,172</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,998,717</b>	<b>\$ 31,625,117</b>	<b>\$ 10,739,475</b>	<b>\$ 48,363,309</b>	<b>\$ 49,773,874</b>

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America  
Statements of Activities with Other Financial Information

Years ended December 31, 2016 and 2015

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>Total All Funds</u>	
				2016	2015
<b>Changes in unrestricted net assets</b>					
Public support and revenue:					
Direct public support:					
Friends of Scouting, net	\$ 1,169,792	\$ -	\$ -	\$ 1,169,792	\$ 1,260,904
Special events	1,617,626	-	-	1,617,626	1,484,006
Less cost of direct benefits to donors	<u>(276,033)</u>	-	-	<u>(276,033)</u>	<u>(300,409)</u>
Special events, net	1,341,593	-	-	1,341,593	1,183,597
Foundations, estates and trusts, net	63,906	-	-	63,906	112,993
Other contributions	<u>121,027</u>	<u>42,020</u>	-	<u>163,047</u>	<u>311,453</u>
Total direct public support	2,696,318	42,020	-	2,738,338	2,868,947
Indirect public support:					
United Way and other support	<u>179,919</u>	-	-	<u>179,919</u>	<u>305,468</u>
Total indirect public support	179,919	-	-	179,919	305,468
Other revenue:					
Sale of supplies (less cost of goods sold of \$13,207 in 2016 and \$4,408 in 2015)	7,615	-	-	7,615	19,893
Product sales	3,274,282	-	-	3,274,282	3,624,648
Less cost of goods sold	(905,003)	-	-	(905,003)	(980,435)
Commissions paid to units	<u>(1,135,275)</u>	-	-	<u>(1,135,275)</u>	<u>(1,259,918)</u>
Product sales, net	1,234,004	-	-	1,234,004	1,384,295
Investment return (loss), net of fees	257,663	168,831	325,802	752,296	(52,965)
Camping fees	3,089,825	-	-	3,089,825	3,198,305
Activity revenue	674,221	-	119	674,340	982,130
Other revenue	<u>849,196</u>	<u>24,644</u>	<u>2</u>	<u>873,842</u>	<u>931,112</u>
Total other revenue	<u>6,112,524</u>	<u>193,475</u>	<u>325,923</u>	<u>6,631,922</u>	<u>6,462,770</u>
Total public support and revenue	8,988,761	235,495	325,923	9,550,179	9,637,185
Net assets released from restrictions	<u>558,656</u>	<u>1,519,417</u>	-	<u>2,078,073</u>	<u>2,190,090</u>
Total public support and revenue	\$ 9,547,417	\$ 1,754,912	\$ 325,923	\$ 11,628,252	\$ 11,827,275

- Continued -

National Capital Area Council, Boy Scouts of America

Statements of Activities with Other Financial Information (Continued)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2016	2015
Expenses:					
Program services	\$ 8,136,579	\$ 1,550,737	\$ 22,190	\$ 9,709,506	\$ 10,121,039
Support services:					
Management and general	473,010	90,150	1,290	564,450	674,678
Fundraising	770,276	146,806	2,101	919,183	848,180
Total support services	1,243,286	236,956	3,391	1,483,633	1,522,858
Unallocated payments to BSA National organization	105,861	-	-	105,861	105,961
Total expenses	9,485,726	1,787,693	25,581	11,299,000	11,749,858
<b>Change in unrestricted net assets</b>	61,691	(32,781)	300,342	329,252	77,417
<b>Changes in temporarily restricted net assets</b>					
Public support and revenue:					
Direct public support:					
Friends of Scouting, net	484,668	-	-	484,668	526,352
Capital campaign, net	-	290,825	-	290,825	984,750
Other	35,526	10,000	(540)	44,986	212,235
Total direct public support	520,194	300,825	(540)	820,479	1,723,337
Investment return (loss)	6,678	10,067	(7,395)	9,350	73,195
Net assets released from restriction	(558,656)	(1,519,417)	-	(2,078,073)	(2,190,090)
<b>Change in temporarily restricted net assets</b>	(31,784)	(1,208,525)	(7,935)	(1,248,244)	(393,558)
<b>Changes in permanently restricted net assets</b>					
Direct public support, net	-	-	82,629	82,629	774,031
<b>Change in permanently restricted net assets</b>	-	-	82,629	82,629	774,031
Change in total net assets	\$ 29,907	\$ (1,241,306)	\$ 375,036	\$ (836,363)	\$ 457,890

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America  
Statements of Changes in Net Assets with Other Financial Information

As of December 31, 2016 and 2015

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>Total All Funds</u>	
				<u>2016</u>	<u>2015</u>
<b>Net assets - beginning of year</b>					
Unrestricted	\$ 2,774,377	\$ 24,120,040	\$ 2,105,095	\$ 28,999,512	\$ 28,922,095
Temporarily restricted	755,391	7,201,013	1,442,082	9,398,486	9,792,044
Permanently restricted	-	-	6,765,174	6,765,174	5,991,143
Total net assets	<u>3,529,768</u>	<u>31,321,053</u>	<u>10,312,351</u>	<u>45,163,172</u>	<u>44,705,282</u>
<b>Change in net assets</b>					
Unrestricted	61,691	(32,781)	300,342	329,252	77,417
Temporarily restricted	(31,784)	(1,208,525)	(7,935)	(1,248,244)	(393,558)
Permanently restricted	-	-	82,629	82,629	774,031
	<u>29,907</u>	<u>(1,241,306)</u>	<u>375,036</u>	<u>(836,363)</u>	<u>457,890</u>
<b>Transfers between funds</b>	26,368	(78,368)	52,000	-	-
<b>Adjustments to net assets</b>					
Unrestricted	-	-	(52,000)	(52,000)	-
Permanently restricted	-	-	52,000	52,000	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets - end of year</b>					
Unrestricted	2,862,436	24,008,891	2,405,437	29,276,764	28,999,512
Temporarily restricted	723,607	5,992,488	1,434,147	8,150,242	9,398,486
Permanently restricted	-	-	6,899,803	6,899,803	6,765,174
Total net assets	<u>\$ 3,586,043</u>	<u>\$ 30,001,379</u>	<u>\$ 10,739,387</u>	<u>\$ 44,326,809</u>	<u>\$ 45,163,172</u>

See accompanying notes to the financial statements.



National Capital Area Council, Boy Scouts of America

Statements of Cash Flows with Other Financial Information

Years ended December 31, 2016 and 2015

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2016	2015
<b>Cash flows from operating activities</b>					
Change in total net assets	\$ 29,907	\$ (1,241,306)	\$ 375,036	\$ (836,363)	\$ 457,890
Transfers between funds	26,368	(78,368)	52,000	-	-
Adjustments to reconcile change in net assets and transfers between funds to net cash provided by operating activities					
Depreciation	-	1,291,535	-	1,291,535	1,212,903
Amortization of debt issuance cost	-	6,795	-	6,795	6,795
Contributions restricted for long term investment	-	-	(82,629)	(82,629)	(774,031)
Change in value of donated land	-	-	-	-	(179)
Change in provision for uncollectible pledges and unamortized discount	108,466	(79,381)	(10,938)	18,147	(856,777)
Change in fair value of investments	-	-	(631,930)	(631,930)	72,101
Change in assets:					
Pledges receivable	(8,238)	1,445,222	796,480	2,233,464	3,256,253
Accounts receivable	(55,612)	8,311	-	(47,301)	93,847
Inventories	(27,718)	-	-	(27,718)	25,238
Prepaid expenses and other assets	(350,677)	-	20,102	(330,575)	96,153
Change in liabilities:					
Accounts payable and accrued expenses	260,639	60,704	(7)	321,336	(125,652)
Custodian accounts	(87,898)	-	-	(87,898)	26,767
Deferred revenue	488,690	-	-	488,690	(124,050)
Net cash provided by operating activities	<u>\$ 383,927</u>	<u>\$ 1,413,512</u>	<u>\$ 518,114</u>	<u>\$ 2,315,553</u>	<u>\$ 3,367,258</u>

- Continued -

National Capital Area Council, Boy Scouts of America

Statements of Cash Flows with Other Financial Information (Continued)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2016	2015
<b>Cash flows from investing activities</b>					
Purchase of fixed assets	\$ -	(1,074,282)	\$ -	\$ (1,074,282)	\$ (866,411)
Purchase of investments	-	-	(1,630,721)	(1,630,721)	(1,788,442)
Proceeds from the sale of fixed assets	-	-	-	-	7,738
Proceeds from the sale of investments	-	-	484,681	484,681	402,965
Net cash used in investing activities	-	(1,074,282)	(1,146,040)	(2,220,322)	(2,244,150)
<b>Cash flows from financing activities</b>					
Contributions to be held permanently	-	-	82,629	82,629	774,031
Principal payments on notes payable	-	(1,296,330)	-	(1,296,330)	(1,551,029)
Net cash (used in) provided by financing activities	-	(1,296,330)	82,629	(1,213,701)	(776,998)
Change in cash and cash equivalents	383,927	(957,100)	(545,297)	(1,118,470)	346,110
Cash and cash equivalents, beginning of year	4,428,148	1,617,829	718,982	6,764,959	6,418,849
Cash and cash equivalents, end of year	<u>\$ 4,812,075</u>	<u>\$ 660,729</u>	<u>\$ 173,685</u>	<u>\$ 5,646,489</u>	<u>\$ 6,764,959</u>
Cash and cash equivalents:					
Cash	\$ 3,817,903	\$ 660,729	\$ 173,685	\$ 4,652,317	\$ 5,682,889
Restricted cash	994,172	-	-	994,172	1,082,070
	<u>\$ 4,812,075</u>	<u>\$ 660,729</u>	<u>\$ 173,685</u>	<u>\$ 5,646,489</u>	<u>\$ 6,764,959</u>
<b>Supplemental disclosure of cash flows information</b>					
Interest paid	\$ -	\$ 75,021	\$ -	\$ 75,021	\$ 108,850

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America

Statement of Functional Expenses

Year ended December 31, 2016

	<u>Supporting Services</u>			Total Supporting Services	Payments to National Organization	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>			
<b>Expenses:</b>						
<b>Employee compensation</b>						
Salaries	\$ 3,614,373	\$ 276,181	\$ 397,975	\$ 674,156	\$ -	\$ 4,288,529
Employee benefits	613,234	46,858	67,523	114,381	-	727,615
Payroll taxes	327,516	25,026	36,062	61,088	-	388,604
Employee related expense	<u>14,339</u>	<u>1,096</u>	<u>1,579</u>	<u>2,675</u>	-	<u>17,014</u>
Total employee compensation	4,569,462	349,161	503,139	852,300	-	5,421,762
<b>Other expenses</b>						
Professional fees	196,863	65,621	65,621	131,242	-	328,105
Supplies	1,000,662	4,648	11,654	16,302	-	1,016,964
Telephones	71,135	4,963	6,617	11,580	-	82,715
Postage and shipping	31,431	2,418	14,507	16,925	-	48,356
Occupancy	723,831	23,603	39,339	62,942	-	786,773
Rent and maintenance of equipment	172,543	7,933	17,849	25,782	-	198,325
Printing and publications	46,386	(1,189)	73,742	72,553	-	118,939
Travel/transportation	376,227	21,377	29,927	51,304	-	427,531
Conferences and training	156,865	10,017	21,585	31,602	-	188,467
Specific assistance to individuals	21,916	-	-	-	-	21,916
Recognition awards	327,419	21,261	76,539	97,800	-	425,219
Interest and related expenses	75,021	-	-	-	-	75,021
Insurance	302,751	24,643	24,643	49,286	-	352,037
Other expenses	390,598	4,027	8,054	12,081	-	402,679
Payments to BSA National organization	-	-	-	-	105,861	105,861
Total other expenses	<u>3,893,648</u>	<u>189,322</u>	<u>390,077</u>	<u>579,399</u>	<u>105,861</u>	<u>4,578,908</u>
Expenses before depreciation	8,463,110	538,483	893,216	1,431,699	105,861	10,000,670
Depreciation and amortization	<u>1,246,396</u>	<u>25,967</u>	<u>25,967</u>	<u>51,934</u>	-	<u>1,298,330</u>
Total functional expenses	<u>\$ 9,709,506</u>	<u>\$ 564,450</u>	<u>\$ 919,183</u>	<u>\$ 1,483,633</u>	<u>\$ 105,861</u>	<u>\$ 11,299,000</u>

See accompanying notes to the financial statements.

National Capital Area Council, Boy Scouts of America

Statement of Functional Expenses

Year ended December 31, 2015

	<u>Supporting Services</u>			Total Supporting Services	Payments to National Organization	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>			
<b>Expenses:</b>						
<b>Employee compensation</b>						
Salaries	\$ 3,805,434	\$ 313,389	\$ 358,159	\$ 671,548	\$ -	\$ 4,476,982
Employee benefits	619,020	50,978	58,261	109,239	-	728,259
Payroll taxes	338,478	27,875	31,857	59,732	-	398,210
Employee related expense	<u>13,954</u>	<u>1,149</u>	<u>1,313</u>	<u>2,462</u>	-	<u>16,416</u>
Total employee compensation	4,776,886	393,391	449,590	842,981	-	5,619,867
<b>Other expenses</b>						
Professional fees	141,802	92,172	120,532	212,704	-	354,506
Supplies	1,152,516	11,882	23,763	35,645	-	1,188,161
Telephones	87,985	3,910	5,866	9,776	-	97,761
Postage and shipping	60,550	5,980	8,223	14,203	-	74,753
Occupancy	780,089	33,917	33,917	67,834	-	847,923
Rent and maintenance of equipment	143,963	11,856	13,550	25,406	-	169,369
Printing and publications	58,459	2,817	9,156	11,973	-	70,432
Travel/transportation	472,812	20,783	25,979	46,762	-	519,574
Conferences and training	263,497	8,500	11,333	19,833	-	283,330
Specific assistance to individuals	50,739	-	-	-	-	50,739
Recognition awards	424,139	26,844	85,900	112,744	-	536,883
Interest and related expenses	88,168	9,797	10,885	20,682	-	108,850
Insurance	290,879	23,404	20,061	43,465	-	334,344
Other expenses	157,645	5,031	5,031	10,062	-	167,707
Payments to BSA National organization	-	-	-	-	105,961	105,961
Total other expenses	<u>4,173,243</u>	<u>256,893</u>	<u>374,196</u>	<u>631,089</u>	<u>105,961</u>	<u>4,910,293</u>
Expenses before depreciation	8,950,129	650,284	823,786	1,474,070	105,961	10,530,160
Depreciation and amortization	<u>1,170,910</u>	<u>24,394</u>	<u>24,394</u>	<u>48,788</u>	-	<u>1,219,698</u>
Total functional expenses	<u>\$ 10,121,039</u>	<u>\$ 674,678</u>	<u>\$ 848,180</u>	<u>\$ 1,522,858</u>	<u>\$ 105,961</u>	<u>\$ 11,749,858</u>

See accompanying notes to the financial statements.

# National Capital Area Council, Boy Scouts of America

## Notes to Financial Statements

Years ended December 31, 2016 and 2015

### **Note A - Nature of Operation and Significant Accounting Policies**

#### *Nature of Operation*

The National Capital Area Council, Boy Scouts of America (the Council) is headquartered in Bethesda, Maryland, and operates in the District of Columbia, 16 counties in Maryland and Virginia and the U.S. Virgin Islands. 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 National Council and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America National Council, the Scouting program of 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 kindred virtues, using the methods which are now in common use by the Boy Scouts of America.

The Council's programs are classified as follows:

*Lion Pilot* – Lion is a family-oriented program. A youth and his parent or caring adult partner join Scouting together. A group of six to eight boys and their adult partners meet in a group called a den. Dens will meet approximately twice per month. They have fun participating in den meetings and outings while making memories together. The national pilot began in the fall of 2016 and will remain a pilot until otherwise determined by the National Executive Board.

*Tigers* - 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 den is part of the Cub Scout pack.

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

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

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

## National Capital Area Council, Boy Scouts of America

### Notes to Financial Statements (Continued)

#### **Note A - Summary of Significant Accounting Policies (Continued)**

##### *Nature of Operation (continued)*

*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.

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

##### *Federal Income Tax Status*

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), under Group Ruling number 1761 issued by the National Council, 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. Management has concluded that the Council has maintained its exempt status. Additionally, management has concluded that there are no uncertain tax positions as of December 31, 2016.

##### *Basis of Accounting*

The financial statements of the Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

##### *Fund Accounting*

The accounts of the Council are maintained using fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund to facilitate the preparation of the financial statements in the three-funds-plus-total-of-all-funds format, required by the National Council.

##### *Subsequent Events*

The Council has evaluated subsequent events for disclosure and recognition through May 31, 2017, the date on which these financial statements were available to be issued. All material subsequent events have been disclosed as of that date.

##### *Basis of Presentation*

The financial statements of the Council are presented in accordance with the uniform accounting system prescribed by the Boy Scouts of America Local Council Accounting Manual. The manual is in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) used for not-for-profit organizations.

## National Capital Area Council, Boy Scouts of America

### Notes to Financial Statements (Continued)

#### **Note A - Summary of Significant Accounting Policies (Continued)**

##### *Basis of Presentation (continued)*

These standards require the Council to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - represents resources which have met all applicable restrictions and/or resources generated by other sources.

Temporarily restricted net assets - represents resources recognized as restricted support until such a time when all associated restrictions have been met.

Permanently restricted net assets - represents resources that contain a stipulation that permanently restricts the use of such funds but allows earnings from the funds to be used in a certain manner.

##### *Use of Estimates*

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

##### *Fair Value of Financial Instruments*

The carrying amounts of cash and cash equivalents, accounts and pledges receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value, because the interest rate on this instrument fluctuates with the market rates offered to the Council for debt with similar terms and maturities.

##### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Council considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Restricted cash is shown on the statements of financial position that relates to certain custodial accounts where cash is held by the Council on behalf of other organizations.

##### *Concentration of Credit Risk*

Throughout the year, the Council may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes these amounts are not subject to any significant risk.

##### *Inventories*

Trading post inventory is recorded at the lower of cost (first-in, first-out method) or market. Cost is determined by the most recent purchase date.

## National Capital Area Council, Boy Scouts of America

### Notes to Financial Statements (Continued)

#### **Note A - Summary of Significant Accounting Policies (Continued)**

##### *Pledges Receivable*

Unconditional promises to give are recorded as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Pledges receivable that are expected to be collected within one year are reported net of any estimated uncollectible amounts. Pledges receivable expected to be collected beyond one year are discounted to present value using the interest rate in effect the year the pledge is received. The Council uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on experience and analysis of specific promises made. The unamortized discount and allowance are reflected as reductions to pledges receivable in the statements of financial position.

##### *Land, Building and Equipment, net*

Land and land improvements, buildings, and equipment are stated at cost or, if donated, at the estimated fair value on the date of donation. The threshold for qualifying an item for capitalization is \$5,000. Depreciation is calculated over the estimated useful life of the related asset using the straight-line method.

##### *Investments*

Investments consist of a single investment in the BSA Commingled Endowment Fund, LP. The Council accounts for investments in accordance with U.S. GAAP which requires that investments with readily determinable fair values be measured at fair value in the statements of financial position. Interest, dividends, realized and unrealized gain and loss on investments, net of fees, are recorded as investment return in the statements of activities. Realized gains and losses are determined on a specific identification basis.

The Council has elected to adopt Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*, earlier than the required effective date for non-public entities. Therefore, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

##### *Donated Services*

No amounts are reflected in the financial statements for donated services from volunteers since no objective basis is available to measure the value of such services; however, a substantial number of volunteers donate significant amounts of time to assist in the operations of the Council. During 2016 and 2015, skilled services of \$55,000 and \$0, respectively, were received relating to video production and recorded in other contributions in the statements of activities.

##### *Other Revenue*

Camping fees, activity revenue, product sales, scout shop sales and other revenue are recognized as revenue when the event, activity or sale occurs.



## National Capital Area Council, Boy Scouts of America

### Notes to Financial Statements (Continued)

#### **Note A - Summary of Significant Accounting Policies (Continued)**

##### *Contributions*

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted net assets based on donor restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the contribution is reported as unrestricted.

##### *Deferred Revenue*

Deferred revenue relates to program activities occurring after the Council's year end. Consequently, receipts and disbursements relating to those program activities are deferred and reported in the fiscal year the activity is conducted.

##### *Expense Allocation*

The costs of providing programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which are not directly attributable to one function are allocated between program services, management and general and fundraising based on a time study prepared by management. The time study allocates services based on the number of employees involved, the amount of time spent, the percentage of their salary associated with that time and estimates made by the Council's management. In accordance with the National Council, payment of the charter fee to the National Council is not allocated as a functional expense.

##### *Contingency*

In the course of providing the many outdoor programs that the Council supports, injuries, which are generally insured, occur. Currently, there are no threatened or existing legal actions that represent a significant exposure to the Council.

##### *Reclassifications*

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

#### **Note B - Pledges Receivable**

Pledges receivable consist of various pledges for Friends of Scouting and other activities. At December 31, pledges are comprised as follows:

	<u>2016</u>	<u>2015</u>
Receivable within one year	\$ 1,051,326	\$ 2,708,586
Receivable in one to five years	<u>642,451</u>	<u>1,218,655</u>
	1,693,777	3,927,241
Discount to present value	(3,481)	(11,057)
Allowance for uncollectible amounts	<u>(185,983)</u>	<u>(160,260)</u>
Pledges receivable, net	<u>\$ 1,504,313</u>	<u>\$ 3,755,924</u>

## National Capital Area Council, Boy Scouts of America

### Notes to Financial Statements (Continued)

#### **Note C - Related Party Transactions**

The statements of financial position include approximately \$259,000 and \$690,000 in outstanding pledges as of December 31, 2016 and 2015, respectively, from pledges made by members of the Council's Board of Directors. The Council recognized approximately \$362,000 and \$498,000 in related contribution revenue from Board members for the years ended December 31, 2016 and 2015, respectively. From time to time the Council may engage in business transactions with organizations who are represented on the Council's Board of Directors. These business arrangements are conducted in the normal course of business.

As discussed in Note G - Investments, the Council invests in the BSA Commingled Endowment Fund, LP, which is managed by an affiliated organization of the Boy Scouts of America, Inc., BSA Asset Management, LLC.

The Council is an affiliated organization of the Boy Scouts of America, Inc. and is subject to the rules and regulations of the Boy Scouts of America, Inc. In accordance with an affiliation agreement between the Council and the Boy Scouts of America, Inc., certain expenses are paid to the Boy Scouts of America, Inc. in the forms of periodic dues and an annual charter fee to support its activities. These expenses totaled \$105,861 and \$105,961 during the years ending December 31, 2016 and 2015, respectively.

#### **Note D - Land, Buildings and Equipment**

Land, buildings and equipment consist of the following at December 31:

	2016	2015
Buildings	\$ 22,725,813	\$ 21,569,260
Land and land improvements	17,991,120	17,897,811
Furniture and fixtures	1,589,252	1,917,059
Motor vehicles	601,648	672,121
Construction-in-progress	416,309	655,710
Total	43,324,142	42,711,961
Less accumulated depreciation	(13,217,536)	(12,388,102)
Land, building and equipment, net	\$ 30,106,606	\$ 30,323,859

The estimated useful lives of assets are as follows:

Land improvements	15-30 years
Building	15-60 years
Furniture and fixtures	5 or 7 years
Vehicles	3 or 5 years

## National Capital Area Council, Boy Scouts of America

### Notes to Financial Statements (Continued)

#### **Note E - Endowment and Life Endowment Program**

##### *Endowment Fund*

The Boy Scout Accounting Manual policy is to recognize interest and dividend income, net of expenses earned by the Endowment Fund as unrestricted income in the Operating Fund. However, the Council has elected to limit the income transferred to the Operating Fund each year to an annually approved amount, up to 5% of a three year rolling average, to pay for operations and leave the remaining income in the Endowment Fund, if any.

The amount of Endowment Fund income transferred to the Operating Fund for years ended December 31, 2016 and 2015 was \$258,544 and \$253,302, respectively. The amount of Endowment Fund income transferred to the Capital Fund for years ended December 31, 2016 and 2015 was \$178,776 and \$106,575, respectively.

#### **Note F - Retirement Plans**

The Boy Scouts of America, Inc. sponsors a defined benefit multi-employer plan, Boy Scouts of America Pension Trust, Boy Scouts of America Retirement Plan for Employees (the Plan) Employer Identification Number 22-1576300, that covers eligible employees of the Boy Scouts of America, Inc. and chartered councils, including this Council, and is administered by the Boy Scouts of America, Inc.. 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 Council contributes an additional 7% to the Plan. Other than contributions for eligible employees the Council has no other commitments or obligations to the Plan. The Council paid no surcharges in 2016 or 2015 to the Plan. Pension expense (excluding the contributions made by employees) for the years ended December 31, 2016 and 2015 was \$221,695 and \$200,748, respectively, and covered current service cost. Council contributions do not exceed 5% of aggregate contributions made by all participants in the Plan.

The actuarial information for the multi-employer plan as of February 1, 2016 indicates that it is in compliance with the Employment Retirement Income Security Act of 1974 (ERISA) regulations regarding funding and the Plan's net assets available for benefits exceed the present value of both vested and non-vested accumulated benefits. The assumed rate of return used in determining the actuarial value of present accumulated benefits was 7.00% as of both February 1, 2016 and 2015. The aggregate method is the cost method used in the estimated actuarial valuation; amortization of gains and losses is over seven years; and the amortization of past or prior service cost is seven years. The actuarial valuation includes all plan amendments as of February 1, 2016.

Total plan assets at January 31, 2016 and 2015 were \$1,205,724,412 and \$1,313,148,442, respectively. The actuarial present value of accumulated plan benefits at January 31, 2016 and 2015 was \$1,178,825,215 and \$1,116,123,605, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

**Note F - Retirement Plans (Continued)**

The Council also provides a 403(b) defined contribution plan, which provides retirement benefits for substantially all of its employees. The Council contributes an amount equal to 6% of each eligible employee's semi-monthly compensation for each pay period once they have accumulated a year of service time. Total contributions to the plan were \$136,226 and \$130,573 for the years ending December 31, 2016 and 2015, respectively.

**Note G - Investments**

As of December 31, 2016 and 2015, the Council held investments, at fair value, as follows:

	2016	2015
BSA Commingled Endowment Fund, LP	\$ 9,619,542	\$ 7,841,572
Total investments	<u>\$ 9,619,542</u>	<u>\$ 7,841,572</u>

Investment return, net of fees, is comprised of the following for the year ended December 31, 2016:

	Operating Fund	Capital Fund	Endowment Fund	Total all Funds
Interest and dividends	\$ 103,580	\$ 66,993	\$ 6,503	\$ 177,076
Realized and unrealized gain on investments, net	<u>160,761</u>	<u>111,905</u>	<u>359,264</u>	<u>631,930</u>
Investment return	264,341	178,898	365,767	809,006
Investment fees	-	-	(47,360)	(47,360)
Investment return, net	<u>\$ 264,341</u>	<u>\$ 178,898</u>	<u>\$ 318,407</u>	<u>\$ 761,646</u>

Investment return (loss), net of fees, is comprised of the following for the year ended December 31, 2015:

	Operating Fund	Capital Fund	Endowment Fund	Total all Funds
Interest and dividends	\$ 89,642	\$ 22,633	\$ 18,639	\$ 130,914
Realized and unrealized gain (loss) on investments, net	<u>169,380</u>	<u>88,690</u>	<u>(330,171)</u>	<u>(72,101)</u>
Investment return	259,022	111,323	(311,532)	58,813
Investment fees	-	-	(38,583)	(38,583)
Investment return (loss), net	<u>\$ 259,022</u>	<u>\$ 111,323</u>	<u>\$ (350,115)</u>	<u>\$ 20,230</u>

# National Capital Area Council, Boy Scouts of America

## Notes to Financial Statements (Continued)

### Note H - Fair Value Measurement

The Council's classifications for assets and liabilities measured at fair value on a recurring basis are subject to the fair value measurement disclosures and are based on the framework established in the Fair Value Measurement and Disclosure accounting guidance. The framework is based on the inputs in the valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Council's significant assumptions.

The three levels of the hierarchy are as follows :

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Council has the ability to access. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange.

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 markets that are not active, inputs other than quoted prices that are observable, for substantially the full period, for the asset or liability and market corroborated inputs.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Council recognizes transfers between levels of the fair value hierarchy at the end of the period in which circumstances occur causing changes in the availability of fair value inputs.

#### Investments

The Council's investments at fair value at December 31, 2016 and 2015 by fair value hierarchy category in accordance with U.S. GAAP, are shown below:

<u>Class of Security</u>	<u>2016</u>	<u>2015</u>	<u>Level</u>
BSA Commingled Endowment Fund, LP (b)	<u>\$ 9,619,542</u>	<u>\$ 7,841,572</u>	N/A (a)
Total investments, at fair value	<u>\$ 9,619,542</u>	<u>\$ 7,841,572</u>	

(a) In accordance with Accounting Standard Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation to the amounts presented in the statements of financial position.

## National Capital Area Council, Boy Scouts of America

### Notes to Financial Statements (Continued)

#### **Note H - Fair Value Measurement (Continued)**

##### Investments (continued)

(b) The Council invests in the BSA Commingled Endowment Fund, LP (see Note C - Related Party Transactions for further discussion regarding the BSA Commingled Endowment Fund, LP). The assets of the BSA Commingled Endowment Fund, LP are managed so as to provide the highest total return consistent with prudent investment practices, providing for long-term returns sufficient to cover the return requirements of a 5% total return spending formula. Safety and preservation of capital are paramount considerations. Target asset allocation of the BSA Commingled Endowment Fund, LP is 30% U.S. equity, 26% non-U.S. equity, 12% equity real estate, 20% investment grade debt and 12% high yield debt. The partnership agreement provides that any partner may request a withdrawal of all or any portion of their capital account once each month with 10 days notice. In the event any partner is deemed to have requested, during a single calendar year, in excess of 99% of its capital account, in its sole discretion the General Partner may make such distribution up to 99% of the partner's capital account and retain the remaining 1% for 45 days after the end of the calendar month in which the partner's request for withdrawal is effective in order to allow time to determine whether any adjustments to the capital accounts are necessary in light of available financial information. As of December 31, 2016 and 2015, there are no unfunded commitments.

##### Beneficial Interests

Beneficial interests in charitable gift annuities held by others (recorded in prepaid expenses and other assets) are classified as Level 3 assets as their fair values are derived from inputs to the valuation methodology that are unobservable for the asset and are based on actuarial assumptions such as mortality rates and the applicable federal rate for charitable gifts. These assumptions are significant to the valuation. The following table summarizes changes in the beneficial interests in charitable gift annuities:

Balance at January 1, 2015	\$ 232,196
Additions	<u>37,726</u>
Balance at December 31, 2015	269,922
Distributions	<u>(20,102)</u>
Balance at December 31, 2016	<u>\$ 249,820</u>

#### **Note I - Beneficial Interests in Charitable Gift Annuities**

The Council has been named as the beneficiary of charitable annuities. The Council does not serve as the trustee for these arrangements. These items are reflected in prepaid expenses and other assets in the statements of financial position and had an estimated fair value of approximately \$250,000 and \$270,000 at December 31, 2016 and 2015, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

**Note J - Notes Payable**

On April 1, 2006, the Council issued a thirty year note to a financial institution for \$10,000,000 to fund construction projects for camps Goshen and Snyder. Wachovia granted the Council this loan through the Virginia Small Business Financing Authority (VSBFA) Adjustable Note Revenue Bonds program. VSBFA has the authority to issue its revenue bonds for the purpose of lending the proceeds of the sale of such bonds to eligible businesses. U.S. Bank National was the Trustee for this transaction. Costs associated with the issuance of the bonds were paid by the Council and capitalized. These costs are being amortized over the term of the bonds.

During 2010, \$4,000,000 of the \$10,000,000 in notes payable was paid and the remaining \$6,000,000 of the notes payable were refinanced with TD Bank. The note payable is collateralized by the Council's building. The notes payable maturities are as follows:

<u>Par Value</u>	<u>Current Value</u>	<u>Due Date</u>	<u>Interest Rate</u>
\$ 2,000,000	\$ 568,325	December 31, 2020	69% of (LIBOR + 1.9%)
2,000,000	643,832	December 31, 2020	3.69%
<u>1,000,000</u>	<u>317,613</u>	December 31, 2017	3.35%
<u>\$ 5,000,000</u>	<u>\$ 1,529,770</u>		

The Council is subject to certain financial covenants, including a minimum debt service ratio and cash liquidity requirements. Management believes it is in compliance with all material financial covenants as of December 31, 2016 and 2015.

Future minimum payments for the notes payable and lines of credit are as follows:

2017	\$ 512,013
2018	194,400
2019	194,400
2020	<u>628,957</u>
	<u>\$ 1,529,770</u>

**Note K - Lines of Credit**

The Council has a \$1,500,000 line of credit that is available to be used to issue standby letters of credit for Maryland unemployment and other borrowing needs. As of December 31, 2016 and 2015 there was \$0 outstanding on this line of credit. The interest rate on the line of credit was approximately 2% for the years ending December 31, 2016 and 2015. As of December 31, 2016 and 2015, approximately \$31,000 and \$74,000, respectively, was used to issue a standby letter of credit for Maryland unemployment. No amounts were drawn under this standby letter of credit during 2016 or 2015. Total credit available was approximately \$1,469,000 and \$1,426,000 at December 31, 2016 and 2015, respectively.

National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

**Note L - Net Assets Released from Restrictions**

Net assets were released from temporary donor restrictions by incurring expenses for activities in accordance with the restricted purposes or expiration of time restrictions specified by the donors as follows for the year ended December 31:

	<u>2016</u>	<u>2015</u>
<i>Time restriction:</i>		
Friends of Scouting	\$ 523,851	\$ 398,585
<i>Purpose restriction:</i>		
Program specific support	34,805	120,430
Capital Campaign	<u>1,519,417</u>	<u>1,671,075</u>
Net assets released from restriction	<u>\$ 2,078,073</u>	<u>\$ 2,190,090</u>

**Note M - Temporarily Restricted and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following as of December 31:

	<u>2016</u>	<u>2015</u>
<i>Time restriction:</i>		
Available for future periods	\$ 484,668	\$ 526,352
<i>Purpose restriction:</i>		
Capital Campaign	5,913,539	6,110,953
Snyder Gift (Capital)	1,000,000	1,000,000
Wetlands	535,575	535,575
Walkersville	-	337,421
Various funds	<u>216,460</u>	<u>888,185</u>
	<u>\$ 8,150,242</u>	<u>\$ 9,398,486</u>

Permanently restricted net assets as of December 31 are restricted as follows:

	<u>2016</u>	<u>2015</u>
<i>Purpose restriction:</i>		
Endowment funds	<u>\$ 6,899,803</u>	<u>\$ 6,765,174</u>

**Note N - Rental Income**

The Council leases space to the National Council for the Scout Shop. The Council receives 8% of the total sales up to \$750,000, and 13% of the total sales above \$750,000 as rental income based on the sales produced by the Maryland and Virginia Scout Shops. Rental income related to these leases, which are included in scout Shop sales in the statements of activities, was \$423,883 and \$430,721 for the years ended December 31, 2016 and 2015, respectively.



National Capital Area Council, Boy Scouts of America

Notes to Financial Statements (Continued)

**Note O - Commitments and Contingencies**

The Council leases office space in Springfield, Virginia under a non-cancelable operating lease agreement. The Council entered into a new, non-cancelable lease for this office space which commenced March 1, 2014 and expires on February 28, 2024. The Council also leases the use of office equipment, which expires on September 22, 2019. Future minimum lease payments under the non-cancelable lease agreement noted above are as follows:

2017	\$	127,100
2018		129,600
2019		124,300
2020		104,000
2021		106,600
Thereafter		<u>239,900</u>
	\$	<u>831,500</u>

Rental expense under these leases were approximately \$124,900 and \$113,100 for the years ending December 31, 2016 and 2015, respectively.