

EISNERAMPER

**BOY SCOUTS OF AMERICA,
WASHINGTON CROSSING COUNCIL**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016



BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

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INDEPENDENT AUDITORS' REPORT

To the Council Executive Board of
Boy Scouts of America, Washington Crossing Council

Report on the Financial Statements

We have audited the accompanying financial statements of Boy Scouts of America, Washington Crossing Council (the "Council"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of the 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 Council'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 Council'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 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 Boy Scouts of America, Washington Crossing Council as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
Philadelphia, Pennsylvania
May 14, 2018



BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Statements of Financial Position

	December 31							
	2017				2016			
	Operating Fund	Capital Fund	Endowment Fund	Total	Operating Fund	Capital Fund	Endowment Fund	Total
ASSETS								
Cash and cash equivalents	\$ 597,744	\$ 198,447	\$ 12,049	\$ 808,240	\$ 344,245	\$ 309,921	\$ 207,435	\$ 861,601
Short-term investments	109,856	8,986	-	118,842	309,936	7,961	-	317,897
Accounts receivable	77,658	-	-	77,658	16,218	-	-	16,218
Inventories	151,640	-	-	151,640	163,485	-	-	163,485
Prepaid expenses	55,560	-	-	55,560	107,398	-	-	107,398
Pledges receivable, net	6,190	-	14,850	21,040	17,087	-	24,949	42,036
Land, buildings and equipment, net	-	1,773,340	-	1,773,340	-	1,721,208	-	1,721,208
Long-term investments	69,855	111,318	2,830,022	3,011,195	65,831	110,945	2,389,104	2,565,880
Beneficial interest in split interest agreement	1,249	-	135,572	136,821	-	-	125,786	125,786
	<u>\$ 1,069,752</u>	<u>\$ 2,092,091</u>	<u>\$ 2,992,493</u>	<u>\$ 6,154,336</u>	<u>\$ 1,024,200</u>	<u>\$ 2,150,035</u>	<u>\$ 2,747,274</u>	<u>\$ 5,921,509</u>
LIABILITIES								
Accounts payable and other current liabilities	\$ 43,118	\$ 4,985	\$ -	\$ 48,103	\$ 61,741	\$ -	\$ -	\$ 61,741
Payroll taxes withheld and accrued	7,018	-	-	7,018	6,633	-	-	6,633
Custodian accounts	383,884	-	-	383,884	330,258	-	-	330,258
Deferred activity income	30,257	-	-	30,257	77,571	-	-	77,571
Deferred camp income	25,383	-	-	25,383	21,020	-	-	21,020
Deferred other income	2,457	8,086	-	10,543	4,459	11,874	-	16,333
Total liabilities	<u>492,117</u>	<u>13,071</u>	<u>-</u>	<u>505,188</u>	<u>501,682</u>	<u>11,874</u>	<u>-</u>	<u>513,556</u>
Commitments								
NET ASSETS								
Unrestricted	471,678	1,968,899	1,578,584	4,019,161	468,611	2,011,526	1,469,385	3,949,522
Temporarily restricted	105,957	110,121	200,451	416,529	53,907	126,635	77,873	258,415
Permanently restricted	-	-	1,213,458	1,213,458	-	-	1,200,016	1,200,016
Total net assets	<u>577,635</u>	<u>2,079,020</u>	<u>2,992,493</u>	<u>5,649,148</u>	<u>522,518</u>	<u>2,138,161</u>	<u>2,747,274</u>	<u>5,407,953</u>
	<u>\$ 1,069,752</u>	<u>\$ 2,092,091</u>	<u>\$ 2,992,493</u>	<u>\$ 6,154,336</u>	<u>\$ 1,024,200</u>	<u>\$ 2,150,035</u>	<u>\$ 2,747,274</u>	<u>\$ 5,921,509</u>

See notes to financial statements

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Statements of Activities and Changes in Net Assets

	Year Ended December 31							
	2017				2016			
	Operating Fund	Capital Fund	Endowment Fund	Total	Operating Fund	Capital Fund	Endowment Fund	Total
Change in Unrestricted Net Assets:								
Public support and revenue:								
Direct public support:								
Sustaining membership, net	\$ 413,393	\$ -	\$ -	\$ 413,393	\$ 420,484	\$ -	\$ -	\$ 420,484
Special events	187,009	-	-	187,009	198,145	-	-	198,145
Cost of direct benefit	(61,722)	-	-	(61,722)	(68,320)	-	-	(68,320)
Foundations, trusts and grants	19,734	2,412	-	22,146	17,500	12,218	-	29,718
Legacies and bequests	30,000	-	-	30,000	-	-	-	-
Other direct	30,448	15,463	-	45,911	35,107	16,520	-	51,627
Total direct public support	618,862	17,875	-	636,737	602,916	28,738	-	631,654
Indirect public support:								
United Way	44,888	-	-	44,888	32,054	-	-	32,054
Other indirect	7,203	2,309	-	9,512	2,210	5,807	-	8,017
Total indirect public support	52,091	2,309	-	54,400	34,264	5,807	-	40,071
Revenue:								
Supplies	404,668	-	-	404,668	395,137	-	-	395,137
Cost of supplies	(250,861)	-	-	(250,861)	(237,476)	-	-	(237,476)
Investment income	59,868	12,061	-	71,929	51,682	11,788	-	63,470
Camping	1,402,913	-	-	1,402,913	1,757,946	-	-	1,757,946
Activities	261,810	-	-	261,810	229,768	-	-	229,768
Other revenue	48,119	4,442	-	52,561	110,136	81,571	-	191,707
Product sales	519,894	-	-	519,894	538,351	-	-	538,351
Cost of product	(142,492)	-	-	(142,492)	(160,611)	-	-	(160,611)
Sales commissions	(192,972)	-	-	(192,972)	(194,401)	-	-	(194,401)
Net appreciation on investments	-	1,155	185,092	186,247	-	729	74,727	75,456
Total revenue	2,110,947	17,658	185,092	2,313,697	2,490,532	94,088	74,727	2,659,347
Net assets released from restrictions	13,480	23,778	11,205	48,463	27,479	14,422	25,509	67,410
Total public support and revenue	2,795,380	61,620	196,297	3,053,297	3,155,191	143,055	100,236	3,398,482
Expenses:								
Program services	2,446,065	116,121	-	2,562,186	2,632,830	227,789	-	2,860,619
Support services:								
Management and general	37,671	40	-	37,711	41,461	49	-	41,510
Fundraising	321,625	226	28,767	350,618	348,388	277	24,743	373,408
Total functional expenses	2,805,361	116,387	28,767	2,950,515	3,022,679	228,115	24,743	3,275,537
Charter and National Service Fee	33,936	-	-	33,936	31,690	-	-	31,690
Total expenses	2,839,297	116,387	28,767	2,984,451	3,054,369	228,115	24,743	3,307,227
Increase (decrease) in unrestricted net assets	(43,917)	(54,767)	167,530	68,846	100,822	(85,060)	75,493	91,255

(continued)

See notes to financial statements

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Statements of Activities and Changes in Net Assets

(continued)

	Year Ended December 31							
	2017				2016			
	Operating Fund	Capital Fund	Endowment Fund	Total	Operating Fund	Capital Fund	Endowment Fund	Total
Change in Temporarily Restricted Net Assets:								
Direct public support:								
Sustaining membership	8,677	-	-	8,677	5,000	-	-	5,000
Investment income	146	-	-	146	160	-	-	160
Other direct	40,050	7,264	-	47,314	32,728	52,406	-	85,134
Total direct public support	48,873	7,264	-	56,137	37,888	52,406	-	90,294
Indirect public support:								
United Way	16,625	-	-	16,625	-	-	-	-
Total public support	65,498	7,264	-	72,762	37,888	52,406	-	90,294
Net appreciation on investments	32	-	133,783	133,815	43	-	59,424	59,467
Net assets released from restrictions	(13,480)	(23,778)	(11,205)	(48,463)	(27,479)	(14,422)	(25,509)	(67,410)
Increase (decrease) in temporarily restricted net assets	52,050	(16,514)	122,578	158,114	10,452	37,984	33,915	82,351
Change in Permanently Restricted Net Assets:								
Direct public support:								
Contributions	-	-	3,200	3,200	-	-	250,456	250,456
Total direct public support	-	-	3,200	3,200	-	-	250,456	250,456
Change in value of split interest agreement	-	-	11,035	11,035	-	-	1,536	1,536
Increase in permanently restricted net assets	-	-	14,235	14,235	-	-	251,992	251,992
Increase (decrease) in total net assets	8,133	(71,281)	304,343	241,195	111,274	(47,076)	361,400	425,598
Net assets at beginning of year:								
Unrestricted net assets	468,611	2,011,526	1,469,385	3,949,522	421,421	1,987,937	1,448,909	3,858,267
Temporarily restricted net assets	53,907	126,635	77,873	258,415	43,455	88,651	43,958	176,064
Permanently restricted net assets	-	-	1,200,016	1,200,016	-	-	948,024	948,024
Total net assets at beginning of year	522,518	2,138,161	2,747,274	5,407,953	464,876	2,076,588	2,440,891	4,982,355
Transfers from endowment fund								
Unrestricted net assets	46,984	12,140	(58,331)	793	(53,632)	108,649	(55,017)	-
Permanently restricted net assets	-	-	(793)	(793)	-	-	-	-
Total transfers	46,984	12,140	(59,124)	-	(53,632)	108,649	(55,017)	-
Net assets at end of year:								
Unrestricted net assets	471,678	1,968,899	1,578,584	4,019,161	468,611	2,011,526	1,469,385	3,949,522
Temporarily restricted net assets	105,957	110,121	200,451	416,529	53,907	126,635	77,873	258,415
Permanently restricted net assets	-	-	1,213,458	1,213,458	-	-	1,200,016	1,200,016
Total net assets at end of year	\$ 577,635	\$ 2,079,020	\$ 2,992,493	\$ 5,649,148	\$ 522,518	\$ 2,138,161	\$ 2,747,274	\$ 5,407,953

See notes to financial statements

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Statements of Functional Expenses

	Year Ended December 31							
	2017				2016			
	Program Services	Support Services Management and General	Fundraising	Total	Program Services	Support Services Management and General	Fundraising	Total
Operating Fund expenses:								
Employee compensation:								
Salaries	\$ 1,064,882	\$ 25,209	\$ 142,848	\$ 1,232,939	\$ 1,076,251	\$ 27,383	\$ 155,172	\$ 1,258,806
Employee benefits	159,761	5,560	31,509	196,830	161,356	6,008	34,045	201,409
Payroll taxes	95,541	2,204	12,491	110,236	95,663	2,264	12,830	110,757
Employee related expenses	4,775	130	735	5,640	3,437	39	220	3,696
Total employee compensation	1,324,959	33,103	187,583	1,545,645	1,336,707	35,694	202,267	1,574,668
Other expenses:								
Professional fees	31,759	952	15,665	48,376	33,491	1,014	17,184	51,689
Camp supplies	530,515	173	1,937	532,625	620,791	209	1,591	622,591
Other supplies	38,235	1,131	9,074	48,440	52,285	1,416	11,746	65,447
Telephone	18,699	232	2,097	21,028	15,933	223	1,981	18,137
Postage and shipping	10,101	80	8,486	18,667	11,745	292	11,927	23,964
Printing	11,391	98	14,615	26,104	24,507	328	21,248	46,083
Occupancy	138,046	844	5,442	144,332	176,759	991	5,818	183,568
Travel	54,759	236	5,833	60,828	85,158	263	6,557	91,978
Conference and meetings	122,898	149	4,339	127,386	45,691	284	3,956	49,931
Insurance	100,399	174	984	101,557	89,201	184	1,042	90,427
Repairs and maintenance	36,468	448	2,717	39,633	90,625	508	3,449	94,582
Recognition	27,314	51	62,853	90,218	49,133	55	59,622	108,810
Assistance to individual	522	-	-	522	804	-	-	804
Total other expenses	1,121,106	4,568	134,042	1,259,716	1,296,123	5,767	146,121	1,448,011
Total operating fund expenses	2,446,065	37,671	321,625	2,805,361	2,632,830	41,461	348,388	3,022,679
Capital Fund expenses:								
Depreciation and amortization	75,417	40	226	75,683	73,836	49	277	74,162
Supplies	5,761	-	-	5,761	3,507	-	-	3,507
Occupancy	1,650	-	-	1,650	-	-	-	-
Professional fees	19,454	-	-	19,454	92,825	-	-	92,825
Recognition	779	-	-	779	516	-	-	516
Repairs and maintenance	13,060	-	-	13,060	57,105	-	-	57,105
Total capital fund expenses	116,121	40	226	116,387	227,789	49	277	228,115
Endowment Fund expenses:								
Investment fees	-	-	28,767	28,767	-	-	24,743	24,743
	\$ 2,562,186	\$ 37,711	\$ 350,618	\$ 2,950,515	\$ 2,860,619	\$ 41,510	\$ 373,408	\$ 3,275,537

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Statements of Cash Flows

	Year Ended December 31				2016
	2017			Total	
	Operating Fund	Capital Fund	Endowment Fund		
				Total	
Cash flows from operating activities:					
Increase (decrease) in total net assets	\$ 8,133	\$ (71,281)	\$ 304,343	\$ 241,195	\$ 425,598
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities:					
Depreciation	-	75,683	-	75,683	74,162
Bad debt expense	7,655	-	-	7,655	9,720
Net appreciation on investments	(32)	(1,155)	(318,875)	(320,062)	(134,923)
Change in value of split interest agreement	(1,249)	-	(9,786)	(11,035)	(24,737)
Transfers	46,984	12,140	(58,331)	793	-
(Increase) decrease in assets:					
Accounts receivable	(69,095)	-	-	(69,095)	(23,721)
Inventories	11,845	-	-	11,845	(69,370)
Prepaid expenses	51,838	-	-	51,838	(47,052)
Pledges receivable	10,897	-	-	10,897	15,996
Grant receivable	-	-	-	-	96,573
Increase (decrease) in liabilities:					
Accounts payable and other current liabilities	(18,623)	4,985	-	(13,638)	4,209
Payroll taxes withheld and accrued	385	-	-	385	(1,289)
Custodian accounts	53,626	-	-	53,626	(972)
Deferred activity income	(47,314)	-	-	(47,314)	63,594
Deferred camp income	4,363	-	-	4,363	2,334
Deferred other income	(2,002)	(3,788)	-	(5,790)	2,750
 Net cash provided by (used in) operating activities	 <u>57,411</u>	 <u>16,584</u>	 <u>(82,649)</u>	 <u>(8,654)</u>	 <u>392,872</u>
Cash flows from investing activities:					
Purchases of land, buildings and equipment	-	(127,815)	-	(127,815)	(63,090)
Proceeds from investments	200,764	64,091	527,969	792,824	280,653
Purchases of investments	(4,676)	(64,334)	(650,012)	(719,022)	(209,866)
 Net cash provided by (used in) investing activities	 <u>196,088</u>	 <u>(128,058)</u>	 <u>(122,043)</u>	 <u>(54,013)</u>	 <u>7,697</u>
Cash flows from financing activities:					
Pledges receivable - endowment	-	-	10,099	10,099	(9,949)
 Net increase (decrease) in cash and cash equivalents	 253,499	 (111,474)	 (194,593)	 (52,568)	 390,620
Cash and cash equivalents at beginning of year	<u>344,245</u>	<u>309,921</u>	<u>207,435</u>	<u>861,601</u>	<u>470,981</u>
Cash and cash equivalents at end of year	<u>\$ 597,744</u>	<u>\$ 198,447</u>	<u>\$ 12,842</u>	<u>\$ 809,033</u>	<u>\$ 861,601</u>

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE A - NATURE OF THE ORGANIZATION

Boy Scouts of America, Washington Crossing Council ("Council") is located in Doylestown, Pennsylvania and provides services to young men ages 5-20 and young women ages 14-20 in 52 municipalities of Pennsylvania, and in Hunterdon County and the Greater Mercer Area in New Jersey. Council has camping facilities at Ockanickon Scout Reservation located in Bucks County, Pennsylvania. Boy Scouts of America, Washington Crossing Council, is a not-for-profit organization devoted to promoting, within the territory covered by the charter granted by the National Council of the Boy Scouts of America ("National Council, BSA"), the ability of boys, young men and women to do things for themselves and others, training them in Scoutcraft and teaching them patriotism, courage and self-reliance. Council also prepares its youth members to make ethical choices over their lifetimes and achieve their full potential using the methods which are now in common use by the Boy Scouts of America.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation and classification of net assets:

The financial statements of Council have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations.

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of 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 specific activities or objectives.

Council also prepares financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Presentation of Financial Statements*. Under FASB ASC 958-205, 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.

Resources in the financial statements are classified for accounting and reporting purposes into classes of net assets according to the existence or absence of donor-imposed restrictions. Restricted contributions whose restrictions are met in the same reporting period as when the contributions are received are reported as unrestricted support in the statements of activities and changes in net assets.

The accompanying financial statements include the following classes of net assets:

- ***Unrestricted***

Unrestricted net assets are funds which have not been restricted by donors and over which the Board of Directors ("Board") has discretionary control.

- ***Temporarily Restricted***

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes or passage of time and endowment income not yet appropriated for expenditure by the Board. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

- ***Permanently Restricted***

Permanently restricted net assets represent those resources subject to donor-imposed stipulations that they be maintained permanently by Council.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Contributions:

Contributions revenue, which is included under public support on the statements of activities and changes in net assets, is recognized upon notification of a donor's unconditional promise to give to Council. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value in accordance with FASB ASC 958-605-30, *Contributions Received*. An allowance for doubtful pledges is based on an analysis of expected collection rates determined from experience. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

[3] Donated materials and services:

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their approximate fair values at the date of donation. Council reports donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Donated services are recognized as contributions in accordance with U.S. GAAP, 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 Council. A substantial number of volunteers have donated significant amounts of their time to Council's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

Donated materials and services recorded as revenue for the years ended December 31, 2017 and 2016 were \$9,512 and \$8,017, respectively.

[4] Revenue recognition:

Revenue relating to the sale of supplies and products is recognized when the sale has been completed. Camping and activity revenue is recognized when the services have been provided. Amounts received for future camps or activities are deferred until the applicable year. Government grant revenue is recognized as costs are incurred in accordance with the contractual terms. Collection of receivables is subject to the availability of funds from the appropriate governmental agencies.

[5] Cash and cash equivalents:

Council considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

[6] Accounts receivable:

Accounts receivable are recorded primarily for product sales and are reported at net realizable value if the amounts are all due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. No allowance for doubtful accounts was considered necessary as of December 31, 2017 or 2016.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Inventories:

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

[8] Land, buildings and equipment:

Land, buildings and equipment are stated at cost, unless acquired by gift, in which case they are recorded at the approximate fair value at the time of donation, less accumulated depreciation in the Capital Fund. Specific real estate items are stated based on a 1974 real estate appraisal. Purchases of buildings or equipment having a life expectancy of two or more years and costing \$3,000 or more are capitalized. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets (3 to 40 years).

Management evaluates the recoverability of long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2017 and 2016, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[9] Investments:

Investments consist primarily of assets invested in mutual funds, bonds, corporate stock and exchange-traded funds. All investments are stated at fair value. Unrealized gains and losses are reflected in the accompanying statements of activities and changes in net assets.

Council's various types of investment securities are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

[10] Beneficial interest in split interest agreement:

Beneficial interest in split interest agreement consists of charitable gift annuities between a donor and the National Council, BSA. The donor named Council the beneficiary of the annuities and designated the annuities as permanently restricted. The National Council, BSA administers these types of annuities which includes paying a life annuity to the donor or to a designated beneficiary and paying the residuum to Council when the donor dies. The National Council, BSA advises Council annually of the amount of the expected residuum of the gift. The amount of Council's beneficial interest in the split interest agreement was \$136,821 and \$125,786 as of December 31, 2017 and 2016, respectively, and is recorded in the statements of financial position.

[11] Custodian accounts:

Custodian accounts represent funds received on behalf of various groups. The majority of the funds represents membership and charter fees paid by individual units to be remitted to National Council, BSA. These funds are disbursed for the purpose designated by the various groups.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Deferred income:

Deferred income consists of revenue received in advance for Council-sponsored activities. The revenue is deferred until the time the activity takes place.

[13] Investment policy:

Council's investment policy intends for Council to invest in assets that would produce results exceeding the investment's purchase price and incur a reasonable yield of return, while assuming a moderate level of investment risk. Council expects its Endowment Fund, over time, to provide a reasonable rate of return. To satisfy the long-term rate-of-return objective, Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Council targets a diversified asset allocation that places an emphasis on marketable equity and debt securities and money market accounts to achieve its long-term return objectives within prudent risk constraints.

[14] Board designated endowment funds:

Board designated funds include proceeds from the sale of conservation easements for developed rights at Ockanickon Scout Reservation and other funds specifically designated by the Board. It is Council's intention to use income from these funds as necessary to meet the specific purpose of Council (see Note J).

[15] Donor-restricted endowment fund:

Investment income and investment gains earned on permanently restricted net assets are recorded as temporarily restricted net assets until they are appropriated for expenditure by the Board and then transferred to unrestricted net assets for use in operations. The use of permanently restricted net assets and related income and gains is limited by Commonwealth of Pennsylvania Act 141.

[16] Concentrations of credit risk:

Council maintains cash balances in several financial institutions. Accounts at each of the institutions are insured by the Federal Deposit Insurance Corporation. At times during the year, individual accounts may exceed the federally insured limit. Management does not believe there is any credit risk at these institutions.

[17] Estimates:

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[18] Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized in Note L. Costs that are not directly associated with providing basic services have been allocated based upon the relative time spent by employees of Council providing those services. In accordance with the policy of National Council, BSA, the payments of the charter and national service fees to the National Council, BSA are not allocated as functional expenses.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[19] Federal tax status:

The Internal Revenue Service has classified Council as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code"); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability, if Council has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by Council and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Council recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest and penalties recorded for either of the years ended December 31, 2017 or 2016.

[20] New accounting pronouncement:

In August 2016, FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2016-14 will require reclassification of net asset classes and additional disclosures related to liquidity and availability of resources.

NOTE C - INVENTORIES

The following is a summary of inventories as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Council scout shop	\$ 103,505	\$ 120,557
Camp trading post	<u>48,135</u>	<u>42,928</u>
	<u>\$ 151,640</u>	<u>\$ 163,485</u>

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE D - PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Unconditional promises expected to be collected:		
Less than one year	\$ 18,845	\$ 51,756
One to five years	<u>9,850</u>	<u>-</u>
Total gross pledges	28,695	51,756
Allowance for uncollectible amounts	<u>7,655</u>	<u>9,720</u>
Total pledges, net	<u>\$ 21,040</u>	<u>\$ 42,036</u>

Management has recorded bad debt expense in the amount of \$7,655 and \$9,720 for the years ended December 31, 2017 and 2016, respectively.

NOTE E - LAND, BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings and equipment as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 587,298	\$ 587,298
Buildings	2,665,750	2,621,627
Furniture, fixtures and equipment	<u>1,239,419</u>	<u>1,172,922</u>
	4,492,467	4,381,847
Less accumulated depreciation	<u>2,719,127</u>	<u>2,660,639</u>
	<u>\$ 1,773,340</u>	<u>\$ 1,721,208</u>

Depreciation for the years ended December 31, 2017 and 2016 was \$75,683 and \$74,162, respectively.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE F - INVESTMENTS

Investments as of December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Bonds	\$ 501,473	\$ 376,153
Corporate stock	1,363,468	1,235,399
Exchange-traded funds	1,037,342	835,960
Funds held in trust by others	<u>136,821</u>	<u>125,786</u>
	3,039,104	2,573,298
Invested cash	<u>227,754</u>	<u>436,265</u>
	\$ 3,266,858	\$ 3,009,563
Short-term investments	\$ 118,842	\$ 317,897
Long-term investments	3,011,195	2,565,880
Beneficial interest in split interest agreement	<u>136,821</u>	<u>125,786</u>
	\$ 3,266,858	\$ 3,009,563

Income from investments and other interest-bearing accounts for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 72,075	\$ 63,630
Realized gain (loss)	46,635	(28,191)
Unrealized gain	273,427	163,114
Change in value of split interest agreement	<u>11,035</u>	<u>1,536</u>
	\$ 403,172	\$ 200,089

Investment management fees paid by Council for the years ended December 31, 2017 and 2016 was \$28,767 and \$24,743, respectively.

NOTE G - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Assets utilizing Level 3 inputs are funds held in trust by others.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets.

The following is a description of the valuation methodologies used for assets measured at fair value.

Corporate stock- Valued at the closing market price on the stock exchange where it is traded.

Bonds - Valued at the present value of future cash flows.

Mutual funds and exchange-traded funds – Valued at the net asset value of the shares held by Council at year-end.

Funds held in trust by others– Valued at management's estimated fair value based on amounts provided by third parties who hold the funds.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level, Council's assets at fair value, within the aforementioned fair value hierarchy, as of December 31, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 501,473	\$ -	\$ 501,473
Corporate stock	1,363,468	-	-	1,363,468
Exchange-traded funds:				
Equities	1,037,342	-	-	1,037,342
Funds held in trust by others	-	-	136,821	136,821
Total assets at fair value	<u>\$ 2,400,810</u>	<u>\$ 501,473</u>	<u>\$ 136,821</u>	<u>\$ 3,039,104</u>

	2016			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 376,153	\$ -	\$ 376,153
Corporate stock	1,235,399	-	-	1,235,399
Exchange-traded funds:				
Equities	835,960	-	-	835,960
Funds held in trust by others	-	-	125,786	125,786
Total assets at fair value	<u>\$ 2,071,359</u>	<u>\$ 376,153</u>	<u>\$ 125,786</u>	<u>\$ 2,573,298</u>

Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2017 and 2016, there were no transfers into or out of Levels 1, 2 or 3.

The following summarizes Level 3 reconciliations:

	Funds Held in Trust by Others for the Year Ended December 31	
	2017	2016
Beginning balance	\$ 125,786	\$ 101,049
Contribution	-	23,201
Change in value of split interest agreement	11,035	1,536
Ending balance	<u>\$ 136,821</u>	<u>\$ 125,786</u>

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE H - LINE-OF-CREDIT

Council has available a \$100,000 bank line-of-credit ("LOC"). This LOC is collateralized by Council's building in Doylestown, Pennsylvania and is payable on demand. The LOC bears interest at prime less .25% (prime was 4.25% and 3.75% as of December 31, 2017 and 2016, respectively). As of December 31, 2017 and 2016, there were no outstanding borrowings on the LOC.

NOTE I - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Camperships	\$ 59,590	\$ 25,393
Scoutreach	21,066	23,515
FlagPlaza/Brick Walkway	70,778	70,181
Restricted by Pennsylvania Statute	194,914	77,873
Various projects	61,505	56,453
Friends of Scouting	8,676	5,000
	<u>\$ 416,529</u>	<u>\$ 258,415</u>

NOTE J - ENDOWMENT AND BOARD DESIGNATED FUNDS

Council's endowment funds include both donor-restricted endowment funds (permanently restricted) and funds designated by the Board of Directors to function as endowments (board designated unrestricted funds). The income from these funds can be used for unrestricted purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Council has interpreted the Commonwealth of Pennsylvania state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated by the Board for expenditure in a manner consistent with state law.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

**Notes to Financial Statements
December 31, 2017 and 2016**

NOTE J - ENDOWMENT AND BOARD DESIGNATED FUNDS (CONTINUED)

Council's endowment and Board designated net assets had the following activity for the years ended December 31, 2017 and 2016:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment and board designated funds at beginning of year	<u>\$ 1,469,385</u>	<u>\$ 77,873</u>	<u>\$ 1,200,016</u>	<u>\$ 2,747,274</u>
Investment return:				
Net appreciation (realized and unrealized)	185,092	133,783	-	318,875
Change in value of split interest agreements	-	-	11,035	11,035
Contributions	-	-	3,200	3,200
Appropriation of endowment assets for expenditure	(47,126)	(11,205)	(793)	(59,124)
Other changes:				
Investment management fees	<u>(28,767)</u>	<u>-</u>	<u>-</u>	<u>(28,767)</u>
Change in net assets	<u>109,199</u>	<u>122,578</u>	<u>13,442</u>	<u>245,219</u>
Endowment and board designated funds at end of year	<u>\$ 1,578,584</u>	<u>\$ 200,451</u>	<u>\$ 1,213,458</u>	<u>\$ 2,992,493</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and board designated funds at beginning of year	<u>\$ 1,448,909</u>	<u>\$ 43,958</u>	<u>\$ 948,024</u>	<u>\$ 2,440,891</u>
Investment return:				
Net appreciation (realized and unrealized)	74,727	59,424	-	134,151
Change in value of split interest agreements	-	-	1,536	1,536
Contributions	-	-	250,456	250,456
Appropriation of endowment assets for expenditure	(29,508)	(25,509)	-	(55,017)
Other changes:				
Investment management fees	<u>(24,743)</u>	<u>-</u>	<u>-</u>	<u>(24,743)</u>
Change in net assets	<u>20,476</u>	<u>33,915</u>	<u>251,992</u>	<u>306,383</u>
Endowment and board designated funds at end of year	<u>\$ 1,469,385</u>	<u>\$ 77,873</u>	<u>\$ 1,200,016</u>	<u>\$ 2,747,274</u>

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

**Notes to Financial Statements
December 31, 2017 and 2016**

NOTE J - ENDOWMENT AND BOARD DESIGNATED FUNDS (CONTINUED)

Endowment and Board designated funds had the following net asset compositions as of December 31, 2017 and 2016:

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 200,451	\$ 1,213,458	\$ 1,413,909
Board designated endowment funds	<u>1,578,584</u>	<u>-</u>	<u>-</u>	<u>1,578,584</u>
Total endowment funds	<u>\$ 1,578,584</u>	<u>\$ 200,451</u>	<u>\$ 1,213,458</u>	<u>\$ 2,992,493</u>

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 77,873	\$ 1,200,016	\$ 1,277,889
Board designated endowment funds	<u>1,469,385</u>	<u>-</u>	<u>-</u>	<u>1,469,385</u>
Total endowment funds	<u>\$ 1,469,385</u>	<u>\$ 77,873</u>	<u>\$ 1,200,016</u>	<u>\$ 2,747,274</u>

Endowment funds consists of the following net asset compositions as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets:		
The portion of the perpetual endowment funds that is required to be retained permanently by explicit donor stipulation and total endowment funds classified as permanently restricted net assets	<u>\$ 1,213,458</u>	<u>\$ 1,200,016</u>
Temporarily restricted net assets:		
The portion of the unrealized earnings on the perpetual endowment funds subject to a time restriction under the Commonwealth of Pennsylvania state law:		
Without purpose restrictions	\$ 194,914	\$ 77,873
With purpose restrictions	<u>5,537</u>	<u>-</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 200,451</u>	<u>\$ 77,873</u>

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE J - ENDOWMENT AND BOARD DESIGNATED FUNDS (CONTINUED)

[1] Return objectives and risk parameters:

The Board of Directors has adopted investment and spending policies for endowment and Board designated assets that attempt to provide a relatively predictable and growing stream of annual distribution in support of Council while preserving the long-term, real purchasing power of assets. An additional purpose of the funds is to provide a source of funds for a time when Council may face a financial emergency, subject to any funds being utilized in such a manner which is consistent with the original donor restrictions.

[2] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Board of Directors has approved an asset allocation policy consisting of 55%-75% equities, with the balance of the funds in fixed income, bonds and cash.

Total return is defined as capital gains, realized and unrealized, plus income derived from dividends and interest. It is recognized that economic and securities' market conditions are not constant, but ever changing and, as a result, periodic portfolio rebalancing will be required to maintain asset allocation.

[3] Spending policy and how the investment objectives relate to spending policy:

This policy is limited by Commonwealth of Pennsylvania Act 141. Each year, Council's Board of Directors determines the amount that can be spent, subject to donor restrictions. Annual withdrawals from the endowment trust cannot exceed 5% of Council's investable asset value. The 5% spending objective is determined based on a three-year rolling average calculated using the market value of the endowment trust as of September 30. Pursuant to this Commonwealth of Pennsylvania law and at the direction of the Board of Directors, \$59,124 and \$55,017 was distributed for unrestricted purposes and has been reported as transfers in the accompanying statements of activities and changes in net assets for the years ended December 31, 2017 and 2016, respectively.

NOTE K - RETIREMENT PLAN

The National Council, BSA has a qualified defined benefit pension plan administered at the national office that covers employees of the National Council, BSA and local councils, including Boy Scouts of America, Washington Crossing Council. The plan name is Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2% of compensation and Council contributes an additional 7% to the plan. Pension expense (excluding the contributions made by employees) was \$56,255 and \$53,235 for the years ended December 31, 2017 and 2016, respectively, and covered current service cost. The actuarial information for the plan as of February 1, 2017 indicates that it is in compliance with ERISA regulations regarding funding.

BOY SCOUTS OF AMERICA, WASHINGTON CROSSING COUNCIL

Notes to Financial Statements December 31, 2017 and 2016

NOTE K - RETIREMENT PLAN (CONTINUED)

Additionally, Council has a 403(b) defined-contribution retirement plan available to all full-time employees. Employees may voluntarily contribute a portion of their compensation to the plan subject to limits set by the federal tax code. Council makes a matching contribution of up to 3% of employee compensation. Defined-contribution retirement plan expense amounted to \$16,072 and \$16,677 for the years ended December 31, 2017 and 2016, respectively.

NOTE L - FUNCTIONALIZED EXPENSE CLASSIFICATIONS

During each fiscal year, Council's expenses, as reported on a functional basis, were as follows:

	<u>2017</u>	<u>2016</u>
Program (includes cost of supplies of \$250,861 and \$237,467, cost of product of \$142,492 and \$160,611 and sales commissions of \$192,972 and \$194,401)	\$ 3,148,511	\$ 3,453,098
Management and general	37,711	41,510
Fundraising (includes direct benefit to donors of \$61,722 and \$68,320)	<u>412,340</u>	<u>441,728</u>
	<u>\$ 3,598,562</u>	<u>\$ 3,936,336</u>

NOTE M - SUBSEQUENT EVENTS

Council has evaluated subsequent events through May 14, 2018, which is the date the financial statements were available to be issued.