

**Circle Ten Council and Foundation,  
Boy Scouts of America**

Consolidated Financial Report  
December 31, 2016

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## Independent Auditor's Report

Board of Directors  
Circle Ten Council, Boy Scouts of America

We have audited the accompanying consolidated financial statements of Circle Ten Council and Foundation, Boy Scouts of America and subsidiary (collectively, the Council), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, 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 Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

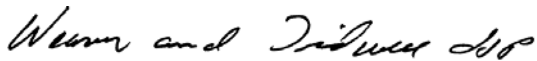
Board of Directors  
Circle Ten Council, Boy Scouts of America

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council as of December 31, 2016 and 2015, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information on pages 3 to 8 and 11 to 12 are presented for the purpose of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



WEAVER AND TIDWELL L.L.P.

Dallas, Texas  
May 4, 2017

# Financial Statements

**Circle Ten Council and Foundation, Boy Scouts of America**  
Consolidated Statements of Financial Position  
December 31, 2016 and 2015

	SUPPLEMENTAL INFORMATION			
	Operating Fund		Capital Fund	
	2016	2015	2016	2015
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,977,057	\$ 3,315,760	\$ 2,595,305	\$ 2,220,719
Investments	1,574,493	1,464,109	-	-
Accrued investment income	-	-	-	-
Allocations receivable from United Way, net	123,857	198,857	-	-
Pledges receivable	593,884	690,148	3,654,865	4,703,273
Discount and allowance for uncollectible pledges	(419,019)	(432,296)	(127,019)	(127,019)
Pledges receivable, net	174,865	257,852	3,527,846	4,576,254
Other receivables	170,260	19,508	-	-
Inter-fund receivable (payable)	-	795,023	-	(795,023)
Prepays and other assets	768,830	392,033	160,250	166,414
Note receivable	-	-	4,180,950	4,180,950
Property, plant and equipment, net	-	-	29,501,962	30,085,819
<b>TOTAL ASSETS</b>	<b>\$ 6,789,362</b>	<b>\$ 6,443,142</b>	<b>\$ 39,966,313</b>	<b>\$ 40,435,133</b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable	\$ 118,261	\$ 134,601	\$ 15,825	\$ 25,908
Deferred revenue	867,376	254,492	-	-
Other liabilities	1,020,444	978,816	6,922	6,922
Note payable	-	-	5,586,000	5,586,000
<b>TOTAL LIABILITIES</b>	<b>2,006,081</b>	<b>1,367,909</b>	<b>5,608,747</b>	<b>5,618,830</b>
<b>NET ASSETS</b>				
Unrestricted	4,018,667	4,255,833	30,840,345	31,287,153
Temporarily restricted	764,614	819,400	2,613,683	2,625,612
Permanently restricted	-	-	903,538	903,538
Total net assets	4,783,281	5,075,233	34,357,566	34,816,303
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,789,362</b>	<b>\$ 6,443,142</b>	<b>\$ 39,966,313</b>	<b>\$ 40,435,133</b>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Endowment Fund		Total	
2016	2015	2016	2015
\$ 83,150	\$ 98,650	\$ 6,655,512	\$ 5,635,129
48,273,714	47,416,629	49,848,207	48,880,738
6,621	5,754	6,621	5,754
-	-	123,857	198,857
84,689	86,477	4,333,438	5,479,898
(2,029)	(2,029)	(548,067)	(561,344)
<u>82,660</u>	<u>84,448</u>	<u>3,785,371</u>	<u>4,918,554</u>
-	-	170,260	19,508
-	-	-	-
4	-	929,084	558,447
-	-	4,180,950	4,180,950
-	-	<u>29,501,962</u>	<u>30,085,819</u>
<u>\$ 48,446,149</u>	<u>\$ 47,605,481</u>	<u>\$ 95,201,824</u>	<u>\$ 94,483,756</u>
\$ -	\$ -	\$ 134,086	\$ 160,509
-	-	867,376	254,492
-	-	1,027,366	985,738
-	-	<u>5,586,000</u>	<u>5,586,000</u>
-	-	<u>7,614,828</u>	<u>6,986,739</u>
-	-	34,859,012	35,542,986
5,091,953	4,271,075	8,470,250	7,716,087
<u>43,354,196</u>	<u>43,334,406</u>	<u>44,257,734</u>	<u>44,237,944</u>
<u>48,446,149</u>	<u>47,605,481</u>	<u>87,586,996</u>	<u>87,497,017</u>
<u>\$ 48,446,149</u>	<u>\$ 47,605,481</u>	<u>\$ 95,201,824</u>	<u>\$ 94,483,756</u>

# Circle Ten Council and Foundation, Boy Scouts of America

## Consolidated Statements of Activities Years Ended December 31, 2016 and 2015

	SUPPLEMENTAL INFORMATION			
	Operating Fund		Capital Fund	
	2016	2015	2016	2015
<b>PUBLIC SUPPORT</b>				
United Way contributions	\$ 381,335	\$ 532,298	\$ -	\$ -
Direct contributions	4,272,816	4,241,192	165,964	935,744
Special events revenue - gross	712,767	630,700	-	-
Cost of direct benefit	(143,374)	(112,703)	-	-
Special events revenue, net	569,393	517,997	-	-
Adjustments to fair value	-	-	-	62,304
Total public support	5,223,544	5,291,487	165,964	998,048
<b>NET REVENUES</b>				
Sale of supplies	1,471	182	-	-
Product sales - gross	3,782,702	3,532,438	-	-
Cost of goods sold	(713,134)	(734,272)	-	-
Commissions paid to units	(1,200,138)	(1,146,008)	-	-
Sale of products, net	1,869,430	1,652,158	-	-
Investment income (loss)	116,194	(53,395)	526	36
Investment Allocation	2,500,000	2,325,000	-	-
Camping fees	1,545,900	1,367,534	-	-
Activities income	1,097,847	1,208,852	-	-
Other income (expense)	413,519	394,908	5,351	-
Total net revenues	7,544,361	6,895,239	5,877	36
Total public support and net revenues	12,767,905	12,186,726	171,841	998,084
<b>EXPENSES</b>				
Functional expenses:				
Scouting program services	10,628,264	10,232,389	1,353,538	1,266,676
Supporting services:				
Management and general	589,896	568,380	98,650	97,115
Fundraising	908,449	900,337	25,007	20,500
Total functional expenses	12,126,609	11,701,106	1,477,195	1,384,291
National Council charter and quota fees	86,631	83,195	-	-
Total expenses	12,213,240	11,784,301	1,477,195	1,384,291
<b>CHANGE IN NET ASSETS</b>	554,665	402,425	(1,305,354)	(386,207)
<b>NET ASSETS, Beginning of year</b>	5,075,233	4,732,292	34,816,303	35,143,026
<b>TRANSFERS</b>	(846,617)	(59,484)	846,617	59,484
<b>NET ASSETS, End of year</b>	\$ 4,783,281	\$ 5,075,233	\$ 34,357,566	\$ 34,816,303

The Notes to Consolidated Financial Statements are an integral part of these statements.



Endowment Fund		Total	
2016	2015	2016	2015
\$ -	\$ -	\$ 381,335	\$ 532,298
19,790	10,765	4,458,570	5,187,701
-	-	712,767	630,700
-	-	(143,374)	(112,703)
-	-	569,393	517,997
-	8,376	-	70,680
19,790	19,141	5,409,298	6,308,676
-	-	1,471	182
-	-	3,782,702	3,532,438
-	-	(713,134)	(734,272)
-	-	(1,200,138)	(1,146,008)
-	-	1,869,430	1,652,158
3,495,400	(1,726,645)	3,612,120	(1,780,004)
(2,500,000)	(2,325,000)	-	-
-	-	1,545,900	1,367,534
-	-	1,097,847	1,208,852
2,805	16,016	421,675	410,924
998,205	(4,035,629)	8,548,443	2,859,646
1,017,995	(4,016,488)	13,957,741	9,168,322
7,468	26,815	11,989,270	11,525,880
169,859	215,501	858,405	880,996
-	90	933,456	920,927
177,327	242,406	13,781,131	13,327,803
-	-	86,631	83,195
177,327	242,406	13,867,762	13,410,998
840,668	(4,258,894)	89,979	(4,242,676)
47,605,481	51,864,375	87,497,017	91,739,693
-	-	-	-
\$ 48,446,149	\$ 47,605,481	\$ 87,586,996	\$ 87,497,017

# Circle Ten Council and Foundation, Boy Scouts of America

## Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2016 and 2015

	SUPPLEMENTAL INFORMATION			
	Operating Fund		Capital Fund	
	2016	2015	2016	2015
<b>BEGINNING NET ASSETS - Unrestricted</b>	\$ 4,255,833	\$ 4,111,924	\$ 31,287,153	\$ 27,003,890
Public support and revenue	9,735,911	9,269,396	166,941	368,120
Net assets released from restrictions	586,780	393,298	16,829	5,239,950
Expenses	(12,213,240)	(11,784,301)	(1,477,195)	(1,384,291)
Investment income allocations	2,500,000	2,325,000	-	-
Change in net assets before transfers	609,451	203,393	(1,293,425)	4,223,779
Transfers	(846,617)	(59,484)	846,617	59,484
<b>ENDING NET ASSETS - Unrestricted</b>	<u>\$ 4,018,667</u>	<u>\$ 4,255,833</u>	<u>\$ 30,840,345</u>	<u>\$ 31,287,153</u>
<b>BEGINNING NET ASSETS - Temporarily restricted</b>	\$ 819,400	\$ 620,368	\$ 2,625,612	\$ 7,235,598
Public support and revenues	531,994	592,330	4,900	629,964
Net assets released from restrictions	(586,780)	(393,298)	(16,829)	(5,239,950)
Change in net assets	(54,786)	199,032	(11,929)	(4,609,986)
<b>ENDING NET ASSETS - Temporarily restricted</b>	<u>\$ 764,614</u>	<u>\$ 819,400</u>	<u>\$ 2,613,683</u>	<u>\$ 2,625,612</u>
<b>BEGINNING NET ASSETS - Permanently restricted</b>	\$ -	\$ -	\$ 903,538	\$ 903,538
Public support and revenues	-	-	-	-
Net assets released from restrictions	-	-	-	-
Change in net assets	-	-	-	-
<b>ENDING NET ASSETS - Permanently restricted</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,538</u>	<u>\$ 903,538</u>
<b>BEGINNING NET ASSETS - Total</b>	\$ 5,075,233	\$ 4,732,292	\$ 34,816,303	\$ 35,143,026
Public support and revenues	10,267,905	9,861,726	171,841	998,084
Expenses	(12,213,240)	(11,784,301)	(1,477,195)	(1,384,291)
Investment income allocations and transfers	1,653,383	2,265,516	846,617	59,484
Change in net assets	(291,952)	342,941	(458,737)	(326,723)
<b>ENDING NET ASSETS - Total</b>	<u>\$ 4,783,281</u>	<u>\$ 5,075,233</u>	<u>\$ 34,357,566</u>	<u>\$ 34,816,303</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Endowment Fund		Total	
2016	2015	2016	2015
\$ -	\$ -	\$ 35,542,986	\$ 31,115,814
2,677,327	2,567,406	12,580,179	12,204,922
-	-	603,609	5,633,248
(177,327)	(242,406)	(13,867,762)	(13,410,998)
(2,500,000)	(2,325,000)	-	-
-	-	(683,974)	4,427,172
-	-	-	-
\$ -	\$ -	\$ 34,859,012	\$ 35,542,986
\$ 4,271,075	\$ 8,540,734	\$ 7,716,087	\$ 16,396,700
820,878	(4,269,659)	1,357,772	(3,047,365)
-	-	(603,609)	(5,633,248)
820,878	(4,269,659)	754,163	(8,680,613)
\$ 5,091,953	\$ 4,271,075	\$ 8,470,250	\$ 7,716,087
\$ 43,334,406	\$ 43,323,641	\$ 44,237,944	\$ 44,227,179
19,790	10,765	19,790	10,765
-	-	-	-
19,790	10,765	19,790	10,765
\$ 43,354,196	\$ 43,334,406	\$ 44,257,734	\$ 44,237,944
\$ 47,605,481	\$ 51,864,375	\$ 87,497,017	\$ 91,739,693
3,517,995	(1,691,488)	13,957,741	9,168,322
(177,327)	(242,406)	(13,867,762)	(13,410,998)
(2,500,000)	(2,325,000)	-	-
840,668	(4,258,894)	89,979	(4,242,676)
\$ 48,446,149	\$ 47,605,481	\$ 87,586,996	\$ 87,497,017

**Circle Ten Council and Foundation, Boy Scouts of America**  
Consolidated Statements of Functional Expenses  
Years Ended December 31, 2016 and 2015

	2016			Total
	Scouting	Supporting Services		
	Program Services	Management and General	Fund- Raising	
<b>EMPLOYEE COMPENSATION</b>				
Salaries and wages	\$ 4,294,244	\$ 371,698	\$ 393,823	\$ 5,059,765
Employee benefits	712,164	65,746	69,660	847,570
Payroll taxes	321,455	26,613	28,197	376,264
Employee-related expenses	10,237	-	-	10,237
Total employee compensation	<u>5,338,100</u>	<u>464,057</u>	<u>491,679</u>	<u>6,293,836</u>
<b>OTHER EXPENSES</b>				
Professional fees	108,577	192,424	6,923	307,924
Supplies	1,248,792	(3,944)	7,501	1,252,349
Telephone	182,555	13,042	13,818	209,415
Postage and shipping	22,565	529	15,434	38,528
Occupancy	1,267,218	23,621	25,027	1,315,866
Rent and maintenance of equipment	121,621	10,754	11,394	143,769
Printing and publications	281,281	(352)	30,520	311,449
Travel	479,903	32,295	34,322	546,519
Conferences and meetings	90,898	7,245	7,676	105,818
Specific assistance to individuals	608,777	-	-	608,777
Recognition awards	381,433	2,397	256,728	640,557
Interest expense	55,860	-	-	55,860
Insurance	297,012	7,845	4,174	309,030
Other expenses	296,108	66,304	7,166	369,578
Total other expenses	<u>5,442,600</u>	<u>352,158</u>	<u>420,682</u>	<u>6,215,440</u>
<b>TOTAL EXPENSES</b>				
<b>BEFORE DEPRECIATION AND AMORTIZATION</b>	10,780,700	816,215	912,361	12,509,276
<b>DEPRECIATION</b>	1,202,406	42,190	21,095	1,265,691
<b>AMORTIZATION</b>	6,164	-	-	6,164
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 11,989,270</u>	<u>\$ 858,405</u>	<u>\$ 933,456</u>	<u>\$ 13,781,131</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

2015

Scouting Program Services	Supporting Services		Total
	Management and General	Fund- Raising	
\$ 4,168,414	\$ 356,116	\$ 377,313	\$ 4,901,843
680,130	61,659	65,329	807,118
319,902	25,496	27,014	372,412
24,943	2,533	2,684	30,160
<u>5,193,389</u>	<u>445,804</u>	<u>472,340</u>	<u>6,111,533</u>
110,777	221,967	8,925	341,669
1,317,120	(3,160)	6,711	1,320,671
170,463	12,858	13,623	196,944
32,518	443	21,562	54,523
1,211,445	25,050	26,541	1,263,036
124,132	9,129	9,672	142,933
262,598	1,016	22,453	286,067
482,606	31,893	33,792	548,291
95,568	6,892	9,382	111,842
516,253	-	-	516,253
354,492	2,935	265,787	623,214
55,860	-	-	55,860
268,060	7,959	3,919	279,938
167,650	77,621	5,926	251,197
<u>5,169,542</u>	<u>394,603</u>	<u>428,293</u>	<u>5,992,438</u>
10,362,931	840,407	900,633	12,103,971
1,156,784	40,589	20,294	1,217,667
6,165	-	-	6,165
<u>\$ 11,525,880</u>	<u>\$ 880,996</u>	<u>\$ 920,927</u>	<u>\$ 13,327,803</u>

# Circle Ten Council and Foundation, Boy Scouts of America

## Consolidated Statements of Cash Flows

### 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	\$ 554,665	\$ 402,425	\$ (1,305,354)	\$ (386,207)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	1,265,691	1,223,832
Loss on sale of investments and assets	-	-	-	-
Unrealized loss (gain) on stocks and bonds	(129,272)	61,340	-	-
Changes in operating assets and liabilities:				
Accrued investment income	-	-	-	-
Pledges and other receivables	727,258	(83,763)	253,385	663,696
Prepaid and other assets	(378,491)	(30,848)	6,164	-
Accounts payable and other liabilities	25,288	(301,699)	(10,083)	9,715
Deferred revenue	612,884	7,779	-	-
Transfers	(846,617)	(59,484)	846,617	59,484
Total adjustments	87,744	(406,675)	2,361,774	1,956,727
Net cash provided by (used in) operating activities	642,409	(4,250)	1,056,420	1,570,520
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net purchase of property and construction in progress	-	-	(681,834)	(3,263,839)
Purchase of investments	(1,876,766)	-	-	-
Proceeds from sale of investments	1,895,654	-	-	-
Net cash provided by (used in) investing activities	18,888	-	(681,834)	(3,263,839)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	661,297	(4,250)	374,586	(1,693,319)
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	3,315,760	3,320,010	2,220,719	3,914,038
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	\$ 3,977,057	\$ 3,315,760	\$ 2,595,305	\$ 2,220,719
<b>SUPPLEMENTAL DISCLOSURES:</b>				
Cash paid for interest	\$ -	\$ -	55,860	\$ 55,860
Non-cash donations of services	\$ 65,000	\$ 29,375	-	-

The Notes to Consolidated Financial Statements are an integral part of these statements.

Endowment Fund		Total	
2016	2015	2016	2015
\$ 840,668	\$ (4,258,894)	\$ 89,979	\$ (4,242,676)
-	-	1,265,691	1,223,832
-	3,170,563	-	3,170,563
(1,003,751)	-	(1,133,023)	61,340
(867)	(3,104)	(867)	(3,104)
1,788	676,278	982,431	1,256,211
(4)	-	(372,331)	(30,848)
-	-	15,205	(291,984)
-	-	612,884	7,779
-	-	-	-
(1,002,834)	3,843,737	1,446,684	5,393,789
(162,166)	(415,157)	1,536,663	1,151,113
-	-	(681,834)	(3,263,839)
(14,572,285)	(10,512,093)	(16,449,051)	(10,512,093)
14,718,951	10,866,428	16,614,605	10,866,428
146,666	354,335	(516,280)	(2,909,504)
(15,500)	(60,822)	1,020,383	(1,758,391)
98,650	159,472	5,635,129	7,393,520
\$ 83,150	\$ 98,650	\$ 6,655,512	\$ 5,635,129
\$ -	\$ -	\$ 55,860	\$ 55,860
\$ -	\$ -	\$ 65,000	\$ 29,375

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

### Note 1. Summary of Significant Accounting Policies

The Circle Ten Council, Boy Scouts of America provides service to young men and young women, primarily in North Texas, including the 12 counties of Grayson, Collin, Hunt, Dallas, Rockwall, Rains, Kaufman, Van Zandt, Ellis, Henderson and Navarro in North Texas and Bryan County in Oklahoma. The Circle Ten Council, Boy Scouts of America is a not-for-profit organization devoted to promoting, within the territory granted it by the Boy Scouts of America, the ability of boys or young adults to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, and self-reliance. The Circle Ten Council, Boy Scouts of America also prepares them to make ethical choices over their lifetimes and achieve their full potential.

The Circle Ten Council, Boy Scout of America's programs are classified as follows:

*Cub Scouts*—Family-oriented program for a group of teams; 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, including advancement, high adventure/sports, personal development, service, and special programs and events.

*Exploring*—Exploring is a dynamic worksite-based career education program for young men and women ages 14-20. With the support of businesses and the community, Explorers develop social and leadership skills while gaining hands-on experiences in a career field.

*Venturing*—Provides experiences to help young men and women, ages 14-20, become mature, responsible, caring adults. Young teens 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.

### Reporting Entity

The Circle Ten Boy Scout Foundation (the Foundation) exists solely for the purpose of investing monies for the Circle Ten Council, Boy Scouts of America.

In September of 2012, Circle Ten Council formed Camp Wisdom Inc. (CWI), a qualified active low-income community business. CWI exists solely for the purpose of acquisition and leasing of real or personal property and improvements. The property will be used by Circle Ten Council as a camping and recreation ground. CWI is included as part of the capital fund in the consolidated financial statements.



# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

These consolidated financial statements include the balances and activities of the Foundation, CWI, and Circle Ten Council, Boy Scouts of America (collectively referred to herein as the Council). Inter-entity eliminations have been made in the consolidated financial statements.

### **Basis of Reporting**

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 financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections, formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under this guidance, 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 supplemental information by fund included in these consolidated financial statements is in accordance with the guidelines of the National Council, Boy Scouts of America.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and money market accounts highly liquid investments with original maturity of less than three months.

### **Investments**

Investments consist primarily of assets invested in marketable equity and debt securities, alternative investments, commodities, and money market accounts. The Council accounts for investments in accordance with FASB ASC 958-320 and subsections, thereof.

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.

Alternative investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. 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 statements of financial position.

### **Salable Supplies Inventory**

Salable supplies inventory consists of Scout-related promotional items (Scout badges, curriculum, etc.). The inventory is recorded at the lower of cost on a first-in, first-out basis or market.

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

### Land, Building, and Equipment

Fixed assets purchased are recorded at historical cost when purchased. Donated assets are recorded at estimated fair value at the date of contribution.

A significant portion of land is restricted to use as specified by donors.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings:	
Masonry	45 to 50 years
Wooden	25 years
Recreation and amusement facilities	10 years
Furniture, fixtures and equipment	3 to 20 years

The Council capitalizes items whose original purchase price is greater than \$2,500. Proceeds from the sale of properties are generally recorded as unrestricted net assets. Maintenance and repairs are recorded as expenses as incurred. 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.

### Net Assets

The Endowment Fund's unrestricted net assets are available for requisition by the Council as needed. Other net assets and earnings thereon are available to the Council subject to donor restrictions as to usage. The amount shown as permanently restricted net assets reflects all contributions restricted by the donor, which are to be maintained inviolate with only the income being expendable. Investment income earned on the permanently restricted net assets is reflected in the unrestricted or temporarily restricted funds as specified by donor stipulations.

### Concentration of Credit Risk

The Council maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

### Fair Value Measurements

FASB Codification related to fair value measurements, included in ASC 820-10, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The codification provides a consistent definition of fair value which focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The codification also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

The hierarchy established gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). As required by FASB Codification, the Council's portfolio investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

The three levels of the fair value hierarchy are described below:

Level 1 inputs: Pricing inputs are quoted prices available in active markets for identical assets as of the reporting date. As required by the standard, the Council does not adjust the quoted price for investments, even in situations where a large position may be held and a sale could reasonably impact the quoted price.

Level 2 inputs: Pricing inputs are quoted prices for similar assets, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes assets valued at quoted prices adjusted for legal or contractual restrictions specific to these investments.

Level 3 inputs: Pricing inputs are unobservable for the investment, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

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

Financial instruments consist of cash and cash equivalents, interest and dividends receivable, and investments in equity securities and bonds whose carrying values approximate fair value.

### **Tax Status**

The Council is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code as a charitable organization that is not a private foundation 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.

### **Uncertain Tax Positions**

The Council evaluates uncertain tax positions, which requires significant judgments and estimates regarding the recoverability of deferred tax assets, the likelihood of the outcome of examinations of tax positions that may or may not be currently under review and potential scenarios involving settlements of such matters. The Council does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. As of December 31, 2016, the Council's tax years 2013 and thereafter remain subject to examination.

### **Contributions**

The main sources of support of the Council are contributions received directly from the general public and income from investments. All contributions to Circle Ten Council are considered unrestricted, unless specifically restricted by the donor. Under Texas law, contributions to the Foundation's endowment are recorded as permanently restricted, unless otherwise specified by the donor.

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

Contributions and unconditional pledges are recorded as revenue at the time of promise. An allowance for uncollectible promises to give is recorded based on an analysis of collection histories and on reviews of the credit worthiness of major donors.

Contributions received and the related income earned is recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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. Temporarily restricted contributions result from the donor's stipulation that such contributions must be used for specified purposes or during specified periods. Although restricted contributions typically are reported as support that increases restricted net assets, they may be reported as unrestricted support if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed. A donor may stipulate that contributed amounts may never be spent; such contributions would be reported as permanently restricted.

### **Functional Allocation of Expenses**

For purposes of determining functional classification, expenses that are not directly attributable to a specific function are allocated based upon management's estimate of time and expense associated with Scouting program services, management and general and fundraising activities.

### **Advertising**

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2016 and 2015 amounted to approximately \$137,000 and \$50,000, respectively.

### **Donated Services**

Donated services are recognized as contributions in accordance with FASB Codification, *"Accounting for Contributions Received and Contributions Made"*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under FASB Codification, *"Accounting for Contributions Received and Contributions Made"* was not met. It is impracticable to determine the fair market value of all donated services by the volunteers of the BSA beyond those required to be recognized as income.

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

### Note 2. Investments and Investment Income

Investments consisted of the following at December 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Equity				
Domestic	\$ 6,619,110	\$ 9,804,335	\$ 6,095,159	\$ 8,732,945
International	9,821,176	9,859,441	10,412,398	10,322,937
Debt				
Emerging market	1,086,659	986,426	1,663,162	1,449,651
Private	3,418,392	3,810,477	1,704,783	1,924,768
Other				
Fixed income	12,842,031	12,569,187	13,795,382	13,307,743
Short term	78,981	78,981	71,980	71,980
Hedge funds	4,215,334	4,280,144	1,693,821	1,755,591
Total marketable securities	38,081,683	41,388,991	35,436,685	37,565,615
Real assets	9,068,905	8,457,541	11,879,466	11,313,448
Total marketable securities and real assets	47,150,588	49,846,532	47,316,151	48,879,063
Land at estimated fair value at date of donation	1,675	1,675	1,675	1,675
Total investments	<u>\$ 47,152,263</u>	<u>\$ 49,848,207</u>	<u>\$ 47,317,826</u>	<u>\$ 48,880,738</u>

Investment income (loss) for the years ended December 31, 2016 and 2015 is summarized as follows:

	2016	2015
Dividends and interest	\$ 1,033,113	\$ 1,385,683
Net realized and unrealized gains (losses)	2,579,007	(3,165,687)
Total	<u>\$ 3,612,120</u>	<u>\$ (1,780,004)</u>

The investment income (loss) is classified in the 2016 and 2015 statements of changes in net assets as follows:

	2016	2015
Unrestricted	\$ 397,333	\$ (500,089)
Temporarily restricted	3,214,787	(1,279,915)
Total	<u>\$ 3,612,120</u>	<u>\$ (1,780,004)</u>

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

Annually, the Council Board requests, and the Foundation Board approves, the designation of a portion of the cumulative investment return for the support of current Council operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount designated in 2016 and 2015 was \$2,500,000 and \$2,325,000, respectively, which has been recorded as the investment allocation in the Operating Fund on the accompanying consolidated statements of activities.

Investments are managed by third-party custodians, subject to the general direction of the Foundation's Board of Directors. For 2016 and 2015, investment expense was approximately \$152,000 and \$153,000 respectively, and is included in professional fees in the statements of functional expenses.

### Note 3. Pledges Receivable

The Council has recorded Capital and Endowment unconditional promises for contributions with maturities as follows:

Year Ending December 31,		
2017	\$	1,550,234
2018		1,665,750
2019		623,342
2020		474,000
2021		20,112
Thereafter		-
		4,333,438
Less: present value discount		(129,048)
		4,204,390
Less: allowance for uncollectible pledges		(419,019)
Pledges receivable, net	\$	3,785,371

These amounts are recorded as pledges receivable and temporarily restricted or permanently restricted contributions at fair value at the time of promise in the capital and endowment funds.

Unconditional promises for contributions are reflected at the present value of future cash flows at the date of donation using annual discount rates ranging from 1-3%.

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

### Note 4. Fair Value of Financial Instruments

Information related to the assets measured at fair value on a recurring basis is as follows as of:

	December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value
Marketable equity securities	\$ 19,663,776	\$ -	\$ -	\$ 19,663,776
Marketable debt securities	986,426	-	3,810,477	4,796,903
Marketable other securities	11,536,452	4,581,382	810,478	16,928,312
Real assets	2,986,525	810,479	4,660,537	8,457,541
Pledges receivable	-	-	3,785,371	3,785,371
<b>Total</b>	<b>\$ 35,173,179</b>	<b>\$ 5,391,861</b>	<b>\$ 13,066,863</b>	<b>\$ 53,631,903</b>

	December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value
Marketable equity securities	\$ 19,055,882	\$ -	\$ -	\$ 19,055,882
Marketable debt securities	1,449,651	-	1,924,768	3,374,419
Marketable other securities	11,371,428	3,002,824	761,062	15,135,314
Real assets	3,126,429	1,888,377	6,298,643	11,313,449
Pledges receivable	-	-	4,918,554	4,918,554
<b>Total</b>	<b>\$ 35,003,390</b>	<b>\$ 4,891,201</b>	<b>\$ 13,903,027</b>	<b>\$ 53,797,618</b>

The following is a description of the valuation methodologies used to measure and disclose fair value of investments:

Marketable equity securities, debt securities, and other securities reported as level 1 are determined by reference to quoted market prices for investments listed on an exchange or over-the-counter market.

Fair value of marketable securities reported as level 2 consists of the following:

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

### Government Bonds

The fair value of sovereign government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency-basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority.

### Municipal Bonds

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond- or credit-default swap spreads and volatility.

### Corporate and International Bonds

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used are for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with bond yield curves.

Fair value for assets reported as level 3 consists of the following:

### Investments in Private Investment Companies and Real Estate Investment Funds

Investments in private investment companies and real estate investment funds are typically valued utilizing the net asset valuations provided by the underlying private investment companies and/or their administrators. Management considers subscription and redemption rights, including any restrictions on the disposition of the interest in its determination of fair value.

### Pledges Receivable

The fair value of pledges receivable reported as level 3 are based on the discounted value of expected future cash flows at the date of donation using annual discount rates ranging from 1-3%. Management performs an analysis of collection histories and reviews the credit worthiness of donors for each pledge received to determine the allowance for uncollectible pledges. The change in allowance affects the fair value for pledges reported as level 3. As of December 31, 2015, the allowance for uncollectible pledges significantly decreased due to the payment of a previously allowed for pledge. There were no significant changes in the allowance during fiscal year 2016.



# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	Marketable securities	Real assets investment funds	Pledges receivable
December 31, 2014	\$ 1,431,213	\$ 5,939,940	\$ 6,098,704
Change in gross receivable	-	-	(726,536)
Change in fair value discount	-	-	(70,680)
Change in allowance	-	-	(382,934)
Net purchases & sales	1,030,291	85,000	-
Net gain (loss) on change in investment valuation	224,326	273,703	-
December 31, 2015	2,685,830	6,298,643	4,918,554
Change in gross receivable	-	-	(1,146,460)
Change in fair value discount	-	-	-
Change in allowance	-	-	13,277
Net purchases & sales	1,735,122	(1,868,446)	-
Net gain (loss) on change in investment valuation	200,003	230,340	-
December 31, 2016	<u>\$ 4,620,955</u>	<u>\$ 4,660,537</u>	<u>\$ 3,785,371</u>

At December 31, 2016 and 2015, assets measured at fair value on a nonrecurring basis include real estate totaling \$1,675 and \$1,675, respectively. Real estate held as an investment is recorded at estimated fair value as of the date of receipt. The recorded amounts are reduced to the estimated net realizable value when, in the opinion of management, a permanent impairment in such values has occurred. No impairment has been recognized during 2016 or 2015.

### Note 5. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31:

	2016	2015
Land	\$ 2,476,579	\$ 2,476,579
Buildings and improvements	36,445,973	36,362,495
Furniture, fixtures and equipment	3,541,726	3,214,808
Construction in progress	392,016	173,611
	42,856,294	42,227,493
Accumulated depreciation	(13,354,332)	(12,141,674)
	<u>\$ 29,501,962</u>	<u>\$ 30,085,819</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$1,265,691 and \$1,217,668, respectively.

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

### Note 6. Other Liabilities

Other liabilities consisted of the following at December 31:

	2016	2015
Custodial accounts	\$ 753,595	\$ 729,376
Payroll related liabilities	216,410	173,352
Other accrued liabilities	57,361	83,010
Total	\$ 1,027,366	\$ 985,738

### Note 7. Net Assets

The Council's Endowment consists of approximately 40 individual, donor-restricted funds established for future program services and operations. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Council has interpreted Texas' enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Unless stated otherwise in the gift instrument, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council.

To satisfy its long-term rate of return objectives, the Council relies on a total return strategy in which investments returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation of 55% to 75% equities (US and non-US stocks) to achieve its long-term return objective within prudent risk constraints.

The Council has a policy of appropriating for distribution each year up to 5% of the endowment's investable asset value. The 5% spending objective is determined based on the average market value of the endowment's investable assets at the end of each quarter for the 12 consecutive quarters proceeding the calendar year to which the 5% is being applied. As a long-term operating foundation, the Trustees recognize that the time horizon for the fund is very long-term. The intent of the endowment is to remain in operation in perpetuity. The Council expects to grow the endowment at a rate equal to the nominal spending objective, the rate of inflation, and investments fees and expenses over the long-term. The program will focus on total return without regard to whether that return is in the form of income or capital gains.

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

Temporarily and permanently restricted net assets as of December 31, 2016 and 2015 consisted of:

	2016	2015
Operating Fund:		
Subsequent Year Friends of Scouting	\$ 528,764	\$ 511,155
Subsequent Year United Way	100,000	175,000
Strategic Plan Expenses	11,000	10,625
Specific Program Expenses	64,750	57,620
Subsequent Year Community Foundations	60,100	65,000
	764,614	819,400
Capital Fund:		
Centennial Campaign	\$ 2,353,033	\$ 2,353,033
Strategic Plan Expenses	3,325	3,325
Specific Capital Expenditures	257,325	269,254
	2,613,683	2,625,612
Endowment Fund:		
Income from endowments with a usage restriction on income and appreciation	5,091,953	4,271,075
Total Temporarily Restricted Net Assets	\$ 8,470,250	\$ 7,716,087

Permanently Restricted Net Assets are restricted for the Council's permanent endowment or usage, the income from the endowment will be used to fund future program services and operations.

	2016	2015
Capital Fund		
Land	\$ 903,538	\$ 903,538
Endowment Fund		
Gifts for Endowment	43,354,196	43,334,406
	\$ 44,257,734	\$ 44,237,944

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

During 2016 and 2015, the Council had the following endowment-related activities:

	Donor Restricted			Board Designated	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Endowment net assets, December 31, 2014	\$ -	\$ 8,540,734	\$ 43,323,641	\$ -	\$ 51,864,375
Investment return	-	(1,944,659)	-	-	(1,944,659)
Allocated to operating	-	(2,325,000)	-	-	(2,325,000)
Transfer to capital	-	-	-	-	-
Contributions	-	-	10,765	-	10,765
Other income	-	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-	-
Endowment net assets, December 31, 2015	<u>\$ -</u>	<u>\$ 4,271,075</u>	<u>\$ 43,334,406</u>	<u>\$ -</u>	<u>\$ 47,605,481</u>
	Donor Restricted			Board Designated	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Endowment net assets, December 31, 2015	\$ -	\$ 4,271,075	\$ 43,334,406	\$ -	\$ 47,605,481
Investment return	-	3,320,878	-	-	3,320,878
Allocated to operating	-	(2,500,000)	-	-	(2,500,000)
Transfer to operating	-	-	-	-	-
Contributions	-	-	19,790	-	19,790
Other income	-	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-	-
Endowment net assets, December 31, 2016	<u>\$ -</u>	<u>\$ 5,091,953</u>	<u>\$ 43,354,196</u>	<u>\$ -</u>	<u>\$ 48,446,149</u>

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Council to retain as a fund of perpetual duration. As of December 31, 2016 and 2015 deficiencies of this nature that are reported in temporarily (unrestricted) net assets were \$0 and \$6,730, respectively.

### **Note 8. Retirement Plan**

The Boy Scouts of America has a defined contribution retirement plan (the Plan), which is a multiemployer plan and covers the employees of the national office and the local councils, including the Circle Ten Council, and is administered by the national office. Contributions to the plan are based on a defined percentage of each participant's eligible salary. Retirement plan expense of the Council for the years ended December 31, 2016 and 2015 (excluding the contributions made by employees) was approximately \$198,000 and \$219,000 respectively.

The individual information for each employer is not available. The actuarial information for the plan as of February 1, 2015, indicates that it is in compliance with ERISA regulations regarding funding and the Plan's net assets available for benefits exceeds the present value of both vested and non-vested accumulated benefits. The assumed rate of return in determining actuarial values of present accumulated benefits was 7.0%. The actuarial information stated that the changes from the prior year in actuarial assumptions related to the mortality assumption. The mortality assumption was changed from the RP-2000 Mortality tables for annuitants and non-annuitants projected using Scale AA to 2021 and 2029, respectively, to the RP-2000 Mortality table for annuitants and non-annuitants projected using Scale AA to 2022 and 2030, respectively. The treatment of actuarial gains and losses, cost methods, amortization of past or prior service cost and the actuarial information includes all Plan amendments as of February 1, 2015.

Additionally, the Circle Ten Council offers a 403(b) thrift plan in which all the employees of the Council are eligible to enroll. The Council's contributions to the plan are based on a defined percentage of each employee's contributions. Expenses for the years ended December 31, 2016 and 2015 were approximately \$77,000 and \$77,000 respectively.

### **Note 9. Scout Shop**

The National Council operates a Scout shop within the Council's central location. The National Council manages the Scout shop and pays the Council an 8 percent commission on gross sales up to \$750,000 and 13 percent on sales in excess of \$750,000. The commissions earned (before expenses) by the Council during 2016 and 2015 amounted to approximately \$294,000 and \$278,000, respectively, which are included in other income in the consolidated statements of activities.

### **Note 10. Lease Commitments**

The Council leased equipment under operating leases expiring at various dates through 2014. Rental expense for the years ended December 31, 2016 and 2015 was approximately \$99,000 and \$99,000 respectively. As of December 31, 2018 there are no remaining future minimum rental payments required under operating leases.

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

### Note 11. Related Party Transactions

In addition to National Council charter and quota fees, the Council paid to the National Council approximately \$2,210,000 and \$2,161,000 in 2016 and 2015, respectively, for supplies, benefits, and insurance coverage.

### Note 12. Note Payable and Note Receivable

In September of 2012, the Council entered into a financial arrangement to help fund the cost of the expansion of Camp Wisdom through the use of the New Market Tax Credit (NMTC) program. Under this arrangement, the Council entered into an agreement on September 27, 2012 to lend \$4,180,950 to a third party investment fund. At the time the Council entered into the loan agreement, CWI received a loan that provides for borrowings of \$5,586,000 from a community development entity (CDE) through a qualified low-income community investment (QLICI) loan, under Section 45D of the Internal Revenue Code of 1986, as amended. Both the note payable and note receivable mature in September of 2042. The Council expects to effectively offset the payment of the note payable against the receipt of the note receivable at a future date.

The interest rate on the Council's note receivable is fixed at 1.335927% per annum. Interest is payable annually, beginning December 2012 until September 27, 2042. All principal and unpaid interest is due September 27, 2042.

Deferred loan costs for the years ended December 31, 2016 and 2015 were \$166,414 and \$172,578 respectively. These loans costs will be recognized over the life of the loan. Amortization of the loan costs for the years ended December 31, 2016 and 2015 were \$6,164.

The note receivable is considered fully collectible. Accordingly, no allowance for doubtful accounts has been provided.

Under the terms of CWI's note payable, the loan has an interest rate of 1.00% per annum, payable annually, beginning December 5, 2012. CWI is not permitted to prepay all or any portion of the outstanding principal amount prior to the seventh anniversary of the loan. At any time after the seventh anniversary of the date of the loan, CWI may prepay all or any portion of the principal amount, without penalty.

The outstanding balance on the note payable, maturity date, and repayment terms are noted below:

	2016	2015
Note payable to a CDE; matures on September 26, 2042, with principal payments commencing in December 2019	\$ 5,586,000	\$ 5,586,000

# Circle Ten Council and Foundation, Boy Scouts of America

## Notes To Consolidated Financial Statements

The note payable, at December 31, 2016, is due as follows:

2017	\$	-
2018		-
2019		54,304
2020		217,759
2021		217,759
Thereafter through 2042		<u>5,096,178</u>
	\$	<u>5,586,000</u>

### Note 13. Subsequent Events

Effective March 2017, the Council entered into a merger with NeTseO Trails Council, Boy Scouts of America, another Boy Scouts of America not-for-profit organization providing service to young men and women in nine counties in Texas and three counties in southeastern Oklahoma. The merged organization will operate under Circle Ten Council. This merger is expected to provide opportunity for growth of scouting inside the territorial boundaries of NeTseO Trails Council, Boy Scouts of America.

The Council has evaluated subsequent events through May 4, 2017, the date this report was available to be issued.